

City of Franklin, Ohio

Independent Auditors' Report on
Internal Controls and Compliance
December 31, 2008



Mary Taylor, CPA
Auditor of State

City Council
City of Franklin
1 Benjamin Franklin Way
Franklin, Ohio 45005

We have reviewed the *Independent Auditors' Report* of the City of Franklin, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Franklin is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 20, 2009

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To The City Council
City of Franklin, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Ohio (the "City") as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described as finding 2008-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial report.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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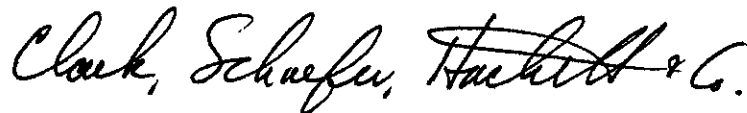
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2008-2, 2008-3, & 2008-4.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the City of Franklin, Ohio in a separate letter dated June 17, 2009.

This report is intended solely for the information and use of management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachtel & Co.".

Middletown, Ohio
June 17, 2009

Finding 2008-1 – Prior Period Restatement and Audit Adjustments

During the course of our audit, we noted a prior period adjustment, and we also identified material misstatements in the financial statements for the year under audit that were not initially identified by the City's internal control. Throughout the year, the City maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The following audit adjustments were necessary to correct the December 31, 2008 financial statements. A description of the prior period adjustment and the adjustments follows:

- **Cash.** During our audit of the cash reconciliations it was noted that the city had various reconciling items including interest that had been earned during the year but not recorded. The reconciling items and the unrecorded interest were posted as audit adjustments.
- **Capital Assets.** Adjustments were necessary to correct the capital assets additions amounts that were recorded during the conversion process based on the reports provided by the City's fixed assets appraisal company.
- **Special Assessment Receivable.** The Special Assessment Bond Retirement fund was adjusted \$82,904 with an audit adjustment to correct an error in the calculation of the special assessment receivable as of 12/31/08 that occurred during the conversion process.
- **Revenue.** The Issue II fund was adjusted for \$117,387 for OPWC funds that were paid on behalf of the City towards a project, but were not recorded during the year.
- **Income Taxes.** An audit adjustment was necessary to correct income tax receivables on the financial statements. Income tax receivables reported at December 31, 2008 were understated by \$207,457 and were corrected with an audit adjustment.
- **Prior Period Restatement.** As disclosed in note 3 of the financial statements, the City restated the Business Type Activities net assets as of December 31, 2008 by approximately \$205,000 due to errors in the reporting of capital assets and debt proceeds during the conversion process.

Management response: The city has reconciled all bank accounts and interest will be posted on a timely basis.

Finding 2008-2 – Invoices Dated Prior to Purchase Orders

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that for the year ended December 31, 2008, 17% of the expenditures tested, the invoice was dated prior to the purchase order approved by the Finance Director, thus causing those expenditures not to be certified in a timely manner. Without timely certification, the City increases the risk that purchase may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result. It may also result in unnecessary purchases.

City of Franklin, Ohio
 Schedule of Findings and Responses
 Year Ended December 31, 2008

We recommend the School District implement processes to ensure the purchase orders are prepared prior to the order, or issue a Then & Now Certificate in accordance with the requirements prescribed by Ohio Revised Code Section 5705.41(D)(1).

Management response: *The Finance Director is in the process of establishing a Purchase Order Policy.*

Finding 2008-3 – Expenditure in Excess of Appropriations

During the course of our audit, we identified the following fund appropriation accounts that had an excess of expenditures over appropriations in noncompliance with Ohio Revised Code Section 5705.41(B):

| Fund Type/Fund | Final Appropriations | Expenditures | Excess |
|-------------------------------|----------------------|--------------|------------|
| Capital Project Funds | | | |
| Capital Improvement Funds 400 | \$338,900 | \$424,885 | (\$85,985) |

With expenditures exceeding appropriations, the City is spending monies that have not been appropriated by the City Council. We recommend that the City monitor its budget on regular basis to ensure the funds are available and prevent fund deficits.

Management response: *The Finance Director will monitor appropriations to ensure that expenditures do not exceed appropriations.*

Finding 2008-4 – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.28 requires the subdivision to obtain from the County budget commission an increased amended certificate if the City intends to appropriate and expend excess revenue. Total appropriations made during a fiscal year from any fund must not exceed the amount contained in the official or amended certificate of estimated resources prior to making the appropriation or supplemental appropriations. It was noted during the audit that the City had three funds with appropriations exceeding its certificate of estimated resources as of July 31, 2008 in the following funds:

| Fund | Estimated Resources and Balances | Appropriations | Excess |
|------------------------|----------------------------------|----------------|------------|
| Special Revenue Funds: | | | |
| Joint Recreation Fund | \$110,901 | \$113,050 | (\$2,149) |
| Police Pension | \$260,000 | \$328,985 | (\$68,985) |
| Debt Service Fund: | | | |
| Bond Retirement Fund | \$2,881,327 | \$2,893,704 | (\$12,377) |

City of Franklin, Ohio
Schedule of Findings and Responses
Year Ended December 31, 2008

We recommend that the City obtain an increased amended certificate from the county budget commission, as needed, whenever potential appropriation amendments exceed the current certificate of estimates resources.

Management response: *The Finance Director will monitor receipts throughout the year to determine if amended resources need to be filed.*

City of Franklin
 Schedule of Prior Audit Findings
 Year Ended December 31, 2008

| Finding Number | Finding Summary | Fully Corrected? | |
|----------------|--|------------------|----------------------------|
| 2007-1 | During the course of our audit, we identified material misstatements in the financial statements for the year under audit that were not initially identified by the City's internal control. Throughout the year, the City maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. Audit adjustments were necessary to correct the December 31, 2007 financial statements. | No | Repeated as Finding 2008-1 |
| 2007-2 | It was noted during the audit that for the year ended December 31, 2007, 4.5% of the expenditures tested, the invoice was dated prior to the purchase order by the Finance Director, thus causing those expenditures not to be certified in a timely manner. Without timely certification, the City increases the risk that purchase may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result. It may also result in unnecessary purchases. | No | Repeated as Finding 2008-2 |
| 2007-3 | During the course of our audit, we identified fund appropriation accounts that had an excess of expenditures over appropriations in noncompliance with Ohio Revised Code Section 5705.41(B): | No | Repeated as Finding 2008-3 |

City of Franklin
 Schedule of Prior Audit Findings
 Year Ended December 31, 2008

| Finding Number | Finding Summary | Fully Corrected? | |
|----------------|---|------------------|----------------------------|
| 2007-4 | Ohio Revised Code Section 5705.28 requires subdivision to obtain from the budget commission an increased amended certificate if the City intends to appropriate and expend excess revenue. Total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriations. It was noted during the audit that the City had appropriations exceeding its certificate of estimated resources during 2007. | No | Repeated as Finding 2008-4 |



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training and experience are well-suited for each client's purpose and goals. We are committed to providing insightful and customized service — from efficient compliance to sophisticated consulting — to help each client prosper today and plan for future success.

cincinnati | columbus | dayton | middletown | springfield

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CITY OF FRANKLIN, OHIO

Comprehensive Annual Financial Report

For the Year Ended December 31, 2008

Introductory Section

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City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2008

Issued by:
Office of the Finance Director
Sandra Morgan
Finance Director

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City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2008

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Comprehensive Annual Financial Report
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CITY OF FRANKLIN

1 Benjamin Franklin Way • Franklin, Ohio 45005 (937) 746-9921 FAX (937) 746-1136

June 17, 2009

Citizens of Franklin
Mayor and Members of City Council

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Franklin. This report, for the year ended December 31, 2008, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the City of Franklin (the "City"). The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the City, specifically with the City Finance Director's office.

This report enables the City to comply with Ohio Administrative Code Section 117-2-03 (B), which requires reporting on a GAAP (Generally Accepted Accounting Principles) basis, and Ohio Revised Code Section 117.38, which requires the cities reporting on a GAAP basis to file an annual report with the Auditor of State within 150 days of year end.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accounting firm of Clark, Schaefer & Hackett has issued an unqualified ("clean") opinion on the City of Franklin's financial statements for the year ended December 31, 2008. The Independent Auditor's Report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

FORMATION OF THE CITY

Franklin was founded by General William C. Schenck in 1796 as part of a land grant from the Revolutionary War. General Schenck was a great admirer of Ben Franklin, and to honor the famous inventor and statesman, he named the new city after him.

Because of its ideal location, Franklin was always a major link in the transportation chain. During the 1800's it served as a stage coach stop between Dayton and Cincinnati, in addition to being serviced by all the major railroads of that era. A system of canals was built to aid in transporting agricultural goods to and from the market. Mules would pull the flat bottomed boats through the shallow waters of the canals out to the Great Miami River that flows into the Ohio River.

From the early 1900's to the post World War II era, Franklin became known as a paper mill town. Newly founded industries such as Franklin Boxboard, Cheney Pulp and Paper, and Maxwell Paper flourished. As these industries grew and created greater demands for labor, the City's population doubled. This growth continued through the 1970's.

Many changes have occurred in the past two hundred years. Today, Franklin's industrial base is becoming increasingly diversified due to its strategic position along Interstate 75, its easy access to other major transportation arteries, and the diligence of the City Council, Mayor, and Chamber of Commerce.

PROFILE OF THE GOVERNMENT AND REPORTING ENTITY

Located in Warren County, Franklin is situated midway between Dayton and Cincinnati in Southwestern Ohio, along the Great Miami River. In 1983, voters approved a home rule charter, effective January 1, 1984, which provides for a Council/Manager form of government. Council members are elected on a non-partisan basis.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds and departments that are not legally separate from the City. The City departments include a police force, a fire fighting force, a street maintenance and repair force, planning and zoning departments, a parks and recreation system, water and sewer systems, a community development department, and staff to provide essential support to these service providers. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provided financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of the debt or the levying of taxes. The City has one blended component unit (the Franklin Municipal Building Corporation) included in its reporting entity.

Franklin Public Library and the Franklin City School District have been excluded from the City's financial statements because the City is not financially accountable for them nor are the entities fiscally dependent on the City.

The Joint Recreation Facility was determined to be a joint venture. The Public Entities Pool of Ohio is a shared risk pool in which the City participates. The Warren County General Health District, the Joint Emergency Medical Service and the Miami Valley Regional Planning Commission were determined to be jointly governed organizations (See Note 18).

At the beginning of each year, Council adopts a temporary budget which will give them an extension until March 30th of the current year. Council is required to adopt a final budget by no later than April 1st. Upon presentation by the City Manager of a proposed budget document to Council, Council calls and publicizes a public hearing. Council will subsequently adopt such budget, as it may have been amended, as the City's annual budget effective for the fiscal year beginning January 1. All funds, except agency funds, are legally required to be budgeted and appropriated. The legal level of control in the adopted budget has been established by Council at the fund and department level. Budgetary modifications at this level can only be made by ordinance of the City Council.

The budget represents the City's financial plan and operations guide for the next operating year. It is a communications tool to inform Franklin residents of how the City plans to allocate resources to address the needs of the community and improve the overall strength of the government.

MAJOR INITIATIVE

The major initiative that occurred in 2008 was the establishment of “Franklin Yards” – a rail transload facility that will serve the City, the County, and the entire Southwest Ohio region. Faced with an abandoned shingle facility, City staff and Council needed to be creative to find another use for the property. Due to input from area businesses, which were looking to rail as a cost-saving measure for transportation expenses, the City partnered with Warren County, R. Good Logistics, and Norfolk Southern to establish a rail hub to facilitate the delivery of raw materials and the shipment of finished goods to and from their intended markets. The City of Franklin has a history of partnering with the private sector. Franklin Yards, which opened at the beginning of 2009, will have a positive impact on the local economy.

Another effort to save taxpayer money was the City’s recent purchase of the privatized water treatment plant in 2007 for approximately 2.5 million from Earthtech Inc. In anticipation of this purchase, during 2006, the City of Franklin refunded the remaining \$3,385,000 of the 1996 series Waterworks Bonds. The refunding bonds were issues in the amount of \$6,140,000. Over the life of this new debt, the City will save approximately \$3.2 million in interest and rental payments. In another cost-saving measure, the City also decided to take the operating aspect away from Earthtech. Operating the plant with City staff will save taxpayers approximately \$100,000 per year.

For economic development reasons, the City of Franklin is also in the process of replacing the Franklin Business Park Water Tower. The existing water tower, with a capacity of 500,000 gallons, will be replaced with a 1,000,000 gallon tank. The new tank will allow for the development of the three surrounding business parks and maintain the water pressure in the surrounding residential areas as well. The water tower will cost approximately \$2.5 million with \$1 million of the funding being State Issue II Grant funds and the rest funded through Ohio Water Development Authority loans.

The City of Franklin continues to focus on making significant improvements to the State Route 73 corridor, one of the key areas for economic development in the Dayton region. Partnering with the Warren County Engineer, the Warren County Commissioners, and the Ohio Department of Transportation, a right-turn lane was recently added to SR 73 at I-75. This improvement has significantly improved the traffic flow on SR 73, which will be a key to future economic development success. In addition, working with the Ohio Department of Transportation and the City of Springboro, a major traffic signalization plan on SR 73 was completed in 2008. Last, and perhaps most important, the City of Franklin, the City of Springboro, the Ohio Department of Transportation, and the Miami Valley Regional Planning Commission, are planning significant improvements to SR 73 at I-75, such as widening the bridge over SR 73 to accommodate additional traffic on SR 73 in the future. These improvements will increase the road capacity to handle the next twenty years’ projection of growth.

LOCAL ECONOMY

Economic development, especially in the current state of the economy, is a community priority because the creation/retention of jobs is essential for the City's revenue base. City officials understand its importance and have a reputation for creativity, accessibility, and responsiveness when dealing with businesses. Franklin's officials work hand-in-hand with the School Board and local/state officials to ensure that business owners find Franklin an attractive place to locate or expand their operations. As an example of our business-friendly approach, City, County, State, and Federal representatives have started meeting with Franklin businesses on an individual basis to learn how we can assist them to be successful in our community.

The City has had numerous economic development successes in the recent past (e.g., the Dayton Daily News printing facility, Burrows Paper Corporation, and MTP, Inc.). The City is known in the Dayton region for being competitive and creative with our retention or relocation efforts. For instance, the Dayton-Montgomery County Port Authority, realizing the importance of a regional approach to economic development, recently crossed traditional boundaries and assisted the City in retaining a key company within our jurisdiction.

Fortunately, the City is in a position to continue having economic development success. The City has five Industrial/Office Parks with a large amount of vacant land: the Heritage Industrial Park, the Jaygee Industrial Park, the Franklin Business Park, the Schumacher-Franklin Interstate Park, and the recently-added Bunnell Hill Industrial Park, with 120 acres of land, have placed Franklin in a position to be very competitive with other areas. All of the above sites are located off of Interstate exchanges and tax abatements (real and personal property) are available.

In addition to the recent industrial growth within the City, the City has also witnessed significant commercial growth, especially along the State Route 73 corridor. A new Wal-Mart, W.W. Grainger, Fifth-Third Bank, Walgreens, McDonalds, and Holiday Inn Express have all recently been built. In addition, a significant office complex at SR 73 and I-75 is planned.

A City initiative that was very successful was Franklin's "Downtown Improvement Program." This program funded grants and loans to encourage downtown property owners to enhance their properties. This, in turn, attracted additional development. Pisanello's Pizza, for example, used these funds to convert an empty building to a pizza shop and catering business. Other businesses have used the funds to repair or replace siding, windows, awnings and to make other façade improvements. This program was established in 2001 for exterior renovations and, due to its success, was expanded in 2003 to include interior improvements.

A further initiative that has created interest in Franklin's downtown is the City's mural program. Local citizen, and nationally renowned artist, Eric Henn has completed several murals to date and several have won national awards. Partnering with AT&T, a mural at the Main/3rd Street intersection is near completion. Contributions from local owners, the Middletown Community Foundation and the City have contributed to this tourism initiative.

FINANCIAL PLANNING AND POLICIES

The cash fund balance in the General Fund (53.9 percent of the total General Fund revenues) exceeds the policy guidelines set by Council for budgetary and planning purposes. (i.e., between 10 and 20 percent of total General Fund revenues.)

As a part of the Fire Department Strategic Plan, Council envisions the building of a fire substation and training facility co-located with a fire themed recreation park on approximately six acres of land owned by the City of Franklin on Deardoff Road. This project is estimated to cost between \$1.5 and \$2.5 million and is in the early planning stages.

OTHER INFORMATION

Independent Audit

An audit team from Clark, Schaefer & Hackett has performed this year's audit. The results of the audit are presented in the Independent Auditor's Report.

Awards

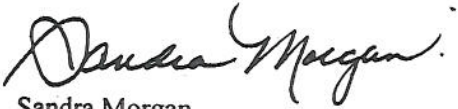
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Franklin for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

A note of sincere appreciation is extended to the many conscientious people who have contributed their time and effort to prepare this report.

Respectfully submitted,



Sandra Morgan
Finance Director



James Lukas
City Manager

City of Franklin, Ohio

List of Principal Officials

December 31, 2008

OFFICE HELD

NAME OF OFFICIAL

Executive:

City Manager

James Lucas

Finance Director

Mike Robinette

Law Director

Donnette Fisher

Legislative:

Mayor

Todd Hall

Vice Mayor

Denny Centers

Council-At-Large

Michael Aldridge

Robert Knipper

Jason Faulkner

Carl Bray

Scott Lipps

Judicial:

Municipal Court Judge

Ruppert Ruppert

Municipal Court Clerk

Sherry Mullins

Administrative:

City Clerk

Jane McGee

Income Tax Administrator

David Fouch

Police Chief

Gordon Ellis (Active Military Duty)

Acting Police Chief

Ross Coulton

Fire Chief

Jonathan Westendorf

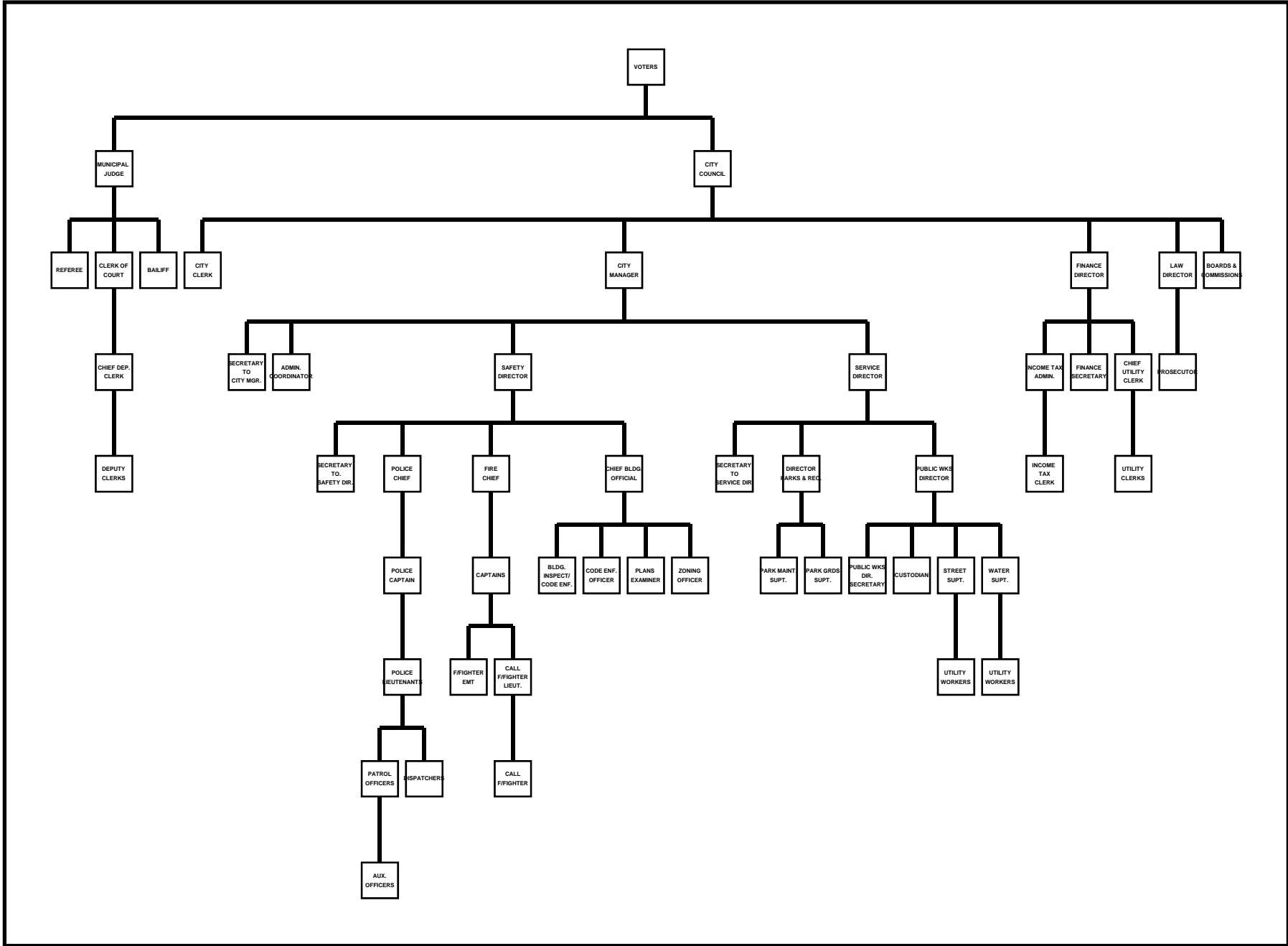
Public Works Director

Howard Lewis

Chief Building Official

Don Woods

CITY of FRANKLIN 2008 Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Franklin
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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President

Executive Director

Financial Section

INDEPENDENT AUDITORS' REPORT

To The City Council
City of Franklin, Ohio:

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, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City of Franklin, Ohio'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 of Franklin, Ohio as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and respective budgetary comparison for the General and Fire Levy funds 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 June 17, 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 Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 10 and pages 77 through 96, respectively, 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.

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middletown, oh 45042

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f. 513.422.7882

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Harkness & Co.

Middletown, Ohio
June 17, 2009

City of Franklin, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2008
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the City of Franklin's financial performance provides an overview of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the transmittal letter, the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The City's governmental net assets increased \$2,056,717 and net assets of business-type activities increased \$973,270, resulting in a total increase in net assets of \$3,029,987.
- General revenues of governmental activities accounted for \$7,613,924 or 59 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$5,249,508 or 41 percent of total governmental revenues of \$12,863,432.
- The City had \$10,386,117 in expenses related to governmental activities; only \$5,249,508 of these expenses were offset by program specific charges for services and sales, and grants, contributions and interest.
- Enterprise funds reflected a total operating income of \$951,124. The Water and Sewer Funds reflected an operating income of \$826,375 and \$311,872, respectively, while the Trash and Stormwater Utility Funds reflected an operating losses of \$4,952 and \$182,171, respectively.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Franklin's financial situation as a whole and also give a detailed view of the City's financial condition.

The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

The analysis of the City as a whole begins with the statement of net assets and the statement of activities. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by private sector companies, and reports the net assets and changes to those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. All current year revenues and expenses are taken into account regardless of when cash is received or disbursed.

In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

In the statement of net assets and the statement of activities, the City is divided into two kinds of activities.

Governmental Activities – Most of the City's services are reported here including general government, police, fire, public health and welfare, leisure time activities, economic development, basic utility services and transportation.

Business-Type Activities – These services include water, sewer, trash and stormwater utility. Service fees for these operations are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the City's major funds begins on page 8. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City of Franklin's major funds are the General, Fire Levy, Debt Service, Issue II, Water, Sewer, Trash and Stormwater Utility Funds.

Governmental Funds – Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Enterprise Funds – When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

THE CITY AS A WHOLE

As stated previously, the statement of net assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2008 compared to 2007.

Table 1
Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 (Restated) | 2008 | 2007 (Restated) |
| Assets: | | | | | | |
| Current and Other Assets | \$14,781,255 | \$14,787,456 | \$4,333,442 | \$4,017,313 | \$19,114,697 | \$18,804,769 |
| Nondepreciable Capital Assets | 19,301,595 | 19,213,623 | 3,169,635 | 1,408,754 | 22,471,230 | 20,622,377 |
| Depreciable Capital Assets, Net | 31,293,512 | 31,155,402 | 21,615,122 | 22,242,633 | 52,908,634 | 53,398,035 |
| Total Assets | 65,376,362 | 65,156,481 | 29,118,199 | 27,668,700 | 94,494,561 | 92,825,181 |
| Liabilities: | | | | | | |
| Current and Other Liabilities | 4,989,999 | 6,167,608 | 746,705 | 739,082 | 5,736,704 | 6,906,690 |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 811,861 | 864,113 | 618,426 | 545,046 | 1,430,287 | 1,409,159 |
| Due in More Than One Year | 10,344,511 | 10,951,486 | 9,226,489 | 8,831,263 | 19,571,000 | 19,782,749 |
| Total Liabilities | 16,146,371 | 17,983,207 | 10,591,620 | 10,115,391 | 26,737,991 | 28,098,598 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 40,366,322 | 39,414,521 | 15,200,878 | 14,664,105 | 55,567,200 | 54,078,626 |
| Restricted | 6,135,200 | 5,495,114 | 827,920 | 1,136,409 | 6,963,120 | 6,631,523 |
| Unrestricted | 2,728,469 | 2,263,639 | 2,497,781 | 1,752,795 | 5,226,250 | 4,016,434 |
| Total Net Assets | \$49,229,991 | \$47,173,274 | \$18,526,579 | \$17,553,309 | \$67,756,570 | \$64,726,583 |

Total net assets increased \$3,029,987.

Net assets of the City's governmental activities increased by \$2,056,717. This was primarily due to an increase in Invested in Capital Assets, Net of Related Debt of \$951,801, related to capital asset additions, net of depreciation expense and deletions, and the receipt of a donation from an estate that is restricted for Leisure Time Activities.

The net assets of the City's business-type activities increased by \$973,270. This was primarily due to increases in capital assets related to the construction of the City's new water tower, as well as increased charges for services received for sewage treatment, offset by decreases in contractual services related to water and sewer treatment. In 2008, the City implemented a seven percent increase in sewage treatment fees, in addition to an annual cost-of-living adjustment to those same fees. The City strives to control operation expenses for business-type activities in order to maintain stability in charges for services and sales and to closely monitor the trends of our growing community in order to adjust for budgetary issues and changes in City policy where necessary.

Table 2 shows the changes in net assets for the years ended December 31, 2008 and December 31, 2007.

Table 2
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 (Restated) | 2008 | 2007 (Restated) |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services and Sales | \$963,887 | \$883,788 | \$6,045,974 | \$5,741,840 | \$7,009,861 | \$6,625,628 |
| Operating Grants, Contributions and Interest | 1,414,446 | 1,220,580 | 0 | 0 | 1,414,446 | 1,220,580 |
| Capital Grants, Contributions and Interest | 2,871,175 | 2,255,359 | 0 | 0 | 2,871,175 | 2,255,359 |
| Total Program Revenues | 5,249,508 | 4,359,727 | 6,045,974 | 5,741,840 | 11,295,482 | 10,101,567 |
| General Revenues: | | | | | | |
| Property Taxes | 1,141,056 | 1,423,470 | 0 | 0 | 1,141,056 | 1,423,470 |
| Income Taxes | 5,322,030 | 5,639,866 | 0 | 0 | 5,322,030 | 5,639,866 |
| Other Local Taxes | 124,412 | 0 | 0 | 0 | 124,412 | 0 |
| Grants and Entitlements | 502,780 | 633,352 | 0 | 0 | 502,780 | 633,352 |
| Unrestricted Investment Earnings | 213,422 | 610,369 | 10,423 | 33,902 | 223,845 | 644,271 |
| Gain on Sale of Capital Assets | 0 | 11,096 | 0 | 0 | 0 | 11,096 |
| Other | 310,224 | 182,322 | 14,930 | 15,075 | 325,154 | 197,397 |
| Total General Revenues | 7,613,924 | 8,500,475 | 25,353 | 48,977 | 7,639,277 | 8,549,452 |
| Total Revenues | 12,863,432 | 12,860,202 | 6,071,327 | 5,790,817 | 18,934,759 | 18,651,019 |
| Program Expenses: | | | | | | |
| General Government | 2,107,127 | 2,618,300 | 0 | 0 | 2,107,127 | 2,618,300 |
| Security of Persons and Property: | | | | | | |
| Police | 3,250,081 | 3,439,538 | 0 | 0 | 3,250,081 | 3,439,538 |
| Fire | 1,509,378 | 1,794,200 | 0 | 0 | 1,509,378 | 1,794,200 |
| Other | 244,613 | 317,139 | 0 | 0 | 244,613 | 317,139 |
| Public Health and Welfare | 59,846 | 21,911 | 0 | 0 | 59,846 | 21,911 |
| Leisure Time Activities | 353,315 | 345,357 | 0 | 0 | 353,315 | 345,357 |
| Economic Development | 84,517 | 95,314 | 0 | 0 | 84,517 | 95,314 |
| Basic Utility Services | 80,111 | 57,355 | 0 | 0 | 80,111 | 57,355 |
| Transportation | 2,173,257 | 3,490,439 | 0 | 0 | 2,173,257 | 3,490,439 |
| Interest and Fiscal Charges | 523,872 | 585,256 | 0 | 0 | 523,872 | 585,256 |
| Water | 0 | 0 | 1,948,802 | 1,866,287 | 1,948,802 | 1,866,287 |
| Sewer | 0 | 0 | 2,240,853 | 2,618,355 | 2,240,853 | 2,618,355 |
| Trash | 0 | 0 | 654,623 | 584,968 | 654,623 | 584,968 |
| Stormwater Utility | 0 | 0 | 674,377 | 737,361 | 674,377 | 737,361 |
| Total Expenses | 10,386,117 | 12,764,809 | 5,518,655 | 5,806,971 | 15,904,772 | 18,571,780 |
| Increase (Decrease) in Net Assets Before Transfers | 2,477,315 | 95,393 | 552,672 | (16,154) | 3,029,987 | 79,239 |
| Transfers | (420,598) | (226,111) | 420,598 | 226,111 | 0 | 0 |
| Increase (Decrease) in Net Assets | 2,056,717 | (130,718) | 973,270 | 209,957 | 3,029,987 | 79,239 |
| Beginning Net Assets (Restated - See Note 3) | 47,173,274 | 47,303,992 | 17,553,309 | 17,343,352 | 64,726,583 | 64,647,344 |
| Ending Net Assets | \$49,229,991 | \$47,173,274 | \$18,526,579 | \$17,553,309 | \$67,756,570 | \$64,726,583 |

Charges for Services and Sales showed a modest increase of \$80,099 in the governmental activities. Operating Grants, Contributions and Interest increased by \$193,866, due to an increase in grant monies related to the City's fire department. Capital Grants, Contributions and Interest in the governmental activities increased by \$615,816 due mainly to the City's receipt of common stock that was donated to the City in the amount of \$1,024,344, for the use of parks and recreation, offset by decreases in Issue II monies received from 2007 to 2008.

Income Taxes decreased by \$317,836 in 2008, which is primarily due to the declining economy.

Charges for Services and Sales in the business-type activities increased by \$304,134 in 2008. This was primarily related to increases in sewer charges due to increases in sewage treatment fees.

Program expenses for Transportation decreased by \$1,317,182 due to the City's participation in an Ohio Department of Transportation road paving project during 2007. The City paid a portion of paving costs for roads reported by the State of Ohio as capital assets of the State.

Program expenses for sewer operations decreased by \$377,502, due to decreases in contractual services.

Governmental Activities

The 1.5 percent income tax is the largest source of revenue for the General Fund and the City of Franklin. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council.

The statement of activities shows the cost of program services and the charges for services and grants, contributions and interest offsetting those services. Table 3 shows, for governmental activities, the total cost of these services supported by taxes and unrestricted entitlements.

Table 3
Governmental Activities

| | Total Cost Of Services 2008 | Net Cost of Services 2008 | Total Cost Of Services 2007 | Net Cost of Services 2007 |
|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| General Government | \$2,107,127 | (\$1,096,410) | \$2,618,300 | (\$1,784,786) |
| Security of Persons and Property: | | | | |
| Police | 3,250,081 | (3,081,425) | 3,439,538 | (3,279,734) |
| Fire | 1,509,378 | (1,059,971) | 1,794,200 | (1,375,869) |
| Other | 244,613 | (140,113) | 317,139 | (222,139) |
| Public Health and Welfare | 59,846 | (16,578) | 21,911 | (3,286) |
| Leisure Time Activities | 353,315 | 784,821 | 345,357 | (345,357) |
| Economic Development | 84,517 | (68,880) | 95,314 | (88,534) |
| Basic Utility Services | 80,111 | (80,111) | 57,355 | (57,355) |
| Transportation | 2,173,257 | 145,930 | 3,490,439 | (662,766) |
| Interest and Fiscal Charges | 523,872 | (523,872) | 585,256 | (585,256) |
| Total Expenses | <u>\$10,386,117</u> | <u>(\$5,136,609)</u> | <u>\$12,764,809</u> | <u>(\$8,405,082)</u> |

When looking at the sources of income to support governmental activities, it should be noted that charges for services and sales are only 7.5 percent of revenue. Revenues provided by sources other than City residents in the form of operating and capital grants, contributions and interest comprise another 33.3 percent. The remaining revenues are primarily generated locally through property and income taxes. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed.

Business-Type Activities

The City's business-type activities include water, sewer, trash and stormwater utility services.

The Water Fund collects the fees charged for the sale of water. Those fees are then used to maintain lines for delivery, to treat water for further consumption, to maintain its treatment facility and storage towers and for the payment of debt incurred for improvements. Net assets increased \$979,612 in the Water Fund during 2008, which was mainly attributable to capital contributions from other funds, related to the construction of the City's new water tower. In addition, there were significant decreases in contractual services, as the City is now reporting a full year of operating the water treatment plant, rather than paying an outside firm to perform this function.

The Sewer Fund conducts the operations of the City's wastewater collection and treatment system. Money that is collected from the fees which are billed based on the number of gallons of water used is placed in this fund for use in the maintenance of the collections system and improvements to the treatment plant. Net assets of the Sewer Fund increased by \$266,872. This was mainly due to an increase in Charges for Services, related to the City's increase in fees for sewage treatment, combined with a decrease in contractual services.

The Trash Fund charges fees to citizens for the collection of residential garbage. The City outsources the actual collection services. The net assets of the Trash Fund saw a very small decrease of \$4,183 in 2008.

The Stormwater Utility Fund was established to provide a funding mechanism to support OEPA mandates associated with stormwater management. Each residence is billed a flat fee each month. For all other nonresidential properties, the fee is computed based on total impervious surfaces of the property divided by the average impervious area of an equivalent residential unit. The Stormwater Utility Fund reported a decrease in net assets of \$269,031 for 2008. This was primarily due to depreciation expense.

THE CITY'S FUNDS

Information about the City's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,445,908 and expenditures of \$12,011,568. The General Fund's balance increased by \$773,501 primarily due to decreases in transfers out to other funds, the majority of which were related to transfers out to the Nonmajor Capital Projects Fund for road paving projects in 2007 that were not repeated in 2008.

The Fire Levy Fund's balance increased by \$154,171. The City transfers monies from the General Fund to aid with the operating expenses of the Fire Levy Fund. In 2008, the amount transferred was more than adequate to cover expenditures and to maintain a fund balance consistent with that of the prior year.

The Debt Service Fund's balance decreased by \$93,085, and the Issue II Fund's balance decreased by \$74,945.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements, and encumbrances. The City's budget is adopted at the object level (personal services and other expenditures) within each fund and department by City Council in the form of an appropriations resolution.

Original General Fund budgeted revenues were \$8,120,270 and final budgeted revenues were \$7,796,130. The decrease of \$324,140 is primarily due to decreases in estimates for income tax receipts during 2008, combined with overall decreases in revenues. The City's final actual revenues were \$8,219,802 at year-end, which represents a five percent increase over final budgeted revenues.

Original General Fund appropriations were \$6,286,363. Final appropriations were \$7,337,141. This represented an increase of 17 percent mainly in General Government expenditures. The City's final actual expenditures were \$6,646,828 at year-end, which represented a nine percent decrease from final budgeted expenditures. This is attributable to savings in most of the General Fund departments for 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 (Restated) | 2008 | 2007 (Restated) |
| Land | \$19,301,595 | \$19,001,595 | \$1,095,364 | \$1,095,364 | \$20,396,959 | \$20,096,959 |
| Construction in Progress | 0 | 212,028 | 2,074,271 | 313,390 | 2,074,271 | 525,418 |
| Land Improvements | 333,042 | 384,501 | 9,929 | 10,133 | 342,971 | 394,634 |
| Buildings | 5,438,916 | 5,557,738 | 59,292 | 59,959 | 5,498,208 | 5,617,697 |
| Equipment | 619,027 | 443,623 | 135,065 | 132,148 | 754,092 | 575,771 |
| Vehicles | 758,323 | 693,555 | 218,474 | 125,317 | 976,797 | 818,872 |
| Infrastructure | 24,144,204 | 24,075,985 | 21,192,362 | 21,915,076 | 45,336,566 | 45,991,061 |
| Totals | <u>\$50,595,107</u> | <u>\$50,369,025</u> | <u>\$24,784,757</u> | <u>\$23,651,387</u> | <u>\$75,379,864</u> | <u>\$74,020,412</u> |

Capital assets increased by \$1,359,452, which was due to land, equipment and vehicle purchases, as well as the construction of infrastructure, offset by depreciation expense for the year.

See Note 10 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2008, the City of Franklin had \$20,102,643 in debt outstanding.

Table 5
Outstanding Debt at Year-End

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Special Assessment Bonds | \$2,733,000 | \$3,023,000 | \$0 | \$0 | \$2,733,000 | \$3,023,000 |
| General Obligation Bonds | 6,816,560 | 7,155,664 | 0 | 0 | 6,816,560 | 7,155,664 |
| Bond Anticipation Notes | 710,000 | 775,000 | 1,090,000 | 1,225,000 | 1,800,000 | 2,000,000 |
| Short-Term Bond | | | | | | |
| Anticipation Notes | 65,000 | 103,000 | 135,000 | 20,000 | 200,000 | 123,000 |
| OWDA Loans | 0 | 0 | 3,067,762 | 2,107,550 | 3,067,762 | 2,107,550 |
| Mortgage Revenue Bonds | 0 | 0 | 5,485,321 | 5,842,028 | 5,485,321 | 5,842,028 |
| Totals | <u>\$10,324,560</u> | <u>\$11,056,664</u> | <u>\$9,778,083</u> | <u>\$9,194,578</u> | <u>\$20,102,643</u> | <u>\$20,251,242</u> |

Special assessment bonds will be paid with special assessment revenue. All general obligation bond issues will be paid through the Debt Service Fund with transfers from the Capital Improvement and Issue II Capital Projects Funds. The bond anticipation notes and short-term bond anticipation notes will be paid from the General Fund with no specifically identifiable revenue source. The OWDA loans and mortgage revenue bonds will be paid through the Water Fund with operating revenues.

The City's overall 10.5 percent legal debt margin was \$16,794,639 as of December 31, 2008. The more restrictive unvoted legal debt margin was \$5,175,763 as of the same date. See Notes 15 and 16 of the notes to the basic financial statements for more detailed information.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, City of Franklin, 1 Benjamin Franklin Way, Franklin, Ohio 45005.

CITY OF FRANKLIN, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

| | Governmental Activities | Business-Type Activities | Totals |
|---|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Equity in Pooled Cash and | | | |
| Cash Equivalents | \$8,145,758 | \$2,985,216 | \$11,130,974 |
| Accrued Interest Receivable | 6,390 | 0 | 6,390 |
| Accounts Receivable | 340,106 | 834,321 | 1,174,427 |
| Intergovernmental Receivable | 590,518 | 0 | 590,518 |
| Materials and Supplies Inventory | 192,461 | 11,799 | 204,260 |
| Income Taxes Receivable | 1,175,749 | 0 | 1,175,749 |
| Property Taxes Receivable | 1,475,787 | 0 | 1,475,787 |
| Other Local Taxes Receivable | 31,043 | 0 | 31,043 |
| Internal Balances | 319,498 | (319,498) | 0 |
| Special Assessments Receivable | 2,483,170 | 0 | 2,483,170 |
| Cash and Cash Equivalents with Trustee | 0 | 627,400 | 627,400 |
| Deferred Charges | 20,775 | 194,204 | 214,979 |
| Nondepreciable Capital Assets | 19,301,595 | 3,169,635 | 22,471,230 |
| Depreciable Capital Assets, Net | 31,293,512 | 21,615,122 | 52,908,634 |
| Total Assets | 65,376,362 | 29,118,199 | 94,494,561 |
| Liabilities | | | |
| Accounts Payable | 2,995,475 | 18,670 | 3,014,145 |
| Accrued Wages and Benefits | 190,582 | 31,694 | 222,276 |
| Intergovernmental Payable | 242,225 | 29,101 | 271,326 |
| Contracts Payable | 0 | 302,121 | 302,121 |
| Accrued Interest Payable | 56,897 | 115,975 | 172,872 |
| Deferred Revenue | 1,439,820 | 0 | 1,439,820 |
| Notes Payable | 65,000 | 135,000 | 200,000 |
| Refundable Deposits | 0 | 114,144 | 114,144 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 811,861 | 618,426 | 1,430,287 |
| Due in More Than One Year | 10,344,511 | 9,226,489 | 19,571,000 |
| Total Liabilities | 16,146,371 | 10,591,620 | 26,737,991 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 40,366,322 | 15,200,878 | 55,567,200 |
| Restricted for: | | | |
| Debt Service | 2,731,046 | 610,290 | 3,341,336 |
| Capital Outlay | 86,360 | 0 | 86,360 |
| Fire Protection | 1,078,765 | 0 | 1,078,765 |
| Transportation | 369,520 | 0 | 369,520 |
| Other Purposes | 845,165 | 0 | 845,165 |
| Revenue Bonds Replacement and Improvement | 0 | 217,630 | 217,630 |
| Leisure Time Activities Nonexpendable | 1,024,344 | 0 | 1,024,344 |
| Unrestricted | 2,728,469 | 2,497,781 | 5,226,250 |
| Total Net Assets | \$49,229,991 | \$18,526,579 | \$67,756,570 |

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Program Revenues | | | |
|-----------------------------------|---------------------|--------------------------------|--|--|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants, Contributions and Interest |
| Governmental Activities: | | | | |
| General Government | \$2,107,127 | \$709,146 | \$301,571 | \$0 |
| Security of Persons and Property: | | | | |
| Police | 3,250,081 | 9,660 | 158,996 | 0 |
| Fire | 1,509,378 | 97,292 | 352,115 | 0 |
| Building Inspection | 141,811 | 0 | 0 | 0 |
| Street Lighting | 102,802 | 104,500 | 0 | 0 |
| Public Health and Welfare | 59,846 | 42,422 | 846 | 0 |
| Leisure Time Activities | 353,315 | 0 | 0 | 1,138,136 |
| Economic Development | 84,517 | 0 | 15,637 | 0 |
| Basic Utility Services | 80,111 | 0 | 0 | 0 |
| Transportation | 2,173,257 | 867 | 585,281 | 1,733,039 |
| Interest and Fiscal Charges | 523,872 | 0 | 0 | 0 |
| Total Governmental Activities | <u>10,386,117</u> | <u>963,887</u> | <u>1,414,446</u> | <u>2,871,175</u> |
| Business-Type Activities: | | | | |
| Water | 1,948,802 | 2,391,732 | 0 | 0 |
| Sewer | 2,240,853 | 2,546,969 | 0 | 0 |
| Trash | 654,623 | 649,671 | 0 | 0 |
| Stormwater Utility | 674,377 | 457,602 | 0 | 0 |
| Total Business-Type Activities | <u>5,518,655</u> | <u>6,045,974</u> | <u>0</u> | <u>0</u> |
| Total Activities | <u>\$15,904,772</u> | <u>\$7,009,861</u> | <u>\$1,414,446</u> | <u>\$2,871,175</u> |

General Revenues:

Taxes

Property Taxes Levied for:

 General Purposes

 Fire

 Other Purposes

Income Taxes

Other Local Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense)Revenue and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|---------------------|
| (\$1,096,410) | \$0 | (\$1,096,410) |
| (3,081,425) | 0 | (3,081,425) |
| (1,059,971) | 0 | (1,059,971) |
| (141,811) | 0 | (141,811) |
| 1,698 | 0 | 1,698 |
| (16,578) | 0 | (16,578) |
| 784,821 | 0 | 784,821 |
| (68,880) | 0 | (68,880) |
| (80,111) | 0 | (80,111) |
| 145,930 | 0 | 145,930 |
| (523,872) | 0 | (523,872) |
| <u>(5,136,609)</u> | <u>0</u> | <u>(5,136,609)</u> |
| 0 | 442,930 | 442,930 |
| 0 | 306,116 | 306,116 |
| 0 | (4,952) | (4,952) |
| <u>0</u> | <u>(216,775)</u> | <u>(216,775)</u> |
| <u>0</u> | <u>527,319</u> | <u>527,319</u> |
| <u>(5,136,609)</u> | <u>527,319</u> | <u>(4,609,290)</u> |
| 472,445 | 0 | 472,445 |
| 534,375 | 0 | 534,375 |
| 134,236 | 0 | 134,236 |
| 5,322,030 | 0 | 5,322,030 |
| 124,412 | 0 | 124,412 |
| 502,780 | 0 | 502,780 |
| 213,422 | 10,423 | 223,845 |
| 310,224 | 14,930 | 325,154 |
| (420,598) | 420,598 | 0 |
| <u>7,193,326</u> | <u>445,951</u> | <u>7,639,277</u> |
| 2,056,717 | 973,270 | 3,029,987 |
| <u>47,173,274</u> | <u>17,553,309</u> | <u>64,726,583</u> |
| <u>\$49,229,991</u> | <u>\$18,526,579</u> | <u>\$67,756,570</u> |

CITY OF FRANKLIN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

| | <u>General</u> | <u>Fire Levy</u> | <u>Debt Service</u> |
|--|--------------------|--------------------|---------------------|
| Assets: | | | |
| Equity in Pooled Cash and | | | |
| Cash Equivalents | \$4,659,198 | \$1,281,710 | \$164,406 |
| Materials and Supplies Inventory | 17,813 | 696 | 0 |
| Intergovernmental Receivable | 276,995 | 27,342 | 0 |
| Income Taxes Receivable | 1,175,749 | 0 | 0 |
| Property Taxes Receivable | 588,855 | 692,309 | 0 |
| Other Local Taxes Receivable | 31,043 | 0 | 0 |
| Accounts Receivable | 340,106 | 0 | 0 |
| Interfund Receivable | 175,302 | 0 | 393,018 |
| Special Assessments Receivable | 0 | 0 | 2,383,513 |
| Accrued Interest Receivable | 6,390 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$7,271,451</u> | <u>\$2,002,057</u> | <u>\$2,940,937</u> |
| Liabilities: | | | |
| Accounts Payable | \$2,921,873 | \$7,088 | \$0 |
| Accrued Wages and Benefits | 91,673 | 83,488 | 0 |
| Intergovernmental Payable | 96,080 | 36,384 | 0 |
| Accrued Interest Payable | 861 | 2,656 | 0 |
| Interfund Payable | 251,044 | 0 | 0 |
| Deferred Revenue | 1,933,646 | 719,651 | 2,383,513 |
| Notes Payable | 13,000 | 42,500 | 0 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <u>5,308,177</u> | <u>891,767</u> | <u>2,383,513</u> |
| Fund Balances: | | | |
| Reserved: | | | |
| Reserved for Encumbrances | 54,806 | 3,286 | 0 |
| Reserved for Leisure Time Activities | 0 | 0 | 0 |
| Unreserved, Undesignated, Reported in: | | | |
| General Fund | 1,908,468 | 0 | 0 |
| Special Revenue Funds | 0 | 1,107,004 | 0 |
| Debt Service Fund | 0 | 0 | 557,424 |
| Capital Projects Funds | 0 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | <u>1,963,274</u> | <u>1,110,290</u> | <u>557,424</u> |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Balances | <u>\$7,271,451</u> | <u>\$2,002,057</u> | <u>\$2,940,937</u> |

See accompanying notes to the basic financial statements

| Issue II | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------|-----------------------------------|--------------------------------|
| \$57,821 | \$1,982,623 | \$8,145,758 |
| 0 | 173,952 | 192,461 |
| 0 | 286,181 | 590,518 |
| 0 | 0 | 1,175,749 |
| 0 | 194,623 | 1,475,787 |
| 0 | 0 | 31,043 |
| 0 | 0 | 340,106 |
| 0 | 2,222 | 570,542 |
| 0 | 99,657 | 2,483,170 |
| 0 | 0 | 6,390 |
| <u>\$57,821</u> | <u>\$2,739,258</u> | <u>\$15,011,524</u> |
| \$6,774 | \$59,740 | \$2,995,475 |
| 0 | 15,421 | 190,582 |
| 0 | 109,761 | 242,225 |
| 880 | 0 | 4,397 |
| 0 | 0 | 251,044 |
| 0 | 544,654 | 5,581,464 |
| 9,500 | 0 | 65,000 |
| <u>17,154</u> | <u>729,576</u> | <u>9,330,187</u> |
| 0 | 51,204 | 109,296 |
| 0 | 1,024,344 | 1,024,344 |
| 0 | 0 | 1,908,468 |
| 0 | 926,020 | 2,033,024 |
| 0 | 0 | 557,424 |
| 40,667 | 8,114 | 48,781 |
| <u>40,667</u> | <u>2,009,682</u> | <u>5,681,337</u> |
| <u>\$57,821</u> | <u>\$2,739,258</u> | <u>\$15,011,524</u> |

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CITY OF FRANKLIN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total Governmental Fund Balances \$5,681,337

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. These assets consist of:

| | | |
|--------------------------|--------------|------------|
| Land | 19,301,595 | |
| Infrastructure | 61,122,034 | |
| Other Capital Assets | 12,401,789 | |
| Accumulated Depreciation | (42,230,311) | |
| Total capital assets | | 50,595,107 |

Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:

| | | |
|--|-----------|-----------|
| Property and Other Local Taxes | 144,355 | |
| Special Assessments | 2,400,266 | |
| Charges for Services | 380,456 | |
| Shared Taxes and Local Government Revenue Assistance | 479,896 | |
| Income Taxes | 736,671 | |
| | | 4,141,644 |

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis 20,775

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (52,500)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

| | | |
|----------------------|-------------|--------------|
| Discount on Bonds | 13,440 | |
| Notes | (710,000) | |
| Bonds | (9,563,000) | |
| Police Pension | (68,299) | |
| Compensated Absences | (828,513) | |
| Total liabilities | | (11,156,372) |

Net Assets of Governmental Activities \$49,229,991

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | <u>General</u> | <u>Fire Levy</u> | <u>Debt Service</u> |
|---|--------------------|--------------------|---------------------|
| Revenues: | | | |
| Property Taxes | \$467,920 | \$530,976 | \$0 |
| Other Local Taxes | 125,956 | 0 | 0 |
| Income Taxes | 5,513,546 | 0 | 0 |
| Special Assessments | 0 | 0 | 270,719 |
| Charges for Services | 156,384 | 2,816 | 0 |
| Fines, Licenses and Permits | 442,712 | 0 | 0 |
| Intergovernmental | 522,984 | 342,348 | 0 |
| Interest | 355,377 | 0 | 268,239 |
| Contributions and Donations | 0 | 0 | 0 |
| Other | 158,080 | 24,108 | 0 |
| | <u>7,742,959</u> | <u>900,248</u> | <u>538,958</u> |
| Total Revenues | | | |
| Expenditures: | | | |
| Current: | | | |
| General Government | 2,252,341 | 0 | 0 |
| Security of Persons and Property: | | | |
| Police | 2,876,101 | 0 | 0 |
| Fire | 0 | 1,362,801 | 0 |
| Building Inspection | 139,889 | 0 | 0 |
| Street Lighting | 0 | 0 | 0 |
| Public Health and Welfare | 30,000 | 0 | 0 |
| Leisure Time Activities | 34,451 | 0 | 0 |
| Economic Development | 0 | 0 | 0 |
| Transportation | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 630,000 |
| Interest and Fiscal Charges | 819 | 3,045 | 541,386 |
| Current Refunding | 0 | 42,500 | 22,500 |
| | <u>5,333,601</u> | <u>1,408,346</u> | <u>1,193,886</u> |
| Total Expenditures | | | |
| Excess of Revenues Over (Under) | | | |
| Expenditures | <u>2,409,358</u> | <u>(508,098)</u> | <u>(654,928)</u> |
| Other Financing Sources (Uses): | | | |
| Bond Anticipation Notes Issued | 0 | 0 | 710,000 |
| Current Refunding | 0 | 0 | (710,000) |
| Transfers In | 14,866 | 750,000 | 561,843 |
| Proceeds from Sale of Capital Assets | 0 | 0 | 0 |
| Transfers Out | <u>(1,650,723)</u> | <u>(87,731)</u> | <u>0</u> |
| Total Other Financing Sources (Uses) | <u>(1,635,857)</u> | <u>662,269</u> | <u>561,843</u> |
| Net Change in Fund Balances | 773,501 | 154,171 | (93,085) |
| Fund Balances at Beginning of Year - (Restated - See Note 3) | <u>1,189,773</u> | <u>956,119</u> | <u>650,509</u> |
| Fund Balances at End of Year | <u>\$1,963,274</u> | <u>\$1,110,290</u> | <u>\$557,424</u> |

See accompanying notes to the basic financial statements

| Issue II | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------|-----------------------------------|--------------------------------|
| \$0 | \$147,941 | \$1,146,837 |
| 0 | 0 | 125,956 |
| 0 | 0 | 5,513,546 |
| 0 | 96,410 | 367,129 |
| 0 | 126,440 | 285,640 |
| 0 | 66,259 | 508,971 |
| 1,733,039 | 941,193 | 3,539,564 |
| 0 | (113,711) | 509,905 |
| 0 | 1,138,136 | 1,138,136 |
| 4,915 | 123,121 | 310,224 |
| <u>1,737,954</u> | <u>2,525,789</u> | <u>13,445,908</u> |
| 8,036 | 101,611 | 2,361,988 |
| 0 | 363,354 | 3,239,455 |
| 0 | 105,349 | 1,468,150 |
| 0 | 0 | 139,889 |
| 0 | 102,802 | 102,802 |
| 0 | 29,846 | 59,846 |
| 0 | 265,350 | 299,801 |
| 0 | 84,517 | 84,517 |
| 66,523 | 827,648 | 894,171 |
| 1,751,647 | 364,137 | 2,115,784 |
| 0 | 1,369 | 631,369 |
| 615 | 2,931 | 548,796 |
| 0 | 0 | 65,000 |
| <u>1,826,821</u> | <u>2,248,914</u> | <u>12,011,568</u> |
| <u>(88,867)</u> | <u>276,875</u> | <u>1,434,340</u> |
| 0 | 0 | 710,000 |
| 0 | 0 | (710,000) |
| 23,422 | 1,223,856 | 2,573,987 |
| 0 | 18,919 | 18,919 |
| <u>(9,500)</u> | <u>(551,228)</u> | <u>(2,299,182)</u> |
| <u>13,922</u> | <u>691,547</u> | <u>293,724</u> |
| (74,945) | 968,422 | 1,728,064 |
| <u>115,612</u> | <u>1,041,260</u> | <u>3,953,273</u> |
| <u>\$40,667</u> | <u>\$2,009,682</u> | <u>\$5,681,337</u> |

CITY OF FRANKLIN, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$1,728,064

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|---------------------------|-------------|---------|
| Capital Asset Additions | 2,235,414 | |
| Current Year Depreciation | (1,986,674) | |
| | | 248,740 |

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital assets account in the statement of net assets and offset against the proceeds from the disposal of capital assets, resulting in a loss on sale of capital assets in the statement of activities.

| | | |
|--------------------------------------|----------|----------|
| Proceeds from Sale of Capital Assets | (18,919) | |
| Loss on sale of capital assets | (3,739) | |
| | | (22,658) |

Because some revenues will not be collected for several months after the City's year-end, they are not considered "available" revenues and are deferred in the governmental funds.

| | | |
|--|-----------|-----------|
| Property and Other Local Taxes | (7,325) | |
| Special Assessments | (262,629) | |
| Charges for Services | 64,776 | |
| Shared Taxes and Local Government Revenue Assistance | (157,618) | |
| Income Taxes | (191,516) | |
| Interest | (28,164) | |
| | | (582,476) |

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | | |
|-------------------------------------|---------|-----------|
| Bond Principal Retirement | 630,000 | |
| Note Principal Retirement | 775,000 | |
| Police Pension Principal Retirement | 1,369 | |
| Total Long-Term Debt Repayment | | 1,406,369 |

In the statement of activities, interest accrued on outstanding bonds, bond discounts and bond issuance costs are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued.

| | | |
|-------------------------------------|---------|--------|
| Accrued Interest | 27,205 | |
| Amortization of Bond Discounts | (896) | |
| Amortization of Bond Issuance Costs | (1,385) | |
| | | 24,924 |

Debt Proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

| | | |
|---------------|--|-----------|
| Note Proceeds | | (710,000) |
|---------------|--|-----------|

Some items 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. These activities consist of:

| | | |
|----------------------------------|--|----------|
| Increase in Compensated Absences | | (36,246) |
|----------------------------------|--|----------|

| | | |
|---|--|-------------|
| Change in Net Assets of Governmental Activities | | \$2,056,717 |
|---|--|-------------|

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--------------------------------------|--------------------|--------------------|--------------------|----------------------------------|
| Revenues: | | | | |
| Property Taxes | \$480,000 | \$480,000 | \$467,920 | (\$12,080) |
| Other Local Taxes | 110,000 | 110,000 | 122,325 | 12,325 |
| Income Taxes | 5,772,654 | 5,650,430 | 5,848,768 | 198,338 |
| Charges for Services | 142,298 | 122,400 | 144,174 | 21,774 |
| Fines, Licenses, and Permits | 429,078 | 446,800 | 434,735 | (12,065) |
| Intergovernmental | 676,387 | 602,400 | 685,305 | 82,905 |
| Interest | 344,291 | 300,150 | 348,831 | 48,681 |
| Other | 165,561 | 83,950 | 167,744 | 83,794 |
| Total Revenues | <u>8,120,270</u> | <u>7,796,130</u> | <u>8,219,802</u> | <u>423,672</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 2,758,160 | 3,800,468 | 3,594,446 | 206,022 |
| Security of Persons and Property: | | | | |
| Police Law Enforcement | 3,302,283 | 3,302,283 | 2,882,086 | 420,197 |
| Building Inspection | 200,920 | 204,390 | 140,186 | 64,204 |
| Public Health and Welfare | 25,000 | 30,000 | 30,000 | 0 |
| Leisure Time Activities | 0 | 0 | 110 | (110) |
| Total Expenditures | <u>6,286,363</u> | <u>7,337,141</u> | <u>6,646,828</u> | <u>690,313</u> |
| Excess of Revenues Over Expenditures | <u>1,833,907</u> | <u>458,989</u> | <u>1,572,974</u> | <u>1,113,985</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 0 | 324,139 | 384,488 | 60,349 |
| Transfers Out | (1,671,900) | (1,697,296) | (1,845,284) | (147,988) |
| Total Other Financing Sources (Uses) | <u>(1,671,900)</u> | <u>(1,373,157)</u> | <u>(1,460,796)</u> | <u>(87,639)</u> |
| Net Change in Fund Balance | 162,007 | (914,168) | 112,178 | 1,026,346 |
| Fund Balance at Beginning of Year | 4,294,479 | 4,294,479 | 4,294,479 | 0 |
| Prior Year Encumbrances Appropriated | <u>23,754</u> | <u>23,754</u> | <u>23,754</u> | <u>0</u> |
| Fund Balance at End of Year | <u>\$4,480,240</u> | <u>\$3,404,065</u> | <u>\$4,430,411</u> | <u>\$1,026,346</u> |

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|-----------------|-------------|----------------------------------|
| Revenues: | | | | |
| Property Taxes | \$565,000 | \$538,090 | \$530,976 | (\$7,114) |
| Charges for Services | 822 | 3,000 | 2,816 | (184) |
| Intergovernmental | 100,140 | 131,910 | 343,043 | 211,133 |
| Other | 7,038 | 0 | 24,108 | 24,108 |
| Total Revenues | 673,000 | 673,000 | 900,943 | 227,943 |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 1,636,855 | 1,632,602 | 1,523,723 | 108,879 |
| Capital Outlay | 30,551 | 34,802 | 14,529 | 20,273 |
| Total Expenditures | 1,667,406 | 1,667,404 | 1,538,252 | 129,152 |
| Excess of Revenues Over (Under) Expenditures | (994,406) | (994,404) | (637,309) | 357,095 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 960,000 | 960,000 | 750,000 | (210,000) |
| Transfers Out | (208,276) | (208,276) | (149,912) | 58,364 |
| Total Other Financing Sources (Uses) | 751,724 | 751,724 | 600,088 | (151,636) |
| Net Change in Fund Balance | (242,682) | (242,680) | (37,221) | 205,459 |
| Fund Balance at Beginning of Year | 1,109,374 | 1,109,374 | 1,109,374 | 0 |
| Prior Year Encumbrances Appropriated | 203,662 | 203,662 | 203,662 | 0 |
| Fund Balance at End of Year | \$1,070,354 | \$1,070,356 | \$1,275,815 | \$205,459 |

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2008

| | Water | Sewer | Trash | Stormwater Utility | Total |
|---|--------------------|--------------------|------------------|-----------------------|---------------------|
| Assets: | | | | | |
| Current Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,092,555 | \$762,180 | \$200,130 | \$598,577 | \$2,653,442 |
| Materials and Supplies Inventory | 11,799 | 0 | 0 | 0 | 11,799 |
| Accounts Receivable | 296,878 | 413,925 | 59,176 | 64,342 | 834,321 |
| Restricted Assets: | | | | | |
| Cash and Cash Equivalents with Trustee | 382,110 | 0 | 0 | 0 | 382,110 |
| Total Current Assets | 1,783,342 | 1,176,105 | 259,306 | 662,919 | 3,881,672 |
| Noncurrent Assets: | | | | | |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 275,532 | 56,242 | 0 | 0 | 331,774 |
| Cash and Cash Equivalents with Trustee | 245,290 | 0 | 0 | 0 | 245,290 |
| Deferred Charges | 194,204 | 0 | 0 | 0 | 194,204 |
| Nondepreciable Capital Assets | 3,094,635 | 37,500 | 0 | 37,500 | 3,169,635 |
| Depreciable Capital Assets, Net | 6,316,591 | 4,075,987 | 0 | 11,222,544 | 21,615,122 |
| Total Noncurrent Assets | 10,126,252 | 4,169,729 | 0 | 11,260,044 | 25,556,025 |
| Total Assets | 11,909,594 | 5,345,834 | 259,306 | 11,922,963 | 29,437,697 |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | 8,487 | 5,457 | 2,971 | 1,755 | 18,670 |
| Accrued Wages and Benefits | 7,643 | 19,702 | 613 | 3,736 | 31,694 |
| Contracts Payable | 0 | 257,878 | 44,243 | 0 | 302,121 |
| Intergovernmental Payable | 11,447 | 12,514 | 1,004 | 4,136 | 29,101 |
| Accrued Interest Payable | 91,065 | 0 | 0 | 24,910 | 115,975 |
| Interfund Payable | 319,498 | 0 | 0 | 0 | 319,498 |
| Notes Payable | 0 | 0 | 0 | 135,000 | 135,000 |
| OWDA Loans Payable | 161,453 | 0 | 0 | 0 | 161,453 |
| Compensated Absences Payable | 38,943 | 34,109 | 0 | 18,921 | 91,973 |
| Revenue Bonds Payable | 365,000 | 0 | 0 | 0 | 365,000 |
| Total Current Liabilities | 1,003,536 | 329,660 | 48,831 | 188,458 | 1,570,485 |
| Long Term Liabilities: | | | | | |
| Compensated Absences Payable | 34,789 | 71,613 | 0 | 3,457 | 109,859 |
| Notes Payable | 0 | 0 | 0 | 1,090,000 | 1,090,000 |
| Revenue Bonds Payable | 5,120,321 | 0 | 0 | 0 | 5,120,321 |
| OWDA Loans Payable | 2,906,309 | 0 | 0 | 0 | 2,906,309 |
| Refundable Deposits | 57,902 | 56,242 | 0 | 0 | 114,144 |
| Total Long Term Liabilities | 8,119,321 | 127,855 | 0 | 1,093,457 | 9,340,633 |
| Total Liabilities | 9,122,857 | 457,515 | 48,831 | 1,281,915 | 10,911,118 |
| Net Assets: | | | | | |
| Invested in Capital Assets, Net of Related Debt | 1,052,347 | 4,113,487 | 0 | 10,035,044 | 15,200,878 |
| Restricted for: | | | | | |
| Debt Service | 610,290 | 0 | 0 | 0 | 610,290 |
| Revenue Bonds | 217,630 | 0 | 0 | 0 | 217,630 |
| Replacement and Improvement | 906,470 | 774,832 | 210,475 | 606,004 | 2,497,781 |
| Total Net Assets | \$2,786,737 | \$4,888,319 | \$210,475 | \$10,641,048 | \$18,526,579 |

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Water | Sewer | Trash | Stormwater Utility | Total |
|--|--------------------|--------------------|------------------|-----------------------|---------------------|
| Operating Revenues: | | | | | |
| Charges for Services | \$2,391,732 | \$2,546,969 | \$649,671 | \$457,602 | \$6,045,974 |
| Other | 0 | 5,756 | 0 | 0 | 5,756 |
| Total Operating Revenues | 2,391,732 | 2,552,725 | 649,671 | 457,602 | 6,051,730 |
| Operating Expenses: | | | | | |
| Personal Services | 570,180 | 414,305 | 62,806 | 179,892 | 1,227,183 |
| Contractual Services | 558,703 | 1,617,595 | 578,619 | 57,976 | 2,812,893 |
| Supplies and Materials | 227,001 | 61,532 | 13,198 | 12,152 | 313,883 |
| Depreciation | 193,781 | 147,134 | 0 | 389,753 | 730,668 |
| Other | 15,692 | 287 | 0 | 0 | 15,979 |
| Total Operating Expenses | 1,565,357 | 2,240,853 | 654,623 | 639,773 | 5,100,606 |
| Operating Income (Loss) | 826,375 | 311,872 | (4,952) | (182,171) | 951,124 |
| Non-Operating Revenues/(Expenses) | | | | | |
| Interest | 10,423 | 0 | 0 | 0 | 10,423 |
| Other Non-Operating Revenues | 6,995 | 0 | 769 | 1,410 | 9,174 |
| Interest and Fiscal Charges | (383,445) | 0 | 0 | (34,604) | (418,049) |
| Total Non-Operating Revenues (Expenses) | (366,027) | 0 | 769 | (33,194) | (398,452) |
| Income (Loss) Before Transfers and Contributions | 460,348 | 311,872 | (4,183) | (215,365) | 552,672 |
| Capital Contributions from Other Funds | 695,403 | 0 | 0 | 0 | 695,403 |
| Transfers Out | (176,139) | (45,000) | 0 | (53,666) | (274,805) |
| Change in Net Assets | 979,612 | 266,872 | (4,183) | (269,031) | 973,270 |
| Net Assets at Beginning of Year - Restated (See Note 3) | 1,807,125 | 4,621,447 | 214,658 | 10,910,079 | 17,553,309 |
| Net Assets at End of Year | \$2,786,737 | \$4,888,319 | \$210,475 | \$10,641,048 | \$18,526,579 |

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Water | Sewer | Trash | Stormwater Utility | Totals |
|--|--------------------|------------------|------------------|-----------------------|--------------------|
| <u>Increase (Decrease) in Cash and Cash Equivalents</u> | | | | | |
| <u>Cash Flows from Operating Activities:</u> | | | | | |
| Cash Received from Customers | \$2,422,228 | \$2,549,433 | \$648,859 | \$468,960 | \$6,089,480 |
| Cash Paid for Employee Services and Benefits | (588,713) | (415,952) | (63,430) | (178,694) | (1,246,789) |
| Cash Paid to Suppliers for Goods and Services | (795,284) | (1,620,767) | (549,955) | (244,534) | (3,210,540) |
| Utility Deposits Received | 26,135 | 24,482 | 0 | 0 | 50,617 |
| Utility Deposits Returned | (21,776) | (21,776) | 0 | 0 | (43,552) |
| Other Operating Revenues | 0 | 5,756 | 0 | 0 | 5,756 |
| Other Non-Operating Revenues | 6,995 | 0 | 769 | 1,410 | 9,174 |
| Net Cash Provided by Operating Activities | <u>1,049,585</u> | <u>521,176</u> | <u>36,243</u> | <u>47,142</u> | <u>1,654,146</u> |
| <u>Cash Flows from Noncapital Financing Activities:</u> | | | | | |
| Operating Transfers - Out To Other Funds | <u>(176,139)</u> | <u>(45,000)</u> | <u>0</u> | <u>(53,666)</u> | <u>(274,805)</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | | | | | |
| Acquisition of Capital Assets | (1,158,635) | 0 | 0 | (10,000) | (1,168,635) |
| Interest Paid on OWDA Loans | (145,648) | 0 | 0 | 0 | (145,648) |
| Principal Paid on OWDA Loans | (105,266) | 0 | 0 | 0 | (105,266) |
| Interest Paid on Mortgage Revenue Bonds | (234,193) | 0 | 0 | 0 | (234,193) |
| Principal Paid on Mortgage Revenue Bonds | (355,000) | 0 | 0 | 0 | (355,000) |
| Principal Paid on Bond Anticipation Notes | 0 | 0 | 0 | (1,245,000) | (1,245,000) |
| Interest Paid on Bond Anticipation Notes | 0 | 0 | 0 | (46,882) | (46,882) |
| Proceeds of Bond Anticipation Notes | 0 | 0 | 0 | 1,225,000 | 1,225,000 |
| Proceeds of OWDA Loans | <u>1,065,478</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,065,478</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(933,264)</u> | <u>0</u> | <u>0</u> | <u>(76,882)</u> | <u>(1,010,146)</u> |
| <u>Cash Flows from Investing Activities:</u> | | | | | |
| Interest | <u>10,423</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>10,423</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (49,395) | 476,176 | 36,243 | (83,406) | 379,618 |
| Cash and Cash Equivalents at Beginning of Year (Restated - See Note 3) | <u>2,044,882</u> | <u>342,246</u> | <u>163,887</u> | <u>681,983</u> | <u>3,232,998</u> |
| Cash and Cash Equivalents at End of Year | <u>\$1,995,487</u> | <u>\$818,422</u> | <u>\$200,130</u> | <u>\$598,577</u> | <u>\$3,612,616</u> |

(continued)

CITY OF FRANKLIN, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(continued)

| | Water | Sewer | Trash | Stormwater Utility | Totals |
|--|--------------------|------------------|-----------------|-----------------------|--------------------|
| Reconciliation of Operating Income (Loss) to <u>Net Cash Provided by Operating Activities:</u> | | | | | |
| Operating Income (Loss) | \$826,375 | \$311,872 | (\$4,952) | (\$182,171) | \$951,124 |
| Adjustments to Reconcile Operating Income (Loss) <u>to Net Cash Provided by Operating Activities:</u> | | | | | |
| Depreciation Expense | 193,781 | 147,134 | 0 | 389,753 | 730,668 |
| Other Non-Operating Revenues | 6,995 | 0 | 769 | 1,410 | 9,174 |
| Change in Assets and Liabilities: | | | | | |
| (Increase) Decrease in Accounts Receivable | 30,496 | 2,464 | (812) | 11,358 | 43,506 |
| Decrease in Materials and Supplies Inventory | 6,891 | 0 | 0 | 0 | 6,891 |
| Decrease in Accounts Payable | (779) | (54,222) | (2,381) | (61,130) | (118,512) |
| Increase (Decrease) in Contracts Payable | 0 | 112,869 | 44,243 | (113,276) | 43,836 |
| Increase (Decrease) in Accrued Wages and Benefits | (7,003) | 1,614 | 237 | 1,663 | (3,489) |
| Increase (Decrease) in Compensated Absences Payable | (5,010) | 3,520 | 0 | 1,591 | 101 |
| Decrease in Due to Other Governments | (6,520) | (6,781) | (861) | (2,056) | (16,218) |
| Increase in Refundable Deposits Payable | 4,359 | 2,706 | 0 | 0 | 7,065 |
| Total Adjustments | 223,210 | 209,304 | 41,195 | 229,313 | 703,022 |
| Net Cash Provided by Operating Activities | <u>\$1,049,585</u> | <u>\$521,176</u> | <u>\$36,243</u> | <u>\$47,142</u> | <u>\$1,654,146</u> |

Noncash Capital Financing Activities:

During 2008, the Water Fund received assets in the amount of \$695,403 from governmental activities. The assets were recorded as capital assets and capital contributions in the Water Fund.

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2008

| | |
|---|------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$256 |
| Cash in Segregated Accounts | <u>28,852</u> |
| Total Assets | <u><u>\$29,108</u></u> |
| Liabilities: | |
| Intergovernmental Payable | \$19,996 |
| Undistributed Monies | 7,931 |
| Deposits Held and Due to Others | <u>1,181</u> |
| Total Liabilities | <u><u>\$29,108</u></u> |

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Franklin (the "City") is a home rule municipal corporation organized under the laws of the State of Ohio. The City operates under its own charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1984. The seven-member Council is elected to four-year terms. Annually, Council selects one of its members to serve as Mayor. Council appoints the City Manager, Finance Director and Law Director.

THE REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds and departments which are not legally separate from the City. The City departments provide various services including a police force, a fire fighting force, street maintenance and repair force, planning and zoning, a park and recreation system, water, sewer and stormwater drainage systems, a contracting service for trash collection, community development, and a staff to provide essential support to these service providers. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. The City has one blended component unit included in its reporting entity.

The Franklin Municipal Building Corporation was created under State statute as a corporation whose only purpose is to provide funding for the construction of the City's administration and service buildings. The City appoints a majority of the governing board and is liable for the debt of the organization. Because this service entirely benefits the City, the Franklin Municipal Building Corporation is presented as a blended component unit of the City and has been included as part of the primary government. There was no financial activity in the Corporation in 2008.

The City is associated with one organization which is defined as a joint venture, one which is defined as a shared risk pool and two organizations which are defined as jointly governed organizations. These organizations are presented in Note 18 of the Basic Financial Statements. These organizations are:

Joint Venture:

Joint Recreation Facility

Shared Risk Pool:

Public Entities Pool of Ohio (PEP)

Jointly Governed Organizations:

Warren County General Health District

Joint Emergency Medical Service

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Franklin have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds. The most significant of the City's accounting policies are described below.

BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment is self-financing or draws from the general revenues of the City.

FUND FINANCIAL STATEMENTS

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 utilized by the City: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General - This fund accounts for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

Fire Levy - This fund accounts for property taxes levied by the City and intergovernmental revenues used to pay for operating expenditures related to the fire department.

Debt Service - This fund accounts for the resources that are used for payment of principal and interest and fiscal charges on general long term debt and special assessment debt.

Issue II - This fund accounts for City infrastructure construction and replacement projects which are financed primarily by grants through the Ohio Public Works Commission.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - This fund is used to account for the provision of water treatment and distribution to residential and commercial users in the City.

Sewer Fund - This fund is used to account for the provision of sanitary sewer service to residents and commercial users in the City.

Trash Fund - This fund is used to account for the provision of trash collection services to residents and commercial users in the City.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stormwater Utility Fund - This fund is used to account for the provision of stormwater management within the City.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds that are used to account for fines and fees and taxes held for distribution to other governments and for the activity of entities for which the City serves as fiscal agent.

MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

FUND FINANCIAL STATEMENTS

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its enterprise activities.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; enterprise and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), fines and forfeitures, and grants.

DEFERRED REVENUES

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but were levied to finance 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

EXPENSES/EXPENDITURES

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS AND BUDGETARY ACCOUNTING

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. No budget was prepared for the Permanent fund. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures at the level of control selected by Council. The legal level of control has been established by Council at the object level (personal services and other expenditures) within each fund and department. Budgetary modifications at this level may only be made by ordinance of the City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled. Monies for all funds, including enterprise funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash And Cash Equivalents" on the financial statements. The City's Municipal Court has its own checking accounts for collection and distribution of court fines and forfeitures which are presented on the financial statements as "Cash in Segregated Accounts." The City's deposits on hand for future principal and interest payments on mortgage revenue bonds are presented as "Restricted Assets: Cash and Cash Equivalents with Trustee." Cash deposits on hand for future principal and interest payments on mortgage revenue bonds in excess of the amount required by the bond trust indenture are presented as "Cash and Cash Equivalents with Trustee."

During the year, investments were limited to nonnegotiable certificates of deposit, STAROhio, Federal Home Loan Mortgage Corporation Medium Term Notes, the Western Asset Government Money Market Mutual Fund and the First American Treasury Obligation Money Market Mutual Fund. In addition, the City received a donation of common and preferred stock from an estate during the year. Marking the common and preferred stock to a market value of \$1,024,344 at December 31, 2008 resulted in negative interest earnings in the F.C. Dial Nonmajor Permanent fund. Except for nonparticipating investment contracts, investments are reported at fair value which, except for mutual funds, is based on quoted market prices. Fair value for mutual funds is determined by the mutual fund's current share price. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2008. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2008.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General fund during 2008 amounted to \$355,377 which includes \$180,863 assigned from other funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash equivalents on the financial statements.

MATERIALS AND SUPPLIES INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures/expenses when used.

RESTRICTED ASSETS

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents with trustee for repayment of current debt service on revenue bonds that are required by the bond indenture to be held by a financial services corporation and cash and cash equivalents for the replacement and improvement of capital assets originally acquired with bond proceeds. In addition, water and sewer customer deposits are presented as restricted assets.

CAPITAL ASSETS

General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost when historical records are available and estimated historical cost where no historical records exist, and are updated for additions and reductions during the year. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|-------------------|-------------|
| Land Improvements | 20 years |
| Buildings | 20-30 years |
| Equipment | 3-20 years |
| Vehicles | 5-20 years |
| Infrastructure | 10-60 years |

The City’s infrastructure consists of streets, curbs and gutters, sidewalks, street lighting, bridges, traffic structures, water and sewer lines, stormwater drains and a water well field. The City only reports infrastructure amounts acquired after 1980 for its governmental activities.

CAPITALIZATION OF INTEREST

It is the City’s policy to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

COMPENSATED ABSENCES

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation and compensatory time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The City considers any employee with ten or more years of service with the City as probable to retire and receive payment for sick leave from the City. The amount is based on accumulated sick leave and employees’ wage rates at year-end, taking into consideration any limits specified in the City’s termination policy.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTERFUND RECEIVABLES/PAYABLES

On fund financial statements, outstanding interfund loans are reported as “interfund receivables/payables.” Interfund balances are eliminated on the governmental-wide statement of net assets except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances.”

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds, notes, and the police and fire pension liability are recognized as liabilities on the governmental fund financial statements when due.

BOND DISCOUNTS, PREMIUMS/ISSUANCE COSTS

On the government-wide financial statements (and in the enterprise funds), bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Bond premiums/discounts are presented as additions/reductions to the face amount of bonds payable. Issuance costs are amortized on a straight-line basis over the term of the bonds and are reported as deferred charges.

On the governmental fund financial statements, issuance costs, bond premiums and discounts are recognized in the period in which the debt is issued.

In the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

RESERVES OF FUND BALANCES

Reserves of fund balance in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances and leisure time activities.

INTERNAL ACTIVITY

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. A portion of certain governmental long-term liabilities is not related to governmental activities because part of the proceeds was used to purchase assets used in the business-type activities. The unrelated portion of these liabilities is included in the calculation of net assets restricted for debt service. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of recreational activities, improving the living environment of the City, and police and fire pensions.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The City's Water enterprise fund has restricted net assets relative to those resources necessary to comply with various covenants of bond financing agreements.

The government-wide statement of net assets reports \$6,963,120 of restricted net assets, none of which are restricted by enabling legislation.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer, and trash utility services and stormwater management fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE/CORRECTION OF AN ERROR

CHANGE IN ACCOUNTING PRINCIPLE

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”. GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The implementation of this statement did not result in any change to the financial statements.

CORRECTION OF AN ERROR

In 2008, it was determined that certain interfund payable/receivable amounts reported in 2007 would not be repaid. These items were reclassified as permanent transfers between funds and the payable/receivable amounts were removed. This had the following effect on fund balance at December 31, 2007 as previously reported.

| | Fire Levy Fund | Debt Service Fund |
|--|-------------------|----------------------|
| Fund Balance/Net Assets, December 31, 2007 as Reported | \$1,048,918 | \$557,710 |
| Adjustment for Receivable/Payable | (92,799) | 92,799 |
| Fund Balance/Net Assets, December 31, 2007 Restated | <u>\$956,119</u> | <u>\$650,509</u> |

In 2008, it was determined that a street sweeper purchased in the Stormwater Utility Fund in 2007 was not recorded as a capital asset. In addition, an error in posting cash transactions related to debt proceeds in 2006 was found. These items had the following effect on net assets at December 31, 2007 as previously reported.

| | Water Fund | Stormwater Utility Fund | Business-Type Activities |
|---|--------------------|----------------------------|-----------------------------|
| Net Assets, December 31, 2007 as Reported | \$1,713,006 | \$10,800,182 | \$17,349,293 |
| Adjustment for Capital Assets | 0 | 109,897 | 109,897 |
| Adjustment for Mispsted Debt Proceeds | 94,119 | 0 | 94,119 |
| Net Assets, December 31, 2007 Restated | <u>\$1,807,125</u> | <u>\$10,910,079</u> | <u>\$17,553,309</u> |

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General fund and Fire Levy special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Investments are reported at fair value (GAAP) rather than cost (budget basis).
5. Unrecorded cash and unrecorded interest represent amounts received but not included on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

| | Net Change in Fund Balance | |
|--|----------------------------|-------------------|
| | General Fund | Fire Levy Fund |
| GAAP Basis | \$773,501 | \$154,171 |
| Revenue Accruals | 564,601 | 695 |
| Expenditure Accruals | (1,239,469) | (124,011) |
| Encumbrances | (73,758) | (5,895) |
| Net Increase in Fair Value of Investments - 2007 | 9,633 | 0 |
| Net Decrease in Fair Value of Investments - 2008 | 25,299 | 0 |
| Unrecorded Cash | (25,289) | 0 |
| Unrecorded Interest | (97,401) | 0 |
| Transfers | 175,061 | (62,181) |
| Budget Basis | \$112,178 | (\$37,221) |

NOTE 5 - DEPOSITS AND INVESTMENTS

POLICIES AND PROCEDURES

State statutes classify monies held by the City into three categories.

Active monies are public monies necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

The City charter states that the City will follow State statute in determining the type of securities in which the City may deposit or invest interim monies. The allowable securities are made up of the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bond, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAROhio); and
7. Commercial paper and banker's acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

INVESTMENTS

As of December 31, 2008, the City had the following investments:

| Investment Type | Investment Maturities (in Years) | | |
|---|----------------------------------|--------------------|------------------|
| | Fair Value/ Cost | Less Than 1 | 2-5 |
| STAROhio | \$7,500,679 | \$7,500,679 | \$0 |
| Federal Home Loan Mortgage Corporation Medium Term Notes | 261,190 | 0 | 261,190 |
| Western Asset Government Money Market Mutual Fund | 5,856 | 5,856 | 0 |
| First American Treasury Obligation Money Market Mutual Fund | 627,400 | 627,400 | 0 |
| Total Investments | <u>\$8,395,125</u> | <u>\$8,133,935</u> | <u>\$261,190</u> |

INTEREST RATE RISK

The City has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

CREDIT RISK

STAROhio carries a rating of AAAM by Standard & Poor's. The Federal Home Loan Mortgage Corporation Medium Term Notes and money market mutual funds carry a rating of Aaa by Moody's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no additional policy regarding credit risk.

NOTE 6 – COMPLIANCE AND ACCOUNTABILITY

COMPLIANCE

The Debt Service Fund had original appropriations in excess of original estimated resources and available balances for the year ended December 31, 2008 in the amount of \$108,806.

The following had an excess of expenditures over final appropriations for the year ended December 31, 2008:

| Fund Type/Fund/Department/Object | Final Appropriations | Expenditures | Excess |
|----------------------------------|-------------------------|------------------|-------------------|
| Capital Projects Fund | | | |
| Capital Improvement Fund | | | |
| Capital Outlay | <u>\$38,900</u> | <u>\$124,885</u> | <u>(\$85,985)</u> |

ACCOUNTABILITY

At year-end, the Police and Fire Pension nonmajor special revenue fund and the ODOT Project nonmajor capital projects fund had deficit fund balances of \$90,802 and \$28,079, respectively. These deficits are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund provides transfers to cover deficit balances; however, this is only done when cash is needed rather than when accruals occur.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The full tax rate for all City operations for the year ended December 31, 2008, was \$5.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

| Category | Assessed Value |
|----------------------------------|----------------|
| Real Property | \$206,768,470 |
| Personal Property | 13,200,385 |
| Public Utility Personal Property | 12,408,660 |
| Totals | \$232,377,515 |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Franklin. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 8 - INCOME TAX

The City levies a municipal income tax of 1.5 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2008, the proceeds were allocated to the General Fund.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2008 consisted of intergovernmental, including grants, entitlements and shared revenues, taxes, accounts (including utility), interfund, special assessments and interest on investments receivables. All receivables are considered fully collectible, including charges for utilities receivable which, if delinquent, may be certified and collected as special assessments, subject to foreclosure for nonpayment.

Special assessments expected to be collected in more than one year for the City amount to \$2,098,836. The City has \$47,597 in delinquent special assessments at December 31, 2008. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of intergovernmental receivables follows:

| | <u>Amount</u> |
|--------------------------------------|---------------|
| <u>Governmental Activities:</u> | |
| Local Government Assistance | \$210,225 |
| Homestead, Rollback and Exemption | 59,517 |
| Township Fire Run Charges | 42,900 |
| Gas Tax | 65,505 |
| Motor Vehicle License Tax | 53,706 |
| Permissive Motor Vehicle License Tax | 10,938 |
| Firefighters Grant | 147,727 |
| Total Governmental Activities | \$590,518 |

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2008, was as follows:

| | Balance At December 31, 2007 | Additions | Deletions | Balance At December 31, 2008 |
|---|------------------------------------|----------------------|----------------------|------------------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$19,001,595 | \$300,000 | \$0 | \$19,301,595 |
| Construction in Progress | 212,028 | 1,270,014 | (1,482,042) | 0 |
| Total Capital Assets, Not Being Depreciated | <u>19,213,623</u> | <u>1,570,014</u> | <u>(1,482,042)</u> | <u>19,301,595</u> |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 1,268,173 | 0 | 0 | 1,268,173 |
| Buildings | 6,869,171 | 0 | 0 | 6,869,171 |
| Equipment | 1,062,306 | 296,205 | (11,700) | 1,346,811 |
| Vehicles | 2,717,695 | 343,947 | (144,008) | 2,917,634 |
| Infrastructure | 59,614,744 | 1,507,290 | 0 | 61,122,034 |
| Total Depreciable Capital Assets | <u>71,532,089</u> | <u>2,147,442</u> | <u>(155,708)</u> | <u>73,523,823</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (883,672) | (51,459) | 0 | (935,131) |
| Buildings | (1,311,433) | (118,822) | 0 | (1,430,255) |
| Equipment | (618,683) | (114,171) | 5,070 | (727,784) |
| Vehicles | (2,024,140) | (263,151) | 127,980 | (2,159,311) |
| Infrastructure | (35,538,759) | (1,439,071) | 0 | (36,977,830) |
| Total Accumulated Depreciation | <u>(40,376,687)</u> | <u>(1,986,674) *</u> | <u>133,050</u> | <u>(42,230,311)</u> |
| Depreciable Capital Assets, Net | <u>31,155,402</u> | <u>160,768</u> | <u>(22,658)</u> | <u>31,293,512</u> |
| Governmental Activities Capital Assets, Net | <u>\$50,369,025</u> | <u>\$1,730,782</u> | <u>(\$1,504,700)</u> | <u>\$50,595,107</u> |

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 10 – CAPITAL ASSETS (continued)

| | Balance At December 31, 2007, Restated | Additions | Deletions | Balance At December 31, 2008 |
|--|--|-------------|-----------|------------------------------------|
| Business-Type Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$1,095,364 | \$0 | \$0 | \$1,095,364 |
| Construction in Progress | 313,390 | 1,760,881 | 0 | 2,074,271 |
| Total Capital Assets, Not Being Depreciated | 1,408,754 | 1,760,881 | 0 | 3,169,635 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 12,921 | 0 | 0 | 12,921 |
| Buildings | 72,700 | 0 | 0 | 72,700 |
| Equipment | 244,169 | 10,000 | 0 | 254,169 |
| Vehicles | 364,490 | 93,157 | 0 | 457,647 |
| Infrastructure | 35,622,656 | 0 | 0 | 35,622,656 |
| Total Depreciable Capital Assets | 36,316,936 | 103,157 | 0 | 36,420,093 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (2,788) | (204) | 0 | (2,992) |
| Buildings | (12,741) | (667) | 0 | (13,408) |
| Equipment | (112,021) | (7,083) | 0 | (119,104) |
| Vehicles | (239,173) | 0 | 0 | (239,173) |
| Infrastructure | (13,707,580) | (722,714) | 0 | (14,430,294) |
| Total Accumulated Depreciation | (14,074,303) | (730,668) | 0 | (14,804,971) |
| Depreciable Capital Assets, Net | 22,242,633 | (627,511) | 0 | 21,615,122 |
| Business-Type Activities Capital Assets, Net | \$23,651,387 | \$1,133,370 | \$0 | \$24,784,757 |

Additions to capital assets of business-type activities include \$695,403 in assets transferred in from governmental activities.

* Depreciation expense was charged to governmental programs as follows:

| | |
|-----------------------------------|--------------------|
| General Government | \$91,333 |
| Security of Persons and Property: | |
| Police | 104,182 |
| Fire | 86,827 |
| Leisure Time Activities | 50,858 |
| Basic Utility Services | 80,111 |
| Transportation | 1,573,363 |
| Total Depreciation Expense | <u>\$1,986,674</u> |

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 11 – DEFINED BENEFIT PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll.

The City's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$254,271, \$207,168, and \$253,133, respectively; 81.83 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$3,746 made by the City and \$2,676 made by plan members.

OHIO POLICE AND FIRE PENSION FUND

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contributions equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$222,454 and \$155,753 for the year ended December 31, 2008, \$236,640 and \$153,808 for the year ended December 31, 2007, and \$172,653 and \$70,557 for the year ended December 31, 2006. 86.80 percent for police and 62.25 percent for firefighters has been contributed for 2008. The full amount has been contributed for 2007 and 2006.

NOTE 12 – POST-EMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in OPERS' financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional pension and combined plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$193,467, \$136,459, and \$123,815, respectively; 81.83 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12 – POST-EMPLOYMENT BENEFITS (continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

OHIO POLICE AND FIRE PENSION FUND

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under Internal Revenue Code 115 trust and once for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12 – POST-EMPLOYMENT BENEFITS (continued)

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$127,793 and \$64,697 for the year ended December 31, 2008, \$125,280 and \$60,186 for the year ended December 31, 2007, and \$113,878 and \$33,650 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 86.80 percent has been contributed for police and 62.25 percent has been contributed for firefighters for 2008.

NOTE 13 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or his or her estate) will be paid for unused vacation leave.

Accumulated Unpaid Sick Leave

City employees earn sick leave at a rate of 4.62 hours per 80 hours of service. Sick leave is cumulative without limit. In the case of death or retirement, every employee will be paid for a maximum of 150 days of sick leave hours. Those employees that were hired before June 7, 2005 and leave City employment for reasons other than death or retirement will be paid 50 percent of accumulated sick leave up to a maximum of 75 days (600 hours). Employees hired on or after June 7, 2005 will be paid 25 percent of accumulated sick leave up to a maximum payment of 240 hours.

Accumulated Unpaid Compensatory Time

City employees working over their designated work hours are entitled to either overtime pay or compensatory time according to the Fair Labor Standards Act. Employees may elect to receive compensatory time in lieu of overtime pay. Compensatory time must be used within 180 days of accrual or the time must be paid. Employees may accrue compensatory time up to a maximum of 240 hours, except those employees working in a public safety activity, emergency response activity or seasonal activity, who may accrue a maximum of 480 hours. Upon departure from City employment, an employee (or his or her estate) will be paid for unused compensatory time.

HEALTH CARE BENEFITS

The City has elected to provide employee medical/surgical benefits through United Healthcare. The City provides life insurance and accidental death and dismemberment insurance to most employees as part of the health care plan. The employees share the cost of the monthly premium with the City. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the City to all employees through Anthem Blue Cross/Blue Shield.

DEFERRED COMPENSATION

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 14 - 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 is a member of the Public Entities Pool of Ohio (PEP). PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. Information provided in this note is the latest information available.

General, Automobile, Police Professional and Public Officials' Liability Coverage (Casualty Coverage)

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Members can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2008. For 2008, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2008, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2007, or \$100,000 and \$300,000 in 2008, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

The City has elected to pay for coverage with the following limits:

| | |
|---|------------------|
| General and Public Officials' Liability - each occurrence | \$10,000,000 |
| Automobile Liability - each accident | 10,000,000 |
| Police Professional Liability - each claim | |
| \$3,000 Deductible | 10,000,000 |
| Automobile Physical Damage | |
| \$500 Deductible | Replacement Cost |
| Property Coverage | Replacement Cost |

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 14 - RISK MANAGEMENT (continued)

Settled claims have not exceeded this coverage in any of the past three years. There was no significant decline in the level of coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost.

NOTE 15 - LONG-TERM OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2008 follows:

| Types/Issues | Balance January 1, 2008 | Increases | Decreases | Balance December 31, 2008 | Due Within One Year |
|--|-------------------------------|-----------|-----------|---------------------------------|------------------------|
| <u>Special Assessment Bonds with Governmental Commitment</u> | | | | | |
| 6.85% - 1991 | | | | | |
| Franklin Commerce | | | | | |
| Improvement - \$1,340,000 | \$450,000 | \$0 | \$100,000 | \$350,000 | \$110,000 |
| 7.125% - 1989 | | | | | |
| Shady Glenn - \$170,000 | 27,000 | 0 | 9,000 | 18,000 | 9,000 |
| 6.00% - 1995 | | | | | |
| Miller Stub Street - \$78,513 | 42,000 | 0 | 4,000 | 38,000 | 5,000 |
| 5.75% - 1995 | | | | | |
| Shotwell Drive - \$227,000 | 124,000 | 0 | 12,000 | 112,000 | 13,000 |
| 5.80% - 1997 | | | | | |
| Franklin Commerce Center - \$577,400 | 350,000 | 0 | 30,000 | 320,000 | 30,000 |
| 5.00% - 1998 | | | | | |
| Scholl Road - \$514,177 | 335,000 | 0 | 25,000 | 310,000 | 25,000 |
| 5.00% - 1998 | | | | | |
| Fourth Street Improvement - \$337,705 | 220,000 | 0 | 15,000 | 205,000 | 15,000 |
| 5.00% - 1998 | | | | | |
| Schumaker-Franklin - \$1,322,708 | 885,000 | 0 | 60,000 | 825,000 | 70,000 |
| 5.00% - 1998 | | | | | |
| Deardoff Phase II - \$158,410 | 110,000 | 0 | 10,000 | 100,000 | 10,000 |
| 5.70% - 1999 | | | | | |
| Eastlawn Sewer Line Extension - \$119,779 | 80,000 | 0 | 5,000 | 75,000 | 5,000 |
| 5.125% - 2001 | | | | | |
| Shotwell Drive Phase III - \$490,000 | 400,000 | 0 | 20,000 | 380,000 | 20,000 |
| TOTAL-Special | | | | | |
| Assessment Bonds | \$3,023,000 | \$0 | \$290,000 | \$2,733,000 | \$312,000 |

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

| Types/Issues | Balance January 1, 2008 | Increases | Decreases | Balance December 31, 2008 | Due Within One Year |
|---|----------------------------|--------------------|--------------------|------------------------------|------------------------|
| <u>General Obligation Bonds</u> | | | | | |
| <u>(Unvoted)</u> | | | | | |
| 4.25% - 6.10% 1994 | | | | | |
| Road Extension - \$1,730,000 | \$170,000 | \$0 | \$170,000 | \$0 | \$0 |
| 4.625% - 5.125% 2001 | | | | | |
| Street Improvement - \$920,000 | 745,000 | 0 | 35,000 | 710,000 | 35,000 |
| 3.00% - 5.25% 2002 | | | | | |
| Public Works Facility - \$4,625,000 | 4,375,000 | 0 | 50,000 | 4,325,000 | 145,000 |
| 4.00% - 5.00% 2003 | | | | | |
| Various Purpose - \$960,000 | 820,000 | 0 | 35,000 | 785,000 | 40,000 |
| 1.50% - 4.65% 2003 | | | | | |
| Adminstrative and Court Facility | | | | | |
| Improvements - \$1,260,000 | 1,060,000 | 0 | 50,000 | 1,010,000 | 50,000 |
| Discount on Debt Issue | (14,336) | 0 | (896) | (13,440) | 0 |
| TOTAL-General | | | | | |
| Obligation Bonds | <u>7,155,664</u> | <u>0</u> | <u>339,104</u> | <u>6,816,560</u> | <u>270,000</u> |
| <u>Other Long-Term Obligations</u> | | | | | |
| 3.67% - 2007 | | | | | |
| Consolidated Fire Equipment and | | | | | |
| Stormwater Study Bond | 325,000 | 0 | 325,000 | 0 | 0 |
| Anticipation Notes - \$530,000 | | | | | |
| 3.67% - 2007 | | | | | |
| Road Improvement Bond | | | | | |
| Anticipation Notes \$280,000 | 260,000 | 0 | 260,000 | 0 | 0 |
| 3.67% - 2007 | | | | | |
| Road Improvement and Street Sweeper | | | | | |
| Bond Anticipation Notes \$213,000 | 190,000 | 0 | 190,000 | 0 | 0 |
| 2.49% - 2008 | | | | | |
| Consolidated Fire Equipment and | | | | | |
| Stormwater Study Bond | | | | | |
| Anticipation Notes - \$530,000 | 0 | 282,500 | 0 | 282,500 | 0 |
| 2.49% - 2008 | | | | | |
| Road Improvement Bond | | | | | |
| Anticipation Notes \$280,000 | 0 | 247,000 | 0 | 247,000 | 0 |
| 2.49% - 2008 | | | | | |
| Road Improvement and Street Sweeper | | | | | |
| Bond Anticipation Notes \$213,000 | 0 | 180,500 | 0 | 180,500 | 0 |
| Compensated Absences | 792,267 | 330,825 | 294,579 | 828,513 | 228,433 |
| 2.50% - Police and Fire Pension | 69,668 | 0 | 1,369 | 68,299 | 1,428 |
| TOTAL-Other Long-Term | | | | | |
| Obligations | <u>1,636,935</u> | <u>1,040,825</u> | <u>1,070,948</u> | <u>1,606,812</u> | <u>229,861</u> |
| TOTAL- All General | | | | | |
| Long-Term Obligations | <u>\$11,815,599</u> | <u>\$1,040,825</u> | <u>\$1,700,052</u> | <u>\$11,156,372</u> | <u>\$811,861</u> |

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The special assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt.

On November 1, 1994, the City issued \$1,730,000 in General Obligation Bonds for the purpose of making road improvements. The bonds will be paid from the Debt Service fund with transfers from the General Fund and the Transportation special revenue fund.

The Road Extension general obligation bonds are callable at the option of the City at the following redemption premiums on the dates indicated:

| Redemption Dates | Premium - % of Par Value |
|----------------------------------|--------------------------|
| September 1, 2006 and thereafter | 100% |

On October 1, 2001, the City issued \$920,000 in General Obligation Bonds for the purpose of retiring Bond Anticipation Notes that were issued for making improvements to Second Street. The bonds will be paid from the Debt Service fund with transfers from the Capital Improvement Capital projects fund (22%) and the General fund (78%).

On May 1, 2002, the City issued \$4,625,000 in General Obligation Bonds for the purpose of constructing a new Administration building, a new police building, and a new fire department building. The bonds will be paid from the General fund.

On October 1, 2003, the City issued \$960,000 in General Obligation Bonds for the purpose of retiring Bond Anticipation Notes that were issued for making street and police department facility improvements. Of these bonds, \$385,000 are serial bonds and \$575,000 are term bonds. The bonds will be retired from the General fund.

The term bonds issued at \$575,000 and maturing on December 1, 2016, 2019 and 2023 are subject to mandatory sinking fund redemption, on December 1, in the years and in the respective principal amounts as follows:

| Year | Amount |
|-------|-----------|
| 2014 | \$50,000 |
| 2015 | 50,000 |
| 2016 | 50,000 |
| 2017 | 55,000 |
| 2018 | 55,000 |
| 2019 | 55,000 |
| 2020 | 60,000 |
| 2021 | 65,000 |
| 2022 | 65,000 |
| 2023 | 70,000 |
| Total | \$575,000 |

The bonds maturing on and after December 1, 2014 are subject to optional redemption in whole or in part on any date at the redemption prices listed below, expressed as percentages of the principal amounts to be redeemed, plus accrued interest to the date fixed for redemption.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

| Redemption Dates | Premium - % of Par Value |
|--|--------------------------|
| December 1, 2013 through November 30, 2014 | 102% |
| December 1, 2014 through November 30, 2015 | 101% |
| December 1, 2015 and thereafter | 100% |

On August 1, 2003, the City issued \$1,260,000 in General Obligation Bonds for the purpose of making improvements to the City Administration and Municipal Court facilities. Of these bonds, \$300,000 are serial bonds and \$960,000 are term bonds. The bonds will be retired from the General fund.

The term bonds issued at \$960,000 and maturing on December 1, 2014, 2019 and 2023 are subject to mandatory sinking fund redemption, on December 1, in the years and in the respective principal amounts as follows:

| Year | Amount |
|-------|-----------|
| 2010 | \$50,000 |
| 2011 | 55,000 |
| 2012 | 55,000 |
| 2013 | 60,000 |
| 2014 | 60,000 |
| 2015 | 65,000 |
| 2016 | 65,000 |
| 2017 | 70,000 |
| 2018 | 70,000 |
| 2019 | 75,000 |
| 2020 | 80,000 |
| 2021 | 80,000 |
| 2022 | 85,000 |
| 2023 | 90,000 |
| Total | \$960,000 |

The bonds maturing on and after December 1, 2014 are subject to optional redemption in whole or in part on any date at the redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

On March 13, 2008, the City paid \$60,000 toward the \$385,000 fire equipment note and refinanced the remaining \$325,000.

On March 13, 2008, the City paid \$20,000 toward the \$280,000 road improvement note and refinanced the remaining \$260,000.

On March 13, 2008, the City paid \$23,000 toward the \$213,000 road improvement and street sweeper note and refinanced the remaining \$190,000.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Compensated absences of the governmental activities will be paid from the General fund and the Transportation, Fire Levy, and Recreation special revenue funds.

The Police and Fire Pension liability is paid from special revenue fund taxes, and is recorded as an expenditure of Debt Service: Principal Retirement.

Changes in the long-term obligations reported in the business-type activities of the City during 2008 were as follows:

| Types/Issues | Balance January 1, 2008 | Increases | Decreases | Balance December 31, 2008 | Due Within One Year |
|--|-------------------------------|--------------------|--------------------|---------------------------------|------------------------|
| OWDA Loans | \$2,107,550 | \$1,065,478 | \$105,266 | \$3,067,762 | \$161,453 |
| 4.000% - 4.125% - Mortgage Revenue | | | | | |
| Refunding Bonds - \$6,140,000 | 5,815,000 | 0 | 355,000 | 5,460,000 | 365,000 |
| Unamortized Gain | (30,362) | 0 | (1,918) | (28,444) | 0 |
| Premium on Debt Issue | 57,390 | 0 | 3,625 | 53,765 | 0 |
| 3.67% - 2007 | | | | | |
| Consolidated Fire Equipment and Stormwater Study Bond | | | | | |
| Anticipation Notes - \$530,000 | 135,000 | 0 | 135,000 | 0 | 0 |
| 3.67% - 2007 | | | | | |
| Stormwater Drainage Improvement Project Bond Anticipation | | | | | |
| Notes - \$1,100,000 | 1,090,000 | 0 | 1,090,000 | 0 | 0 |
| 2.49% - 2008 | | | | | |
| Stormwater Drainage Improvement Project Bond Anticipation | | | | | |
| Notes - \$1,100,000 | 0 | 1,090,000 | 0 | 1,090,000 | 0 |
| Compensated Absences | 201,731 | 54,894 | 54,793 | 201,832 | 91,973 |
| TOTAL - Business Type-Activities | <u>\$9,376,309</u> | <u>\$2,210,372</u> | <u>\$1,741,766</u> | <u>\$9,844,915</u> | <u>\$618,426</u> |

The Ohio Water Development Authority (OWDA) loans are for the construction of water mains and a new water tower. Work on the water tower has not been fully completed, therefore, the loan amount has not been issued in full and a final payment schedule for this portion of the loans is not available. The loans will be paid from water fund operating revenues.

During 2006, the City issued \$6,140,000 in Mortgage Revenue Bonds. A portion of the proceeds were used to advance refund Mortgage Revenue Bonds in the amount of \$3,385,000.

The enterprise fund's bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties in good condition.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The City has pledged future revenues, net of operating expenses, to repay the OWDA Loan and the Mortgage Revenue Refunding Bonds in the City's Water fund. The debt is payable solely from net revenues and is payable through 2022. Annual principal and interest payments on the debt issues are expected to require 82 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$11,108,023, with principal and interest of \$4,076,203 remaining on the OWDA Loan and \$7,031,820 on the Mortgage Revenue Refunding Bonds. Principal and interest paid for the current year was \$840,107, with \$250,914 paid on the OWDA Loans and \$589,193 paid on the Mortgage Revenue Refunding Bonds. Total net revenues were \$1,162,596.

On March 13, 2008, the City paid \$10,000 toward the \$145,000 note for the City's stormwater study and refinanced the remaining \$135,000.

On March 13, 2008, the City paid \$10,000 toward the \$1,100,000 note for the City's stormwater drainage system and refinanced the remaining \$1,090,000.

Compensated absences of the business-type activities will be paid from the Water, Sewer and Stormwater Utility funds.

As of December 31, 2008, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$16,794,639 with an unvoted debt margin of \$5,175,763.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2008 are:

| Year | Governmental Activities | | | |
|-----------|--------------------------|--------------------|--------------------------|------------------|
| | General Obligation Bonds | | Special Assessment Bonds | |
| | Principal | Interest | Principal | Interest |
| 2009 | \$270,000 | \$325,939 | \$312,000 | \$150,212 |
| 2010 | 285,000 | 315,155 | 333,000 | 131,818 |
| 2011 | 300,000 | 303,301 | 345,000 | 112,191 |
| 2012 | 310,000 | 290,562 | 236,000 | 91,951 |
| 2013 | 320,000 | 277,246 | 248,000 | 79,413 |
| 2014-2018 | 1,885,000 | 537,219 | 1,134,000 | 184,973 |
| 2019-2023 | 2,235,000 | 652,871 | 125,000 | 12,614 |
| 2024-2027 | 1,225,000 | 164,850 | 0 | 0 |
| Totals | <u>\$6,830,000</u> | <u>\$2,867,143</u> | <u>\$2,733,000</u> | <u>\$763,172</u> |

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

| Year | Business-Type Activities | | | |
|-----------|--------------------------|--------------------|--------------------|--------------------|
| | Mortgage Revenue Bonds | | OWDA Loans | |
| | Principal | Interest | Principal | Interest |
| 2009 | \$365,000 | \$219,992 | \$161,453 | \$138,374 |
| 2010 | 380,000 | 205,392 | 120,316 | 130,598 |
| 2011 | 395,000 | 190,194 | 128,630 | 122,284 |
| 2012 | 415,000 | 174,394 | 137,518 | 113,396 |
| 2013 | 430,000 | 157,794 | 147,021 | 103,893 |
| 2014-2018 | 2,420,000 | 516,542 | 853,363 | 352,291 |
| 2019-2022 | 1,055,000 | 107,512 | 453,983 | 47,605 |
| | <u>\$5,460,000</u> | <u>\$1,571,820</u> | <u>\$2,002,284</u> | <u>\$1,008,441</u> |

REVENUE HOUSING BONDS

The City served as the issuer of \$7,220,000 in revenue housing bonds in 1997 and \$4,500,000 in 2007. The proceeds of the \$7,220,000 bonds were used by Emerald Edge/Warren, Limited Partnership and the proceeds of the \$4,500,000 bonds were used by Sound Preservation 202 LP to finance the acquisition, construction and equipping of separate multi-family residential rental housing facilities. The housing revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the City. Neither is the full faith and credit or taxing power of the City pledged to make repayment. The outstanding balance at December 31, 2008 on the Emerald Edge/Warren, Limited Partnership revenue housing bonds is \$6,035,000. The outstanding balance at December 31, 2008 on the Sound Preservation 202 LP revenue housing bonds is \$4,435,399.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year-ended December 31, 2008 follows:

| Fund Type | Balance January 1, 2008 | Increase | Decrease | Balance December 31, 2008 |
|---|----------------------------|------------------|------------------|------------------------------|
| <u>Governmental</u> | | | | |
| General | | | | |
| 3.67% - 2007 Road Improvement Bond Anticipation Notes \$280,000 | \$20,000 | \$0 | \$20,000 | \$0 |
| 2.49% - 2008 Road Improvement Bond Anticipation Notes \$260,000 | 0 | 13,000 | 0 | 13,000 |
| Total General | <u>20,000</u> | <u>13,000</u> | <u>20,000</u> | <u>13,000</u> |
| Special Revenue | | | | |
| 3.67% - 2007 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes \$550,000 | 60,000 | 0 | 60,000 | 0 |
| 2.49% - 2008 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes \$530,000 | 0 | 42,500 | 0 | 42,500 |
| Total Special Revenue | <u>60,000</u> | <u>42,500</u> | <u>60,000</u> | <u>42,500</u> |
| Capital Projects | | | | |
| 3.67% - 2007 Road Improvement and Street Sweeper Bond Anticipation Notes \$213,000 | 23,000 | 0 | 23,000 | 0 |
| 3.67% - 2007 Road Improvement and Street Sweeper Bond Anticipation Notes \$213,000 | 0 | 9,500 | 0 | 9,500 |
| Total Capital Projects | <u>23,000</u> | <u>9,500</u> | <u>23,000</u> | <u>9,500</u> |
| Total Governmental Funds | <u>\$103,000</u> | <u>\$65,000</u> | <u>\$103,000</u> | <u>\$65,000</u> |
| <u>Business-Type Activities</u> | | | | |
| Stormwater Utility | | | | |
| 3.67% - 2007 | | | | |
| Stormwater Drainage Improvement Project Bond Anticipation Notes - \$1,100,000 | \$10,000 | \$0 | \$10,000 | \$0 |
| 3.67% - 2007 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes \$530,000 | 10,000 | 0 | 10,000 | 0 |
| 2.49% - 2008 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes \$530,000 | 0 | 135,000 | 0 | 135,000 |
| Total Business-Type Funds | <u>\$20,000</u> | <u>\$135,000</u> | <u>\$20,000</u> | <u>\$135,000</u> |

Bond anticipation notes are generally issued in anticipation of long-term bond financing and will be refinanced annually until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 17 - INTERFUND ACTIVITY

INTERFUND RECEIVABLE/PAYABLE

Interfund balances at December 31, 2008, consist of the following individual fund receivables and payables:

| | | Receivable | | | |
|---------|---------|------------------|------------------|--------------------------|------------------|
| | | General | Debt Service | Nonmajor Governmental | Total |
| Payable | General | \$0 | \$248,822 | \$2,222 | \$251,044 |
| | Water | 175,302 | 144,196 | 0 | 319,498 |
| | Total | <u>\$175,302</u> | <u>\$393,018</u> | <u>\$2,222</u> | <u>\$570,542</u> |

The amount due to the Debt Service fund from the General fund is for principal and interest payments. The amount due to the General and Debt Service funds from the Water fund relates to interest and fiscal charges paid by the respective funds on behalf of the Water fund. The amount due to the All Other Governmental Funds from the General fund is related to misposted special assessments and homestead and rollback receipts.

TRANSFERS FROM/TO OTHER FUNDS

Transfers are used to 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 to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

| | | Transfers From | | | | | | | | |
|--------------|--------------------------|--------------------|-----------------|----------------|--------------------------|------------------|-----------------|---------------------|-----------------------|--------------------|
| | | General | Fire Levy | Issue II | Nonmajor Governmental | Water | Sewer | Trash Collection | Stormwater Utility | Total |
| Transfers to | General | \$0 | \$0 | \$0 | \$14,866 | \$0 | \$0 | \$0 | \$0 | \$14,866 |
| | Fire Levy | 750,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 750,000 |
| | Debt Service | 266,358 | 83,319 | 9,500 | 59,000 | 45,000 | 45,000 | 0 | 53,666 | 561,843 |
| | Issue II | 23,422 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,422 |
| | Nonmajor Governmental | 610,943 | 4,412 | 0 | 477,362 | 131,139 | 0 | 0 | 0 | 1,223,856 |
| | Total | <u>\$1,650,723</u> | <u>\$87,731</u> | <u>\$9,500</u> | <u>\$551,228</u> | <u>\$176,139</u> | <u>\$45,000</u> | <u>\$0</u> | <u>\$53,666</u> | <u>\$2,573,987</u> |

The transfer from the General fund to the Fire Levy fund was for operating monies for the fire department. Transfers to the Debt Service fund were made for scheduled debt service payments, including the amounts transferred from the Water and Sewer funds for their portion of payments on the municipal building general obligation bonds. Transfers from the General fund to the Nonmajor Governmental funds included amounts transferred for the construction of capital assets, upkeep of park facilities and grants made to local businesses for improvements in the downtown area. Transfers between Nonmajor Governmental funds were made to restrict monies for purchases of land and for reimbursement of prior expenditures related to construction projects. Transfers from the Water fund to the Nonmajor Governmental funds were made for the water pressure reduction through the Community Development fund.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 18 - JOINT VENTURE/SHARED RISK POOL/JOINTLY GOVERNED ORGANIZATIONS

JOINT VENTURE

The City participates in a joint venture with Franklin Township pertaining to a Joint Recreation Facility. The joint venture was formed for the purpose of constructing and operating a swimming pool for the citizens of the City and Township. The recreation facility is governed by a Board of Trustees consisting of ten members, five appointed by each entity. The funding for the operations of the pool is charges for services, with the remainder of the budget being financed equally by the City and Township. There is no explicit and measurable equity interest in the Joint Recreation Facility. The City has an ongoing financial responsibility because the continued existence of the joint venture depends on the City's contribution, which totaled \$34,341 in 2008. The joint venture is not accumulating significant resources or experiencing fiscal stress which would cause additional financial benefit or burden on the City. The City of Franklin is the fiscal agent. The financial statements of the Joint Recreation facility can be obtained at the Finance Department, City of Franklin, 35 East Fourth Street, Franklin, Ohio, 45005.

The following is a summary of the financial information for the joint venture for the year-ended December 31, 2008 prepared on the basis of cash receipts and disbursements:

| | Joint Recreation Facility |
|-----------------------------------|---------------------------------|
| Operating Revenues | \$122,377 |
| Operating Expenditures | 122,379 |
| Excess of Operating Revenues | |
| Under Expenditures | (2) |
| Fund Balance at Beginning of Year | 3 |
| Fund Balance at End of Year | \$1 |

SHARED RISK POOL

The Public Entities Pool of Ohio (PEP) is a statutory entity created pursuant to section 2744.081, of the Ohio Revised Code, by the execution of an intergovernmental contract ("Participation Agreements"). PEP enables the subscribing subdivisions to pool risk for property, liability and public official liability. PEP has no employees, rather it is administered through contracts with various professionals. Pursuant to a contract, the firm of Accordia of Ohio administers PEP. PEP is a separate legal entity. PEP subcontracts certain self-insurance, administrative and claims functions to a "Pool Operator," currently Pottering Insurance. PEP has executed contracts with various professionals for actuary services, as independent auditors, as loss control representatives, as litigation management and defense law firms, as counsel to PEP and others as required.

PEP is governed by a seven member Board of Trustees elected by the members of PEP. The City makes annual payments to PEP for the coverage it is provided, based on rates established by PEP.

Financial information may be obtained by writing to the Public Entities Pool of Ohio, 229 Riverside Drive, Dayton, Ohio, 45402.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 18 - JOINT VENTURES/SHARED RISK POOL/JOINTLY GOVERNED ORGANIZATIONS
(continued)

JOINTLY GOVERNED ORGANIZATIONS

The Warren County General Health District (the District), a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, including the City, oversees the operation of the District. The City contributed \$3,448 during 2008 for the operation of the District. The City does not have any financial interest in or responsibility for the District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers. Financial information may be obtained from Brenda Jacobs at the Warren County General Health District, 416 S. East Street, Lebanon, Ohio 45036.

The Joint Emergency Medical Service (JEMS), a jointly governed organization, provides ambulance services to the City of Franklin, the City of Carlisle and Franklin Township. Each of the three political subdivisions appoints one member of the three member Board of Trustees. The Board has the authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the organization, charges for services and a tax levy. The City does not retain an ongoing financial interest in or responsibility for the organization. The City acts as fiscal agent for the organization. The financial activity of the organization is reported as an agency fund within the City's financial statements.

NOTE 19 - CONTINGENT LIABILITIES

LITIGATION

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

FEDERAL AND STATE GRANTS

For the period January 1, 2008, to December 31, 2008, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 20 - SUBSEQUENT EVENTS

The City issued the following Bond Anticipation Notes on March 10, 2009, with maturity on March 9, 2010.

| Note | Amount Issued |
|--|------------------|
| Road Improvement | \$247,000 |
| Road Improvement and Street Sweeper | 180,500 |
| Consolidated Fire Equipment and Stormwater Drainage Study | 282,500 |
| Stormwater Drainage Improvement | 1,090,000 |

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 20 – SUBSEQUENT EVENTS *(continued)*

On March 10, 2009, the City paid \$42,500 toward the \$325,000 fire equipment note and refinanced the remaining \$282,500. The City also paid \$13,000 toward road improvement note and reissued the remaining \$247,000. \$9,500 was paid toward the \$190,000 road improvement note and the remaining amount of \$180,500 was reissued.

On March 10, 2009 the City paid off the stormwater study note and refinanced the stormwater drainage system note of \$1,090,000.

Combining Financial Statements and Individual Fund Schedules

CITY OF FRANKLIN, OHIO

NONMAJOR FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes. The following are descriptions of the City's nonmajor Special Revenue Funds.

NONMAJOR SPECIAL REVENUE FUNDS

Transportation

To account for gasoline tax and motor vehicle license fees used for routine maintenance of streets and State highways within the City.

E-911

To account for monies received from Warren County for operation of the City's emergency 911 dispatch as well as for the purchase of emergency 911 communications equipment.

Court

To account for fines, forfeitures and donations related to law enforcement, received by the Municipal Court, whose use is restricted for services required to be provided by State statute.

FEMA

To account for grants from the federal government for damage caused by a major windstorm that hit Ohio in September of 2008.

Recreation

To account for recreation fees and transfers from the General Fund. Expenditures pertain to recreational activities and upkeep of park facilities.

Community Development & Improvement

To account for loans to small businesses obtained through Community Development Block Grant programs and monies transferred from the General Fund that are paid to businesses for use in improving their store fronts.

Street Lighting

To account for an assessment levied by the City to pay for street lighting.

U.S. Filter

To account for a property tax levied for the purpose of paying the City's annual assessment to U.S. Filter for wastewater treatment.

Police and Fire Pension

To accumulate property taxes levied for the payment of the current and accrued liability for police and fire disability and pension benefits.

(continued)

CITY OF FRANKLIN, OHIO

NONMAJOR FUND DESCRIPTIONS
(continued)

CAPITAL PROJECTS FUNDS

To account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Improvement

To account for grant monies received for the purpose of making road improvements. Expenditures relate to the cost of road improvements and the retirement of bond and note debt issued for those projects.

ODOT Project

To account for expenditures related to road paving projects whose cost is shared between the City and the Ohio Department of Transportation.

PERMANENT FUND

To account for gifts and investment earnings that are donor restricted to expenditure for specific purposes.

NONMAJOR PERMANENT FUND

F. C. Dial Trust

To account for financial resources restricted for parks and recreation. The monies in this fund are restricted through a trust, and only the interest earnings may be spent for parks and recreation. No budget was prepared for the F.C. Dial Nonmajor Permanent fund. This fund was established in late 2008, as the result of a donation received through an estate, for use in providing leisure time activities services to the citizens of the City.

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Funds | Nonmajor Permanent Fund | Total Nonmajor Governmental Funds |
|---|---|--|-------------------------------|--|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$920,478 | \$37,801 | \$1,024,344 | \$1,982,623 |
| Materials and Supplies Inventory | 173,952 | 0 | 0 | 173,952 |
| Intergovernmental Receivable | 286,181 | 0 | 0 | 286,181 |
| Property Taxes Receivable | 194,623 | 0 | 0 | 194,623 |
| Interfund Receivable | 2,222 | 0 | 0 | 2,222 |
| Special Assessments Receivable | 99,657 | 0 | 0 | 99,657 |
| Total Assets | \$1,677,113 | \$37,801 | \$1,024,344 | \$2,739,258 |
| Liabilities: | | | | |
| Accounts Payable | \$30,053 | \$29,687 | \$0 | \$59,740 |
| Accrued Wages and Benefits | 15,421 | 0 | 0 | 15,421 |
| Intergovernmental Payable | 109,761 | 0 | 0 | 109,761 |
| Deferred Revenue | 544,654 | 0 | 0 | 544,654 |
| Total Liabilities | 699,889 | 29,687 | 0 | 729,576 |
| Fund Balances: | | | | |
| Reserved for Encumbrances | 51,204 | 0 | 0 | 51,204 |
| Reserved for Leisure Time Activities | 0 | 0 | 1,024,344 | 1,024,344 |
| Unreserved, Undesignated, Reported in: | | | | |
| Special Revenue Funds | 926,020 | 0 | 0 | 926,020 |
| Capital Projects Funds | 0 | 8,114 | 0 | 8,114 |
| Total Fund Balances | 977,224 | 8,114 | 1,024,344 | 2,009,682 |
| Total Liabilities and Fund Balances | \$1,677,113 | \$37,801 | \$1,024,344 | \$2,739,258 |

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Funds | Nonmajor Permanent Fund | Total Nonmajor Governmental Funds |
|--|---|--|-------------------------------|--|
| Revenues: | | | | |
| Property Taxes | \$147,941 | \$0 | \$0 | \$147,941 |
| Special Assessments | 96,410 | 0 | 0 | 96,410 |
| Charges for Services | 126,440 | 0 | 0 | 126,440 |
| Fines, Licenses and Permits | 66,259 | 0 | 0 | 66,259 |
| Intergovernmental | 770,528 | 170,665 | 0 | 941,193 |
| Interest | 81 | 0 | (113,792) | (113,711) |
| Contributions and Donations | 0 | 0 | 1,138,136 | 1,138,136 |
| Other | 32,715 | 90,406 | 0 | 123,121 |
| Total Revenues | <u>1,240,374</u> | <u>261,071</u> | <u>1,024,344</u> | <u>2,525,789</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 101,611 | 0 | 0 | 101,611 |
| Security of Persons and Property: | | | | |
| Police | 363,354 | 0 | 0 | 363,354 |
| Fire | 105,349 | 0 | 0 | 105,349 |
| Street Lighting | 102,802 | 0 | 0 | 102,802 |
| Public Health and Welfare | 29,846 | 0 | 0 | 29,846 |
| Leisure Time Activities | 265,350 | 0 | 0 | 265,350 |
| Economic Development | 84,517 | 0 | 0 | 84,517 |
| Transportation | 781,549 | 46,099 | 0 | 827,648 |
| Capital Outlay | 64,137 | 300,000 | 0 | 364,137 |
| Debt Service: | | | | |
| Principal Retirement | 1,369 | 0 | 0 | 1,369 |
| Interest and Fiscal Charges | 2,931 | 0 | 0 | 2,931 |
| Total Expenditures | <u>1,902,815</u> | <u>346,099</u> | <u>0</u> | <u>2,248,914</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(662,441)</u> | <u>(85,028)</u> | <u>1,024,344</u> | <u>276,875</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 746,494 | 477,362 | 0 | 1,223,856 |
| Proceeds from Sale of Capital Assets | 18,919 | 0 | 0 | 18,919 |
| Transfers Out | (73,866) | (477,362) | 0 | (551,228) |
| Total Other Financing Sources (Uses) | <u>691,547</u> | <u>0</u> | <u>0</u> | <u>691,547</u> |
| Net Change in Fund Balances | 29,106 | (85,028) | 1,024,344 | 968,422 |
| Fund Balances at Beginning of Year | <u>948,118</u> | <u>93,142</u> | <u>0</u> | <u>1,041,260</u> |
| Fund Balances at End of Year | <u><u>\$977,224</u></u> | <u><u>\$8,114</u></u> | <u><u>\$1,024,344</u></u> | <u><u>\$2,009,682</u></u> |

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008

| | <u>Transportation</u> | <u>E-911</u> | <u>Court</u> | <u>FEMA</u> |
|-------------------------------------|-----------------------|------------------|------------------|------------------|
| Assets: | | | | |
| Equity in Pooled Cash and | | | | |
| Cash Equivalents | \$182,481 | \$217,786 | \$238,721 | \$0 |
| Materials and Supplies Inventory | 173,096 | 0 | 0 | 0 |
| Intergovernmental Receivable | 130,149 | 0 | 0 | 147,727 |
| Property Taxes Receivable | 0 | 0 | 0 | 0 |
| Interfund Receivable | 0 | 0 | 0 | 0 |
| Special Assessments Receivable | 0 | 0 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$485,726</u> | <u>\$217,786</u> | <u>\$238,721</u> | <u>\$147,727</u> |
| Liabilities: | | | | |
| Accounts Payable | \$8,385 | \$0 | \$14,744 | \$0 |
| Accrued Wages and Benefits | 12,179 | 0 | 0 | 0 |
| Intergovernmental Payable | 13,146 | 0 | 0 | 0 |
| Deferred Revenue | 94,342 | 0 | 0 | 147,727 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <u>128,052</u> | <u>0</u> | <u>14,744</u> | <u>147,727</u> |
| Fund Balances: | | | | |
| Reserved for Encumbrances | 0 | 0 | 51,204 | 0 |
| Unreserved, Undesignated (Deficit) | 357,674 | 217,786 | 172,773 | 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Fund Balances (Deficit) | <u>357,674</u> | <u>217,786</u> | <u>223,977</u> | <u>0</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Balances | <u>\$485,726</u> | <u>\$217,786</u> | <u>\$238,721</u> | <u>\$147,727</u> |

| Recreation | Community Development & Improvement | Street Lighting | U.S. Filter | Police and Fire Pension | Total Nonmajor Special Revenue Funds |
|-----------------|---|--------------------|-----------------|----------------------------|---|
| \$96,687 | \$113,522 | \$34,920 | \$36,290 | \$71 | \$920,478 |
| 856 | 0 | 0 | 0 | 0 | 173,952 |
| 0 | 0 | 0 | 1,479 | 6,826 | 286,181 |
| 0 | 0 | 0 | 27,803 | 166,820 | 194,623 |
| 0 | 0 | 0 | 396 | 1,826 | 2,222 |
| 0 | 0 | 99,657 | 0 | 0 | 99,657 |
| <u>\$97,543</u> | <u>\$113,522</u> | <u>\$134,577</u> | <u>\$65,968</u> | <u>\$175,543</u> | <u>\$1,677,113</u> |
| \$537 | \$6,387 | \$0 | \$0 | \$0 | \$30,053 |
| 3,242 | 0 | 0 | 0 | 0 | 15,421 |
| 3,916 | 0 | 0 | 0 | 92,699 | 109,761 |
| 0 | 0 | 99,657 | 29,282 | 173,646 | 544,654 |
| <u>7,695</u> | <u>6,387</u> | <u>99,657</u> | <u>29,282</u> | <u>266,345</u> | <u>699,889</u> |
| 0 | 0 | 0 | 0 | 0 | 51,204 |
| 89,848 | 107,135 | 34,920 | 36,686 | (90,802) | 926,020 |
| <u>89,848</u> | <u>107,135</u> | <u>34,920</u> | <u>36,686</u> | <u>(90,802)</u> | <u>977,224</u> |
| <u>\$97,543</u> | <u>\$113,522</u> | <u>\$134,577</u> | <u>\$65,968</u> | <u>\$175,543</u> | <u>\$1,677,113</u> |

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Transportation | E-911 | Court | Recreation |
|--|-------------------------|-------------------------|-------------------------|------------------------|
| Revenues: | | | | |
| Property Taxes | \$0 | \$0 | \$0 | \$0 |
| Special Assessments | 0 | 0 | 0 | 0 |
| Charges for Services | 867 | 0 | 125,573 | 0 |
| Fines, Licenses and Permits | 0 | 0 | 66,259 | 0 |
| Intergovernmental | 583,343 | 132,429 | 3,680 | 0 |
| Interest | 81 | 0 | 0 | 0 |
| Other | 7,515 | 171 | 4,520 | 8,764 |
| Total Revenues | <u>591,806</u> | <u>132,600</u> | <u>200,032</u> | <u>8,764</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 0 | 0 | 101,611 | 0 |
| Security of Persons and Property: | | | | |
| Police | 0 | 71,000 | 78 | 0 |
| Fire | 0 | 0 | 0 | 0 |
| Street Lighting | 0 | 0 | 0 | 0 |
| Public Health and Welfare | 0 | 0 | 29,846 | 0 |
| Leisure Time Activities | 0 | 0 | 0 | 265,350 |
| Economic Development | 0 | 0 | 0 | 0 |
| Transportation | 781,549 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 64,137 | 0 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 |
| Total Expenditures | <u>781,549</u> | <u>71,000</u> | <u>195,672</u> | <u>265,350</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(189,743)</u> | <u>61,600</u> | <u>4,360</u> | <u>(256,586)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 200,000 | 0 | 0 | 200,000 |
| Proceeds from Sale of Capital Assets | 0 | 0 | 18,919 | 0 |
| Transfers Out | (59,000) | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>141,000</u> | <u>0</u> | <u>18,919</u> | <u>200,000</u> |
| Net Change in Fund Balances | (48,743) | 61,600 | 23,279 | (56,586) |
| Fund Balances (Deficit) at Beginning of Year | <u>406,417</u> | <u>156,186</u> | <u>200,698</u> | <u>146,434</u> |
| Fund Balances (Deficit) at End of Year | <u><u>\$357,674</u></u> | <u><u>\$217,786</u></u> | <u><u>\$223,977</u></u> | <u><u>\$89,848</u></u> |

| Community Development & Improvement | Street Lighting | U.S. Filter | Police and Fire Pension | Total Nonmajor Special Revenue Funds |
|---|--------------------|-------------|----------------------------|---|
| \$0 | \$0 | \$12,773 | \$135,168 | \$147,941 |
| 0 | 96,410 | 0 | 0 | 96,410 |
| 0 | 0 | 0 | 0 | 126,440 |
| 0 | 0 | 0 | 0 | 66,259 |
| 0 | 0 | 15,278 | 35,798 | 770,528 |
| 0 | 0 | 0 | 0 | 81 |
| 11,745 | 0 | 0 | 0 | 32,715 |
| 11,745 | 96,410 | 28,051 | 170,966 | 1,240,374 |
| 0 | 0 | 0 | 0 | 101,611 |
| 0 | 0 | 0 | 292,276 | 363,354 |
| 0 | 0 | 0 | 105,349 | 105,349 |
| 0 | 102,802 | 0 | 0 | 102,802 |
| 0 | 0 | 0 | 0 | 29,846 |
| 0 | 0 | 0 | 0 | 265,350 |
| 40,103 | 0 | 44,414 | 0 | 84,517 |
| 0 | 0 | 0 | 0 | 781,549 |
| 0 | 0 | 0 | 0 | 64,137 |
| 0 | 0 | 0 | 1,369 | 1,369 |
| 0 | 0 | 0 | 2,931 | 2,931 |
| 40,103 | 102,802 | 44,414 | 401,925 | 1,902,815 |
| (28,358) | (6,392) | (16,363) | (230,959) | (662,441) |
| 131,139 | 1,900 | 0 | 213,455 | 746,494 |
| 0 | 0 | 0 | 0 | 18,919 |
| (14,866) | 0 | 0 | 0 | (73,866) |
| 116,273 | 1,900 | 0 | 213,455 | 691,547 |
| 87,915 | (4,492) | (16,363) | (17,504) | 29,106 |
| 19,220 | 39,412 | 53,049 | (73,298) | 948,118 |
| \$107,135 | \$34,920 | \$36,686 | (\$90,802) | \$977,224 |

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2008

| | <u>Capital Improvement</u> | <u>ODOT Project</u> | <u>Total Nonmajor Capital Projects Funds</u> |
|---|--------------------------------|-------------------------|--|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$36,193</u> | <u>\$1,608</u> | <u>\$37,801</u> |
| Liabilities: | | | |
| Accounts Payable | \$0 | \$29,687 | \$29,687 |
| Fund Balances: | | | |
| Unreserved, Undesignated (Deficit) | <u>36,193</u> | <u>(28,079)</u> | <u>8,114</u> |
| Total Liabilities and Fund Balances | <u>\$36,193</u> | <u>\$1,608</u> | <u>\$37,801</u> |

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Capital Improvement | ODOT Project | Total Nonmajor Capital Projects Funds |
|--|------------------------|-----------------|--|
| Revenues: | | | |
| Intergovernmental | \$170,665 | \$0 | \$170,665 |
| Other | 82,427 | 7,979 | 90,406 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 253,092 | 7,979 | 261,071 |
| | <hr/> | <hr/> | <hr/> |
| Expenditures: | | | |
| Current: | | | |
| Transportation | 9,991 | 36,108 | 46,099 |
| Capital Outlay | 0 | 300,000 | 300,000 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 9,991 | 336,108 | 346,099 |
| | <hr/> | <hr/> | <hr/> |
| Excess of Revenues Over (Under) Expenditures | 243,101 | (328,129) | (85,028) |
| | <hr/> | <hr/> | <hr/> |
| Other Financing Sources (Uses): | | | |
| Transfers In | 177,362 | 300,000 | 477,362 |
| Transfers Out | (300,000) | (177,362) | (477,362) |
| | <hr/> | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | (122,638) | 122,638 | 0 |
| | <hr/> | <hr/> | <hr/> |
| Net Change in Fund Balances | 120,463 | (205,491) | (85,028) |
| | <hr/> | <hr/> | <hr/> |
| Fund Balances (Deficit) at Beginning of Year | (84,270) | 177,412 | 93,142 |
| | <hr/> | <hr/> | <hr/> |
| Fund Balances (Deficit) at End of Year | \$36,193 | (\$28,079) | \$8,114 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

AGENCY FUNDS

To account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governmental units.

Municipal Court

To account for the collection and distribution of court fines and forfeitures that are payable to other governments.

Joint Recreation

To account for the financial activities of the joint venture for which the City is the fiscal agent.

Building Standards Fee

To account for monies received on building permits which will be disbursed to the State of Ohio.

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2008

| | <u>Municipal Court</u> | <u>Joint Recreation</u> | <u>Building Standards Fee</u> | <u>Total</u> |
|---|----------------------------|-----------------------------|-----------------------------------|-----------------|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$0 | \$1 | \$255 | \$256 |
| Cash in Segregated Accounts | <u>28,852</u> | <u>0</u> | <u>0</u> | <u>28,852</u> |
| Total Assets | <u>\$28,852</u> | <u>\$1</u> | <u>\$255</u> | <u>\$29,108</u> |
| Liabilities: | | | | |
| Intergovernmental Payable | \$19,996 | \$0 | \$0 | \$19,996 |
| Undistributed Monies | 7,931 | 0 | 0 | 7,931 |
| Deposits Held and Due to Others | <u>925</u> | <u>1</u> | <u>255</u> | <u>1,181</u> |
| Total Liabilities | <u>\$28,852</u> | <u>\$1</u> | <u>\$255</u> | <u>\$29,108</u> |

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Balance 1/1/08 | Additions | Reductions | Balance 12/31/08 |
|--|-------------------|------------------|------------------|---------------------|
| MUNICIPAL COURT | | | | |
| Assets: | | | | |
| Cash in Segregated Accounts | \$34,360 | \$28,852 | \$34,360 | \$28,852 |
| Liabilities: | | | | |
| Intergovernmental Payable | \$17,893 | \$19,996 | \$17,893 | \$19,996 |
| Undistributed Monies | 12,296 | 7,675 | 12,296 | 7,675 |
| Deposits Held and Due to Others | 4,171 | 1,181 | 4,171 | 1,181 |
| Total Liabilities | <u>\$34,360</u> | <u>\$28,852</u> | <u>\$34,360</u> | <u>\$28,852</u> |
| JOINT RECREATION | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3 | \$122,377 | \$122,379 | \$1 |
| Liabilities: | | | | |
| Undistributed Monies | \$3 | \$122,377 | \$122,379 | \$1 |
| BUILDING STANDARDS FEE | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$17 | \$1,053 | \$815 | \$255 |
| Liabilities: | | | | |
| Undistributed Monies | \$17 | \$1,053 | \$815 | \$255 |
| TOTAL - ALL AGENCY FUNDS | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$20 | \$123,430 | \$123,194 | \$256 |
| Cash in Segregated Accounts | 34,360 | 28,852 | 34,360 | 28,852 |
| Total Assets | <u>\$34,380</u> | <u>\$152,282</u> | <u>\$157,554</u> | <u>\$29,108</u> |
| Liabilities: | | | | |
| Intergovernmental Payable | \$17,893 | \$19,996 | \$17,893 | \$19,996 |
| Undistributed Monies | 12,316 | 131,105 | 135,490 | 7,931 |
| Deposits Held and Due to Others | 4,171 | 1,181 | 4,171 | 1,181 |
| Total Liabilities | <u>\$34,380</u> | <u>\$152,282</u> | <u>\$157,554</u> | <u>\$29,108</u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Property Taxes | \$480,000 | \$480,000 | \$467,920 | (\$12,080) |
| Other Local Taxes | 110,000 | 110,000 | 122,325 | 12,325 |
| Income Taxes | 5,772,654 | 5,650,430 | 5,848,768 | 198,338 |
| Charges for Services | 142,298 | 122,400 | 144,174 | 21,774 |
| Fines, Licenses, and Permits | 429,078 | 446,800 | 434,735 | (12,065) |
| Intergovernmental | 676,387 | 602,400 | 685,305 | 82,905 |
| Interest | 344,291 | 300,150 | 348,831 | 48,681 |
| Other | 165,561 | 83,950 | 167,744 | 83,794 |
| Total Revenues | 8,120,270 | 7,796,130 | 8,219,802 | 423,672 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | | | | |
| Legislative and Executive | | | | |
| Clerk and Council | | | | |
| Personal Services | 153,018 | 153,018 | 147,134 | 5,884 |
| Other | 16,632 | 16,632 | 74,415 | (57,783) |
| Total Clerk and Council | 169,650 | 169,650 | 221,549 | (51,899) |
| Municipal Court | | | | |
| Personal Services | 574,954 | 576,959 | 551,583 | 25,376 |
| Other | 151,196 | 151,191 | 139,814 | 11,377 |
| Total Municipal Court | 726,150 | 728,150 | 691,397 | 36,753 |
| Probation | | | | |
| Personal Services | 149,184 | 149,184 | 149,184 | 0 |
| Other | 9,167 | 9,167 | 8,547 | 620 |
| Total Probation | 158,351 | 158,351 | 157,731 | 620 |
| Mayor's and Administrative Office | | | | |
| Personal Services | 207,601 | 209,620 | 207,412 | 2,208 |
| Other | 98,387 | 99,368 | 10,899 | 88,469 |
| Total Mayor's and Administrative Office | 305,988 | 308,988 | 218,311 | 90,677 |
| Clerk Treasurer | | | | |
| Personal Services | 197,156 | 199,671 | 196,407 | 3,264 |
| Other | 37,415 | 37,900 | 25,720 | 12,180 |
| Total Clerk Treasurer | 234,571 | 237,571 | 222,127 | 15,444 |
| Income Tax Administration | | | | |
| Personal Services | 195,243 | 195,243 | 186,621 | 8,622 |
| Other | 100,011 | 1,095,049 | 1,080,607 | 14,442 |
| Total Income Tax Administration | 295,254 | 1,290,292 | 1,267,228 | 23,064 |
| Solicitor | | | | |
| Personal Services | 138,545 | 138,519 | 138,519 | 0 |
| Other | 69,826 | 69,626 | 55,648 | 13,978 |
| Total Solicitor | 208,371 | 208,145 | 194,167 | 13,978 |
| Civil Service Commission | | | | |
| Other | 15,500 | 15,726 | 8,809 | 6,917 |

(continued)

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008
(continued)

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|-----------------|-----------|----------------------------------|
| Planning Commission | | | | |
| Personal Services | \$517 | \$654 | \$475 | \$179 |
| Other | 15,583 | 19,716 | 19,716 | 0 |
| Total Planning Commission | 16,100 | 20,370 | 20,191 | 179 |
| Building and Grounds | | | | |
| Personal Services | 58,832 | 58,819 | 54,724 | 4,095 |
| Other | 130,626 | 130,639 | 109,541 | 21,098 |
| Total Building and Grounds | 189,458 | 189,458 | 164,265 | 25,193 |
| Special Appropriations | | | | |
| Other | 438,767 | 448,767 | 355,427 | 93,340 |
| Community Services | | | | |
| Other | 0 | 25,000 | 14,352 | 10,648 |
| Engineering | | | | |
| Other | 0 | 0 | 58,892 | (58,892) |
| Total General Government | 2,758,160 | 3,800,468 | 3,594,446 | 206,022 |
| Security of Persons and Property | | | | |
| Police Law Enforcement | | | | |
| Personal Services | 2,813,335 | 2,826,959 | 2,461,572 | 365,387 |
| Other | 488,948 | 475,324 | 420,514 | 54,810 |
| Total Police Law Enforcement | 3,302,283 | 3,302,283 | 2,882,086 | 420,197 |
| Building Inspection | | | | |
| Personal Services | 96,274 | 97,910 | 97,910 | 0 |
| Other | 104,646 | 106,480 | 42,276 | 64,204 |
| Total Building Inspection | 200,920 | 204,390 | 140,186 | 64,204 |
| Total Security of Persons and Property | 3,503,203 | 3,506,673 | 3,022,272 | 484,401 |
| Public Health and Welfare | | | | |
| Personal Services | 25,000 | 30,000 | 30,000 | 0 |
| Leisure Time Activities | | | | |
| Personal Services | 0 | 0 | 110 | (110) |

(continued)

*CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008
(continued)*

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--------------------------------------|--------------------|-----------------|-------------|----------------------------------|
| Total Expenditures | \$6,286,363 | \$7,337,141 | \$6,646,828 | \$690,313 |
| Excess of Revenues Over Expenditures | 1,833,907 | 458,989 | 1,572,974 | 1,113,985 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 0 | 324,139 | 384,488 | 60,349 |
| Transfers Out | (1,671,900) | (1,697,296) | (1,845,284) | (147,988) |
| Total Other Financing Sources (Uses) | (1,671,900) | (1,373,157) | (1,460,796) | (87,639) |
| Net Change in Fund Balance | 162,007 | (914,168) | 112,178 | 1,026,346 |
| Fund Balance at Beginning of Year | 4,294,479 | 4,294,479 | 4,294,479 | 0 |
| Prior Year Encumbrances Appropriated | 23,754 | 23,754 | 23,754 | 0 |
| Fund Balance at End of Year | \$4,480,240 | \$3,404,065 | \$4,430,411 | \$1,026,346 |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|-----------------|-------------|----------------------------------|
| Revenues: | | | | |
| Property Taxes | \$565,000 | \$538,090 | \$530,976 | (\$7,114) |
| Charges for Services | 822 | 3,000 | 2,816 | (184) |
| Intergovernmental | 100,140 | 131,910 | 343,043 | 211,133 |
| Other | 7,038 | 0 | 24,108 | 24,108 |
| Total Revenues | 673,000 | 673,000 | 900,943 | 227,943 |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Fire | | | | |
| Personal Services | 1,031,539 | 1,174,845 | 1,087,395 | 87,450 |
| Other | 605,316 | 457,757 | 436,328 | 21,429 |
| Total Fire | 1,636,855 | 1,632,602 | 1,523,723 | 108,879 |
| Capital Outlay | | | | |
| Other | 30,551 | 34,802 | 14,529 | 20,273 |
| Total Expenditures | 1,667,406 | 1,667,404 | 1,538,252 | 129,152 |
| Excess of Revenues Over (Under) Expenditures | (994,406) | (994,404) | (637,309) | 357,095 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 960,000 | 960,000 | 750,000 | (210,000) |
| Transfers Out | (208,276) | (208,276) | (149,912) | 58,364 |
| Total Other Financing Sources (Uses) | 751,724 | 751,724 | 600,088 | (151,636) |
| Net Change in Fund Balance | (242,682) | (242,680) | (37,221) | 205,459 |
| Fund Balance at Beginning of Year | 1,109,374 | 1,109,374 | 1,109,374 | 0 |
| Prior Year Encumbrances Appropriated | 203,662 | 203,662 | 203,662 | 0 |
| Fund Balance at End of Year | \$1,070,354 | \$1,070,356 | \$1,275,815 | \$205,459 |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-----------------|-------------|----------------------------------|
| Revenues: | | | |
| Special Assessments | \$520,777 | \$538,958 | \$18,181 |
| Expenditures: | | | |
| Debt Service: | | | |
| Principal Retirement | 2,963,150 | 2,753,000 | 210,150 |
| Interest and Fiscal Charges | 638,553 | 593,672 | 44,881 |
| Total Expenditures | 3,601,703 | 3,346,672 | 255,031 |
| Excess of Revenues Over (Under) Expenditures | (3,080,926) | (2,807,714) | 273,212 |
| Other Financing Sources: | | | |
| Bond Anticipation Notes Issued | 2,000,000 | 2,000,000 | 0 |
| Transfers In | 865,048 | 865,048 | 0 |
| Total Other Financing Sources | 2,865,048 | 2,865,048 | 0 |
| Net Change in Fund Balance | (215,878) | 57,334 | 273,212 |
| Fund Balance at Beginning of Year | 107,072 | 107,072 | 0 |
| Fund Balance (Deficit) at End of Year | (\$108,806) | \$164,406 | \$273,212 |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
ISSUE II FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-----------------|-------------|----------------------------------|
| Revenues: | | | |
| Intergovernmental | \$1,640,344 | \$1,615,652 | (\$24,692) |
| Other | 4,915 | 4,915 | 0 |
| Total Revenues | 1,645,259 | 1,620,567 | (24,692) |
| Expenditures: | | | |
| Capital Outlay | 3,000,000 | 2,917,489 | 82,511 |
| Excess of Revenues Over (Under) Expenditures | (1,354,741) | (1,296,922) | 57,819 |
| Other Financing Sources: | | | |
| Proceeds of OWDA Loans | 1,065,478 | 1,065,478 | 0 |
| Net Change in Fund Balance | (289,263) | (231,444) | 57,819 |
| Fund Balance at Beginning of Year | 289,265 | 289,265 | 0 |
| Fund Balance at End of Year | \$2 | \$57,821 | \$57,819 |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|---|---------------------------|---------------------------|----------------------------------|
| Revenues: | | | |
| Charges for Services | \$2,682,030 | \$2,426,881 | (\$255,149) |
| Deposits Received | 20,000 | 26,135 | 6,135 |
| Other | 0 | 6,995 | 6,995 |
| Total Revenues | <u>2,702,030</u> | <u>2,460,011</u> | <u>(242,019)</u> |
| Expenses: | | | |
| Personal Services | 653,647 | 588,713 | 64,934 |
| Contractual Services | 386,311 | 349,384 | 36,927 |
| Supplies and Materials | 155,904 | 118,433 | 37,471 |
| Other | 21,162 | 15,692 | 5,470 |
| Deposit Refunds | 22,466 | 21,776 | 690 |
| Capital Outlay | 378,062 | 280,523 | 97,539 |
| Debt Service: | | | |
| Principal Retirement | 411,830 | 460,266 | (48,436) |
| Interest and Fiscal Charges | 428,277 | 224,867 | 203,410 |
| Total Expenses | <u>2,457,659</u> | <u>2,059,654</u> | <u>398,005</u> |
| Excess of Revenues Over Expenses | 244,371 | 400,357 | 155,986 |
| Transfers Out | <u>(323,579)</u> | <u>(318,579)</u> | <u>5,000</u> |
| Net Change in Fund Equity | (79,208) | 81,778 | 160,986 |
| Fund Equity at Beginning of Year - Restated | 1,193,728 | 1,193,728 | 0 |
| Prior Year Encumbrances Appropriated | <u>92,263</u> | <u>92,263</u> | <u>0</u> |
| Fund Equity at End of Year | <u><u>\$1,206,783</u></u> | <u><u>\$1,367,769</u></u> | <u><u>\$160,986</u></u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--------------------------------------|-------------------------|-------------------------|----------------------------------|
| Revenues: | | | |
| Charges for Services | \$2,804,063 | \$2,505,129 | (\$298,934) |
| Intergovernmental | 0 | 215,617 | 215,617 |
| Deposits Received | 22,470 | 24,482 | 2,012 |
| Other | 0 | 5,756 | 5,756 |
| Total Revenues | <u>2,826,533</u> | <u>2,750,984</u> | <u>(75,549)</u> |
| Expenses: | | | |
| Personal Services | 503,734 | 415,952 | 87,782 |
| Contractual Services | 2,059,045 | 1,632,223 | 426,822 |
| Supplies and Materials | 42,990 | 41,871 | 1,119 |
| Deposit Refunds | 22,247 | 21,776 | 471 |
| Capital Outlay | 19,563 | 19,563 | 0 |
| Other | 298 | 287 | 11 |
| Total Expenses | <u>2,647,877</u> | <u>2,131,672</u> | <u>516,205</u> |
| Excess of Revenues Over Expenses | 178,656 | 619,312 | 440,656 |
| Transfers Out | <u>(187,740)</u> | <u>(187,440)</u> | <u>300</u> |
| Net Change in Fund Equity | (9,084) | 431,872 | 440,956 |
| Fund Equity at Beginning of Year | 386,462 | 386,462 | 0 |
| Prior Year Encumbrances Appropriated | <u>88</u> | <u>88</u> | <u>0</u> |
| Fund Equity at End of Year | <u><u>\$377,466</u></u> | <u><u>\$818,422</u></u> | <u><u>\$440,956</u></u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
TRASH FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-------------------------|-------------------------|----------------------------------|
| Revenues: | | | |
| Charges for Services | \$569,500 | \$648,859 | \$79,359 |
| Other | 500 | 769 | 269 |
| Total Revenues | <u>570,000</u> | <u>649,628</u> | <u>79,628</u> |
| Expenses: | | | |
| Personal Services | 64,603 | 63,430 | 1,173 |
| Contractual Services | 535,221 | 498,558 | 36,663 |
| Supplies and Materials | <u>15,579</u> | <u>15,579</u> | <u>0</u> |
| Total Expenses | <u>615,403</u> | <u>577,567</u> | <u>37,836</u> |
| Excess of Revenues Over (Under) Expenses | (45,403) | 72,061 | 117,464 |
| Transfers Out | <u>0</u> | <u>(35,818)</u> | <u>(35,818)</u> |
| Net Change in Fund Equity | (45,403) | 36,243 | 81,646 |
| Fund Equity at Beginning of Year | <u>163,887</u> | <u>163,887</u> | <u>0</u> |
| Fund Equity at End of Year | <u><u>\$118,484</u></u> | <u><u>\$200,130</u></u> | <u><u>\$81,646</u></u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
STORMWATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--------------------------------------|-------------------------|-------------------------|----------------------------------|
| Revenues: | | | |
| Charges for Services | \$425,000 | \$469,218 | \$44,218 |
| Other | 1,000 | 1,410 | 410 |
| Total Revenues | <u>426,000</u> | <u>470,628</u> | <u>44,628</u> |
| Expenses: | | | |
| Personal Services | 188,625 | 178,694 | 9,931 |
| Contractual Services | 10,703 | 5,673 | 5,030 |
| Supplies and Materials | 22,918 | 13,776 | 9,142 |
| Capital Outlay | 186,161 | 186,161 | 0 |
| Total Expenses | <u>408,407</u> | <u>384,304</u> | <u>24,103</u> |
| Excess of Revenues Over Expenses | 17,593 | 86,324 | 68,731 |
| Transfers Out | <u>(184,472)</u> | <u>(169,472)</u> | <u>15,000</u> |
| Net Change in Fund Equity | (166,879) | (83,148) | 83,731 |
| Fund Equity at Beginning of Year | 561,827 | 561,827 | 0 |
| Prior Year Encumbrances Appropriated | <u>119,898</u> | <u>119,898</u> | <u>0</u> |
| Fund Equity at End of Year | <u><u>\$514,846</u></u> | <u><u>\$598,577</u></u> | <u><u>\$83,731</u></u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
TRANSPORTATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|------------------------|-------------------------|----------------------------------|
| Revenues: | | | |
| Charges for Services | \$100 | \$867 | \$767 |
| Intergovernmental | 707,185 | 659,816 | (47,369) |
| Interest | 75 | 81 | 6 |
| Other | 7,000 | 7,515 | 515 |
| Total Revenues | <u>714,360</u> | <u>668,279</u> | <u>(46,081)</u> |
| Expenditures: | | | |
| Current: | | | |
| Transportation | | | |
| Street Maintenance and Repair | | | |
| Personal Services | 473,046 | 459,374 | 13,672 |
| Other | 410,821 | 346,235 | 64,586 |
| Total Street Maintenance and Repair | <u>883,867</u> | <u>805,609</u> | <u>78,258</u> |
| State Highway Maintenance | | | |
| Other | 49,000 | 32,740 | 16,260 |
| Total Transportation | <u>932,867</u> | <u>838,349</u> | <u>94,518</u> |
| Capital Outlay | | | |
| Other | 65,000 | 0 | 65,000 |
| Total Expenditures | <u>997,867</u> | <u>838,349</u> | <u>159,518</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(283,507)</u> | <u>(170,070)</u> | <u>113,437</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | 200,000 | 200,000 | 0 |
| Transfers Out | (59,000) | (59,000) | 0 |
| Total Other Financing Sources (Uses) | <u>141,000</u> | <u>141,000</u> | <u>0</u> |
| Net Change in Fund Balance | (142,507) | (29,070) | 113,437 |
| Fund Balance at Beginning of Year | 184,209 | 184,209 | 0 |
| Prior Year Encumbrances Appropriated | 27,342 | 27,342 | 0 |
| Fund Balance at End of Year | <u><u>\$69,044</u></u> | <u><u>\$182,481</u></u> | <u><u>\$113,437</u></u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
E-911 FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--------------------------------------|------------------|------------------|----------------------------------|
| Revenues: | | | |
| Intergovernmental | \$132,000 | \$132,429 | \$429 |
| Other | 0 | 171 | 171 |
| | <u>132,000</u> | <u>132,600</u> | <u>600</u> |
| Total Revenues | | | |
| Expenditures: | | | |
| Current: | | | |
| Security of Persons and Property | | | |
| Police Law Enforcement | | | |
| Personal Services | 69,689 | 49,558 | 20,131 |
| Other | 61,442 | 21,442 | 40,000 |
| | <u>131,131</u> | <u>71,000</u> | <u>60,131</u> |
| Total Expenditures | | | |
| Net Change in Fund Balance | 869 | 61,600 | 60,731 |
| Fund Balance at Beginning of Year | 134,744 | 134,744 | 0 |
| Prior Year Encumbrances Appropriated | 21,442 | 21,442 | 0 |
| | <u>\$157,055</u> | <u>\$217,786</u> | <u>\$60,731</u> |
| Fund Balance at End of Year | | | |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
COURT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|------------------------|-------------------------|----------------------------------|
| Revenues: | | | |
| Charges for Services | \$130,308 | \$125,573 | (\$4,735) |
| Fines, Licenses and Permits | 63,630 | 63,630 | 0 |
| Intergovernmental | 9,520 | 3,680 | (5,840) |
| Other | 0 | 4,520 | 4,520 |
| Total Revenues | <u>203,458</u> | <u>197,403</u> | <u>(6,055)</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | | | |
| Legislative and Executive | | | |
| Municipal Court | | | |
| Other | 134,087 | 100,242 | 33,845 |
| Security of Persons and Property | | | |
| Police Law Enforcement | | | |
| Other | 35,532 | 22,839 | 12,693 |
| Public Health and Welfare | | | |
| Other | 32,000 | 29,846 | 2,154 |
| Capital Outlay | | | |
| Other | <u>155,524</u> | <u>87,162</u> | <u>68,362</u> |
| Total Expenditures | <u>357,143</u> | <u>240,089</u> | <u>117,054</u> |
| Excess of Revenues Over (Under) Expenditures | (153,685) | (42,686) | 110,999 |
| Other Financing Sources: | | | |
| Proceeds from Sale of Capital Assets | <u>18,919</u> | <u>18,919</u> | <u>0</u> |
| Net Change in Fund Balance | (134,766) | (23,767) | 110,999 |
| Fund Balance at Beginning of Year | 150,813 | 150,813 | 0 |
| Prior Year Encumbrances Appropriated | <u>50,642</u> | <u>50,642</u> | <u>0</u> |
| Fund Balance at End of Year | <u><u>\$66,689</u></u> | <u><u>\$177,688</u></u> | <u><u>\$110,999</u></u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-----------------|-----------------|----------------------------------|
| Revenues: | | | |
| Other | \$7,500 | \$8,764 | \$1,264 |
| Expenditures: | | | |
| Current: | | | |
| Leisure Time Activities | | | |
| Recreation Program | | | |
| Personal Services | 196,883 | 184,956 | 11,927 |
| Other | 113,276 | 84,243 | 29,033 |
| Total Expenditures | 310,159 | 269,199 | 40,960 |
| Excess of Revenues Over (Under) Expenditures | (302,659) | (260,435) | 42,224 |
| Other Financing Sources: | | | |
| Transfers In | 200,000 | 200,000 | 0 |
| Net Change in Fund Balance | (102,659) | (60,435) | 42,224 |
| Fund Balance at Beginning of Year | 147,315 | 147,315 | 0 |
| Prior Year Encumbrances Appropriated | 9,807 | 9,807 | 0 |
| Fund Balance at End of Year | <u>\$54,463</u> | <u>\$96,687</u> | <u>\$42,224</u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
COMMUNITY DEVELOPMENT & IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-----------------|-----------|----------------------------------|
| Revenues: | | | |
| Other | \$800 | \$11,745 | \$10,945 |
| Expenditures: | | | |
| Current: | | | |
| Economic Development | | | |
| Other | 146,140 | 33,716 | 112,424 |
| Excess of Revenues Over (Under) Expenditures | (145,340) | (21,971) | 123,369 |
| Other Financing Sources (Uses): | | | |
| Transfers In | 141,246 | 131,139 | (10,107) |
| Transfers Out | (14,866) | (14,866) | 0 |
| Total Other Financing Sources | 126,380 | 116,273 | (10,107) |
| Net Change in Fund Balance | (18,960) | 94,302 | 113,262 |
| Fund Balance at Beginning of Year | 19,220 | 19,220 | 0 |
| Fund Balance at End of Year | \$260 | \$113,522 | \$113,262 |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
STREET LIGHTING FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-----------------|-----------------|----------------------------------|
| Revenues: | | | |
| Special Assessments | \$93,100 | \$96,410 | \$3,310 |
| Expenditures: | | | |
| Current: | | | |
| Security of Persons and Property | | | |
| Street Lighting | | | |
| Other | 115,000 | 102,802 | 12,198 |
| Excess of Revenues Over (Under) Expenditures | (21,900) | (6,392) | 15,508 |
| Other Financing Sources: | | | |
| Transfers In | 1,900 | 1,900 | 0 |
| Net Change in Fund Balance | (20,000) | (4,492) | 15,508 |
| Fund Balance at Beginning of Year | 39,412 | 39,412 | 0 |
| Fund Balance at End of Year | <u>\$19,412</u> | <u>\$34,920</u> | <u>\$15,508</u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
U.S. FILTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|-----------------------------------|-----------------|-----------------|----------------------------------|
| Revenues: | | | |
| Property Taxes | \$25,000 | \$12,377 | (\$12,623) |
| Intergovernmental | 0 | 17,217 | 17,217 |
| Total Revenues | 25,000 | 29,594 | 4,594 |
| Expenditures: | | | |
| Current: | | | |
| Economic Development | | | |
| Other | 44,461 | 44,414 | 47 |
| Net Change in Fund Balance | (19,461) | (14,820) | 4,641 |
| Fund Balance at Beginning of Year | 51,110 | 51,110 | 0 |
| Fund Balance at End of Year | <u>\$31,649</u> | <u>\$36,290</u> | <u>\$4,641</u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
POLICE AND FIRE PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-----------------|----------------|----------------------------------|
| Revenues: | | | |
| Property Taxes | \$136,000 | \$135,168 | (\$832) |
| Intergovernmental | 0 | 34,116 | 34,116 |
| Total Revenues | <u>136,000</u> | <u>169,284</u> | <u>33,284</u> |
| Expenditures: | | | |
| Current: | | | |
| Security of Persons and Property | | | |
| Police Law Enforcement | | | |
| Other | 326,074 | 290,737 | 35,337 |
| Fire Department | | | |
| Other | <u>135,102</u> | <u>104,945</u> | <u>30,157</u> |
| Total Security of Persons and Property | <u>461,176</u> | <u>395,682</u> | <u>65,494</u> |
| Debt Service: | | | |
| Principal Retirement | 1,369 | 1,369 | 0 |
| Interest and Fiscal Charges | <u>2,931</u> | <u>2,931</u> | <u>0</u> |
| Total Debt Service | <u>4,300</u> | <u>4,300</u> | <u>0</u> |
| Total Expenditures | <u>465,476</u> | <u>399,982</u> | <u>65,494</u> |
| Excess of Revenues Over (Under) Expenditures | (329,476) | (230,698) | 98,778 |
| Other Financing Sources: | | | |
| Transfers In | <u>327,985</u> | <u>213,455</u> | <u>(114,530)</u> |
| Net Change in Fund Balance | (1,491) | (17,243) | (15,752) |
| Fund Balance at Beginning of Year | <u>17,314</u> | <u>17,314</u> | <u>0</u> |
| Fund Balance at End of Year | <u>\$15,823</u> | <u>\$71</u> | <u>(\$15,752)</u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-----------------|-----------------|----------------------------------|
| Revenues: | | | |
| Intergovernmental | \$206,914 | \$170,665 | (\$36,249) |
| Other | \$0 | \$82,427 | \$82,427 |
| Total Revenues | 206,914 | 253,092 | 46,178 |
| Expenditures: | | | |
| Capital Outlay | 38,900 | 124,885 | (85,985) |
| Excess of Revenues Over (Under) Expenditures | 168,014 | 128,207 | (39,807) |
| Other Financing Sources (Uses): | | | |
| Transfers In | 177,362 | 177,362 | 0 |
| Transfers Out | (300,000) | (300,000) | 0 |
| Total Other Financing Uses | (122,638) | (122,638) | 0 |
| Net Change in Fund Balance | 45,376 | 5,569 | (39,807) |
| Fund Balance at Beginning of Year | 30,624 | 30,624 | 0 |
| Fund Balance at End of Year | <u>\$76,000</u> | <u>\$36,193</u> | <u>(\$39,807)</u> |

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
ODOT PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Final Budget | Actual | Variance With Final Budget |
|--|-----------------|-----------|----------------------------------|
| Revenues: | | | |
| Other | \$0 | \$122,873 | \$122,873 |
| Expenditures: | | | |
| Capital Outlay | 539,557 | 538,928 | 629 |
| Excess of Revenues Over (Under) Expenditures | (539,557) | (416,055) | 123,502 |
| Other Financing Sources (Uses): | | | |
| Transfers In | 665,013 | 300,000 | (365,013) |
| Transfers Out | (177,362) | (177,362) | 0 |
| Total Other Financing Sources (Uses) | 487,651 | 122,638 | (365,013) |
| Net Change in Fund Balance | (51,906) | (293,417) | (241,511) |
| Fund Balance at Beginning of Year | 295,025 | 295,025 | 0 |
| Fund Balance at End of Year | \$243,119 | \$1,608 | (\$241,511) |

Statistical Section

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STATISTICAL TABLES

This part of the City of Franklin’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

| <u>CONTENTS</u> | <u>PAGES</u> |
|--|--------------|
| Financial Trends | 98-109 |
| These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time. | |
| Revenue Capacity | 110-111 |
| These schedules contain information to help the reader assess the City’s most significant local revenue source, the income tax. | |
| Debt Capacity | 112-118 |
| These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future. | |
| Demographic and Economic Information | 119-120 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place. | |
| Operating information | 122-127 |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs. | |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented *GASB Statement No. 34* in 2003. Schedules presenting government-wide information include information beginning in that year.

City of Franklin, Ohio
Net Assets by Component
Last Seven Years
(accrual basis of accounting)

| | 2002 | 2003 | 2004 | 2005 (1) | 2006 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental Activities: | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$55,740,255 | \$56,532,075 | \$39,097,305 | \$38,402,623 | \$37,961,827 |
| Restricted For: | | | | | |
| Debt Service | 3,676,478 | 2,978,941 | 2,682,897 | 1,808,834 | 2,824,993 |
| Capital Outlay | 52,069 | 613,671 | 500,657 | 209,519 | 381,125 |
| Fire Protection | 0 | 0 | 0 | 741,999 | 1,007,644 |
| Transportation | 0 | 0 | 0 | 572,347 | 481,120 |
| Other Purposes | 2,294,537 | 1,257,743 | 1,530,592 | 413,483 | 459,472 |
| Leisure Time Activities Nonexpendable | 0 | 0 | 0 | 0 | 0 |
| Unrestricted | 2,837,894 | 3,985,482 | 3,481,163 | 4,566,811 | 4,187,811 |
| Total Governmental Activities Net Assets | 64,601,233 | 65,367,912 | 47,292,614 | 46,715,616 | 47,303,992 |
| Business-Type Activities: | | | | | |
| Invested in Capital Assets, Net of Related Debt | 4,282,115 | 4,353,963 | 15,608,556 | 15,441,096 | 14,506,779 |
| Restricted For: | | | | | |
| Current Debt Service | 284,255 | 186,995 | 268,031 | 275,515 | 587,392 |
| Revenue Bonds Replacement and Improvement | 347,706 | 292,020 | 292,020 | 302,020 | 295,220 |
| Unrestricted | 1,228,884 | 1,247,141 | 903,200 | 991,690 | 1,749,945 |
| Total Business-Type Activities: | 6,142,960 | 6,080,119 | 17,071,807 | 17,010,321 | 17,139,336 |
| Primary Government: | | | | | |
| Invested in Capital Assets, Net of Related Debt | 60,022,370 | 60,886,038 | 54,705,861 | 53,843,719 | 52,468,606 |
| Restricted | 6,655,045 | 5,329,370 | 5,274,197 | 4,323,717 | 6,036,966 |
| Unrestricted | 4,066,778 | 5,232,623 | 4,384,363 | 5,558,501 | 5,937,756 |
| Total Primary Government Net Assets | \$70,744,193 | \$71,448,031 | \$64,364,421 | \$63,725,937 | \$64,443,328 |

(1) 2005 was the first year Other Purposes was further classified.

| <u>2007</u> | <u>2008</u> |
|---------------------|---------------------|
| \$39,414,521 | \$40,366,322 |
| 2,969,595 | 2,731,046 |
| 402,419 | 86,360 |
| 997,563 | 1,078,765 |
| 513,502 | 369,520 |
| 612,035 | 845,165 |
| 0 | 1,024,344 |
| <u>2,263,639</u> | <u>2,728,469</u> |
| <u>47,173,274</u> | <u>49,229,991</u> |
| 14,664,105 | 15,200,878 |
| 802,640 | 610,290 |
| 333,769 | 217,630 |
| <u>1,752,795</u> | <u>2,497,781</u> |
| <u>17,553,309</u> | <u>18,526,579</u> |
| 54,078,626 | 55,567,200 |
| 6,631,523 | 6,963,120 |
| <u>4,016,434</u> | <u>5,226,250</u> |
| <u>\$64,726,583</u> | <u>\$67,756,570</u> |

City of Franklin, Ohio
Changes in Net Assets
Last Six Years
(accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 |
|--|----------------------|----------------------|----------------------|----------------------|
| Program Revenues: | | | | |
| Charges for Services and Sales: | | | | |
| General Government | \$752,181 | \$764,504 | \$765,938 | \$739,222 |
| Security of Persons and Property: | | | | |
| Police | 5,960 | 12,700 | 0 | 56,570 |
| Fire | 130,411 | 123,408 | 122,804 | 119,531 |
| Other | 85,910 | 86,240 | 86,240 | 88,199 |
| Public Health and Welfare | 40,756 | 27,091 | 44,657 | 68,352 |
| Leisure Time Activities | 4,006 | 0 | 0 | 0 |
| Transportation | 2,370 | 0 | 25 | 863 |
| Operating Grants, Contributions and Interest | 775,004 | 818,623 | 875,940 | 1,248,551 |
| Capital Grants, Contributions and Interest | 911,937 | 405,132 | 122,817 | 75,222 |
| <i>Total Governmental Activities Program Revenues</i> | <u>2,708,535</u> | <u>2,237,698</u> | <u>2,018,421</u> | <u>2,396,510</u> |
| Business-Type Activities: | | | | |
| Charges for Services: | | | | |
| Water | 1,861,483 | 1,981,390 | 2,295,097 | 2,571,541 |
| Sewer | 2,264,851 | 2,504,671 | 2,352,990 | 2,267,333 |
| Trash | 544,882 | 505,317 | 562,349 | 591,737 |
| Stormwater Utility | 0 | 178,027 | 440,221 | 448,074 |
| Operating Grants, Contributions and Interest | 0 | 0 | 722 | 0 |
| <i>Total Business-Type Activities Program Revenues</i> | <u>4,671,216</u> | <u>5,169,405</u> | <u>5,651,379</u> | <u>5,878,685</u> |
| <i>Total Primary Government Program Revenues</i> | <u>7,379,751</u> | <u>7,407,103</u> | <u>7,669,800</u> | <u>8,275,195</u> |
| Expenses: | | | | |
| Governmental Activities: | | | | |
| Current: | | | | |
| General Government | 2,211,334 | 2,412,056 | 3,248,993 | 2,591,951 |
| Security of Persons and Property | 4,141,438 | 4,841,373 | 4,675,721 | 5,473,036 |
| Public Health and Welfare | 56,199 | 41,799 | 27,626 | 64,790 |
| Leisure Time Activities | 325,441 | 351,631 | 291,418 | 299,128 |
| Economic Development | 72,448 | 59,266 | 88,113 | 30,476 |
| Basic Utility Services | 240,755 | 85,097 | 91,914 | 57,355 |
| Transportation | 774,499 | 966,961 | 2,177,960 | 2,277,692 |
| Interest and Fiscal Charges | 551,880 | 673,890 | 632,945 | 645,007 |
| Depreciation on Infrastructure | 1,477,591 | 1,508,864 | 0 | 0 |
| <i>Total Governmental Activities Expenses</i> | <u>9,851,585</u> | <u>10,940,937</u> | <u>11,234,690</u> | <u>11,439,435</u> |
| Business-Type Activities: | | | | |
| Water | 1,932,440 | 2,159,557 | 1,735,657 | 2,193,130 |
| Sewer | 2,259,319 | 2,472,482 | 2,798,516 | 2,414,728 |
| Trash | 528,627 | 521,098 | 537,279 | 574,010 |
| Stormwater Utility | 0 | 365,404 | 595,199 | 712,710 |
| <i>Total Business-Type Activities Expenses</i> | <u>4,720,386</u> | <u>5,518,541</u> | <u>5,666,651</u> | <u>5,894,578</u> |
| Net (Expense)/Revenue: | | | | |
| Governmental Activities | (7,143,050) | (8,703,239) | (9,216,269) | (9,042,925) |
| Business-Type Activities | (49,170) | (349,136) | (15,272) | (15,893) |
| <i>Total Primary Government Net Expense</i> | <u>(\$7,192,220)</u> | <u>(\$9,052,375)</u> | <u>(\$9,231,541)</u> | <u>(\$9,058,818)</u> |

| <u>2007</u> | <u>2008</u> |
|----------------------|----------------------|
| \$614,629 | \$709,146 |
| 27,997 | 9,660 |
| 127,698 | 97,292 |
| 95,000 | 104,500 |
| 17,929 | 42,422 |
| 0 | 0 |
| 535 | 867 |
| 1,220,580 | 1,414,446 |
| <u>2,255,359</u> | <u>2,871,175</u> |
| <u>4,359,727</u> | <u>5,249,508</u> |
| | |
| 2,372,746 | 2,391,732 |
| 2,302,373 | 2,546,969 |
| 624,251 | 649,671 |
| 442,470 | 457,602 |
| 0 | 0 |
| <u>5,741,840</u> | <u>6,045,974</u> |
| <u>10,101,567</u> | <u>11,295,482</u> |
| | |
| 2,618,300 | 2,107,127 |
| 5,550,877 | 5,004,072 |
| 21,911 | 59,846 |
| 345,357 | 353,315 |
| 95,314 | 84,517 |
| 57,355 | 80,111 |
| 3,490,439 | 2,173,257 |
| 585,256 | 523,872 |
| 0 | 0 |
| <u>12,764,809</u> | <u>10,386,117</u> |
| | |
| 1,866,287 | 1,948,802 |
| 2,618,355 | 2,240,853 |
| 584,968 | 654,623 |
| <u>737,361</u> | <u>674,377</u> |
| <u>5,806,971</u> | <u>5,518,655</u> |
| | |
| (8,405,082) | (5,136,609) |
| <u>(65,131)</u> | <u>527,319</u> |
| <u>(\$8,470,213)</u> | <u>(\$4,609,290)</u> |
| | (continued) |

City of Franklin, Ohio
Changes in Net Assets (Continued)
Last Six Years
(accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 |
|--|------------------|----------------------|--------------------|------------------|
| General Revenues and Other Changes in Net Assets: | | | | |
| Governmental Activities: | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | \$541,118 | \$619,574 | \$627,814 | \$631,920 |
| Fire | 658,349 | 620,817 | 650,127 | 642,487 |
| Other Purposes | 208,825 | 224,964 | 188,120 | 168,733 |
| Income Taxes | 5,084,420 | 4,450,348 | 5,138,832 | 7,115,266 |
| Other Local Taxes Levied for General Purposes (1) | 0 | 0 | 0 | 0 |
| Grants and Entitlements not Restricted to Specific Programs | 586,202 | 617,246 | 606,232 | 669,145 |
| Gain on Sale of Capital Assets | 0 | 0 | 0 | 0 |
| Unrestricted Investment Earnings | 239,132 | 209,863 | 137,003 | 338,330 |
| Other | 115,073 | 174,149 | 692,525 | 179,786 |
| Transfers | 23,150 | (11,868,901) | 90,448 | (114,366) |
| <i>Total Governmental Activities</i> | <u>7,456,269</u> | <u>(4,951,940)</u> | <u>8,131,101</u> | <u>9,631,301</u> |
| Business-Type Activities: | | | | |
| Unrestricted Investment Earnings | 0 | 1,099 | 43,120 | 24,489 |
| Other | 9,479 | 120,869 | 1,114 | 6,053 |
| Transfers | (23,150) | 11,868,901 | (90,448) | 114,366 |
| <i>Total Business-Type Activities</i> | <u>(13,671)</u> | <u>11,990,869</u> | <u>(46,214)</u> | <u>144,908</u> |
| <i>Total Primary Government General Revenues and Other Changes in Net Assets</i> | <u>7,442,598</u> | <u>7,038,929</u> | <u>8,084,887</u> | <u>9,776,209</u> |
| Change in Net Assets | | | | |
| Governmental Activities | 313,219 | (13,655,179) | (1,085,168) | 588,376 |
| Business-Type Activities | (62,841) | 11,641,733 | (61,486) | 129,015 |
| Prior Year Restatement of Net Assets | <u>453,460</u> | <u>(5,070,164)</u> | <u>508,170</u> | <u>0</u> |
| <i>Total Primary Government Changes in Net Assets</i> | <u>\$703,838</u> | <u>(\$7,083,610)</u> | <u>(\$638,484)</u> | <u>\$717,391</u> |

(1) Prior to 2008, the City reported Other Local Taxes with Property Taxes.

| <u>2007</u> | <u>2008</u> |
|------------------|--------------------|
| \$658,432 | \$472,445 |
| 571,233 | 534,375 |
| 193,805 | 134,236 |
| 5,639,866 | 5,322,030 |
| 0 | 124,412 |
| 633,352 | 502,780 |
| 11,096 | 0 |
| 610,369 | 213,422 |
| 182,322 | 310,224 |
| <u>(226,111)</u> | <u>(420,598)</u> |
| <u>8,274,364</u> | <u>7,193,326</u> |
| 33,902 | 10,423 |
| 15,075 | 14,930 |
| <u>226,111</u> | <u>420,598</u> |
| <u>275,088</u> | <u>445,951</u> |
| <u>8,549,452</u> | <u>7,639,277</u> |
| (130,718) | 2,056,717 |
| 209,957 | 973,270 |
| <u>0</u> | <u>0</u> |
| <u>\$79,239</u> | <u>\$3,029,987</u> |

City of Franklin, Ohio
Program Revenues by Function/Program
Last Six Years
 (accrual basis of accounting)

| Function / Program: | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Governmental Activities | | | | |
| General Government | \$801,607 | \$818,684 | \$845,795 | \$995,688 |
| Security of Persons and Property | | | | |
| Police | 47,406 | 222,348 | 70,532 | 100,744 |
| Fire | 295,487 | 66,762 | 175,757 | 478,813 |
| Other | 85,910 | 0 | 86,240 | 88,199 |
| Public Health and Welfare | 40,756 | 31,311 | 45,639 | 71,110 |
| Leisure Time Activities | 22,006 | 16,403 | 0 | 0 |
| Economic Development | 0 | 10,000 | 2,716 | 3,852 |
| Transportation | 1,415,363 | 1,072,190 | 791,742 | 658,104 |
| <i>Total Governmental Activities</i> | <u>2,708,535</u> | <u>2,237,698</u> | <u>2,018,421</u> | <u>2,396,510</u> |
| Business-Type Activities | | | | |
| Water | 1,861,483 | 1,981,390 | 2,295,097 | 2,571,541 |
| Sewer | 2,264,851 | 2,504,671 | 2,352,990 | 2,267,333 |
| Trash | 544,882 | 505,317 | 562,349 | 591,737 |
| Stormwater Utility | 0 | 178,027 | 440,221 | 448,074 |
| <i>Total Business-Type Activities</i> | <u>4,671,216</u> | <u>5,169,405</u> | <u>5,650,657</u> | <u>5,878,685</u> |
| <i>Total Primary Government</i> | <u><u>\$7,379,751</u></u> | <u><u>\$7,407,103</u></u> | <u><u>\$7,669,078</u></u> | <u><u>\$8,275,195</u></u> |

| <u>2007</u> | <u>2008</u> |
|----------------------------|----------------------------|
| \$833,514 | \$1,010,717 |
| 159,804 | 168,656 |
| 418,331 | 449,407 |
| 95,000 | 104,500 |
| 18,625 | 43,268 |
| 0 | 1,138,136 |
| 6,780 | 15,637 |
| <u>2,827,673</u> | <u>2,319,187</u> |
| <u>4,359,727</u> | <u>5,249,508</u> |
| 2,372,746 | 2,391,732 |
| 2,302,373 | 2,546,969 |
| 624,251 | 649,671 |
| <u>442,470</u> | <u>457,602</u> |
| <u>5,741,840</u> | <u>6,045,974</u> |
| <u><u>\$10,101,567</u></u> | <u><u>\$11,295,482</u></u> |

City of Franklin, Ohio
Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Fund | | | | | | |
| Reserved | \$611,080 | \$394,946 | \$121,963 | \$138,332 | \$82,602 | \$143,769 |
| Unreserved | 1,445,104 | 1,977,250 | 2,260,470 | 2,730,502 | 3,115,075 | 2,477,149 |
| <i>Total General Fund</i> | <u>2,056,184</u> | <u>2,372,196</u> | <u>2,382,433</u> | <u>2,868,834</u> | <u>3,197,677</u> | <u>2,620,918</u> |
| All Other Governmental Funds | | | | | | |
| Reserved | 258,280 | 82,231 | 109,981 | 153,397 | 45,906 | 28,494 |
| Unreserved, Undesignated (Deficit), Reported in: | | | | | | |
| Special Revenue Funds | 993,488 | 857,791 | 1,197,286 | 1,083,976 | 1,042,151 | 1,282,641 |
| Debt Service Fund | (1,596) | 67,265 | 67,011 | (124,650) | (129,011) | (107,942) |
| Capital Projects Funds | 5,738 | (742,842) | (2,196,802) | (66,201) | 612,292 | 130,756 |
| <i>Total All Other Governmental Funds</i> | <u>1,255,910</u> | <u>264,445</u> | <u>(822,524)</u> | <u>1,046,522</u> | <u>1,571,338</u> | <u>1,333,949</u> |
| <i>Total Governmental Funds</i> | <u><u>\$3,312,094</u></u> | <u><u>\$2,636,641</u></u> | <u><u>\$1,559,909</u></u> | <u><u>\$3,915,356</u></u> | <u><u>\$4,769,015</u></u> | <u><u>\$3,954,867</u></u> |

| <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--------------------|--------------------|--------------------|--------------------|
| \$5,386 | \$145,333 | \$14,739 | \$54,806 |
| <u>3,432,280</u> | <u>3,483,285</u> | <u>1,175,034</u> | <u>1,908,468</u> |
| <u>3,437,666</u> | <u>3,628,618</u> | <u>1,189,773</u> | <u>1,963,274</u> |
| 167,084 | 86,965 | 99,411 | 1,078,834 |
| 1,329,298 | 1,758,396 | 1,897,625 | 2,033,024 |
| (603,359) | 174,538 | 557,710 | 557,424 |
| <u>(17,886)</u> | <u>65,420</u> | <u>208,754</u> | <u>48,781</u> |
| <u>875,137</u> | <u>2,085,319</u> | <u>2,763,500</u> | <u>3,718,063</u> |
| <u>\$4,312,803</u> | <u>\$5,713,937</u> | <u>\$3,953,273</u> | <u>\$5,681,337</u> |

City of Franklin, Ohio
Changes in Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|------------------|--------------------|----------------------|--------------------|--------------------|--------------------|
| Revenues: | | | | | | |
| Property Taxes | \$358,939 | \$506,263 | \$553,312 | \$586,426 | \$1,411,659 | \$1,465,413 |
| Other Local Taxes (1) | 0 | 0 | 0 | 0 | 0 | 0 |
| Income Taxes | 3,690,372 | 3,893,976 | 4,185,384 | 4,308,743 | 4,868,815 | 4,589,690 |
| Special Assessments | 434,661 | 476,745 | 491,293 | 470,678 | 511,435 | 506,734 |
| Charges for Services | 120,569 | 139,306 | 123,252 | 163,242 | 234,489 | 233,138 |
| Fines, Licenses and Permits | 657,361 | 700,802 | 698,088 | 888,535 | 639,624 | 613,952 |
| Intergovernmental | 1,679,851 | 2,205,779 | 2,137,645 | 1,724,847 | 2,121,051 | 1,719,383 |
| Interest | 341,972 | 373,495 | 264,572 | 175,233 | 260,068 | 192,540 |
| Contributions and Donations | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 103,462 | 88,638 | 392,324 | 223,913 | 244,623 | 276,808 |
| Total Revenues | 7,387,187 | 8,385,004 | 8,845,870 | 8,541,617 | 10,291,764 | 9,597,658 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 1,463,470 | 1,845,467 | 1,916,202 | 1,945,897 | 2,195,294 | 2,383,552 |
| Security of Persons and Property | 2,771,824 | 3,141,767 | 3,481,882 | 3,569,686 | 4,191,975 | 4,548,636 |
| Public Health and Welfare | 1,527 | 13,868 | 18,503 | 9,241 | 56,199 | 41,799 |
| Leisure Time Activities | 329,434 | 275,370 | 232,485 | 230,120 | 269,344 | 275,678 |
| Economic Development | 26,882 | 204,321 | 141,755 | 287,215 | 72,448 | 59,266 |
| Basic Utility Services | 57,968 | 86,758 | 96,090 | 90,078 | 183,400 | 27,742 |
| Transportation | 581,932 | 846,718 | 618,165 | 773,026 | 678,954 | 887,728 |
| Capital Outlay | 667,085 | 1,942,353 | 4,072,598 | 3,210,715 | 3,634,022 | 1,181,176 |
| Debt Service: | | | | | | |
| Principal Retirement | 338,924 | 314,875 | 332,780 | 376,349 | 663,267 | 1,528,929 |
| Interest and Fiscal Charges | 366,838 | 389,136 | 422,142 | 562,843 | 620,727 | 666,419 |
| Issuance Costs | 0 | 0 | 0 | 0 | 29,092 | 0 |
| Current Refunding | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 6,605,884 | 9,060,633 | 11,332,602 | 11,055,170 | 12,594,722 | 11,600,925 |
| Excess of Revenues Over (Under) Expenditures | 781,303 | (675,629) | (2,486,732) | (2,513,553) | (2,302,958) | (2,003,267) |
| Other Financing Sources (Uses): | | | | | | |
| Bond Anticipation Notes Issued | 0 | 0 | 0 | 200,000 | 865,000 | 1,093,000 |
| Current Refunding | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers In | 1,230,795 | 970,529 | 1,359,729 | 1,207,785 | 2,372,571 | 2,855,439 |
| Discount on Debt Issued | 0 | 0 | 0 | 0 | (18,825) | 0 |
| Refunding Notes Issued | 0 | 0 | 0 | 0 | 0 | 0 |
| General Obligation Bonds Issued | 0 | 0 | 1,410,000 | 4,625,000 | 2,220,000 | 0 |
| Proceeds from Sale of Capital Assets | 2,036 | 176 | 0 | 0 | 0 | 0 |
| Transfers Out | (1,165,823) | (970,529) | (1,359,729) | (1,163,785) | (2,282,129) | (2,759,320) |
| Total Other Financing Sources (Uses) | 67,008 | 176 | 1,410,000 | 4,869,000 | 3,156,617 | 1,189,119 |
| Net Change in Fund Balances | \$848,311 | (\$675,453) | (\$1,076,732) | \$2,355,447 | \$853,659 | (\$814,148) |
| Debt Service as a Percentage of Noncapital Expenditures | 11.9% | 9.9% | 10.4% | 12.0% | 14.7% | 21.1% |

(1) Prior to 2008, the City reported Other Local Taxes with Property Taxes.

| 2005 | 2006 | 2007 | 2008 |
|--------------------|--------------------|----------------------|--------------------|
| \$1,466,764 | \$1,370,974 | \$1,406,763 | \$1,146,837 |
| 0 | 0 | 0 | 125,956 |
| 5,181,967 | 6,958,137 | 5,398,222 | 5,513,546 |
| 524,451 | 344,528 | 347,421 | 367,129 |
| 279,341 | 238,036 | 223,945 | 285,640 |
| 540,103 | 672,599 | 485,236 | 508,971 |
| 1,598,288 | 1,626,424 | 2,261,029 | 3,539,564 |
| 174,674 | 551,059 | 812,926 | 509,905 |
| 0 | 199,519 | 0 | 1,138,136 |
| 1,097,570 | 187,886 | 192,777 | 310,224 |
| <u>10,863,158</u> | <u>12,149,162</u> | <u>11,128,319</u> | <u>13,445,908</u> |
| 3,151,782 | 2,521,962 | 2,673,282 | 2,361,988 |
| 4,493,448 | 5,064,237 | 5,528,164 | 4,950,296 |
| 27,626 | 64,790 | 21,911 | 59,846 |
| 234,362 | 244,662 | 288,923 | 299,801 |
| 88,113 | 30,476 | 95,314 | 84,517 |
| 34,559 | 0 | 0 | 0 |
| 707,360 | 696,812 | 1,842,933 | 894,171 |
| 582,822 | 1,018,125 | 1,219,077 | 2,115,784 |
| 589,479 | 570,260 | 616,313 | 631,369 |
| 636,119 | 615,338 | 598,441 | 548,796 |
| 0 | 0 | 0 | 0 |
| 50,000 | 20,000 | 103,000 | 65,000 |
| <u>10,595,670</u> | <u>10,846,662</u> | <u>12,987,358</u> | <u>12,011,568</u> |
| 267,488 | 1,302,500 | (1,859,039) | 1,434,340 |
| 0 | 0 | 775,000 | 710,000 |
| (685,000) | (665,000) | (775,000) | (710,000) |
| 1,675,230 | 2,836,820 | 5,122,307 | 2,573,987 |
| 0 | 0 | 0 | 0 |
| 685,000 | 878,000 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 11,096 | 18,919 |
| <u>(1,584,782)</u> | <u>(2,951,186)</u> | <u>(5,035,028)</u> | <u>(2,299,182)</u> |
| <u>90,448</u> | <u>98,634</u> | <u>98,375</u> | <u>293,724</u> |
| <u>\$357,936</u> | <u>\$1,401,134</u> | <u>(\$1,760,664)</u> | <u>\$1,728,064</u> |
| 12.7% | 12.3% | 11.2% | 12.7% |

City of Franklin, Ohio
Income Tax Revenue by Payer Type (1)
Last Ten Years

| Year | Individual | | | | Business Accounts | | Total | | |
|------|-------------|---------------------|-----------------|---------------------|-------------------|---------------------|-----------|-------------------|---------------------|
| | Withholding | Percentage of Total | Non-Withholding | Percentage of Total | Total Individual | Percentage of Total | | Business Accounts | Percentage of Total |
| 1999 | \$2,734,089 | 74% | \$449,039 | 12% | \$3,183,128 | 86% | \$507,244 | 14% | \$3,690,372 |
| 2000 | 2,983,462 | 77 | 453,087 | 11 | 3,436,549 | 88 | 457,427 | 12 | 3,893,976 |
| 2001 | 3,175,466 | 76 | 504,836 | 12 | 3,680,302 | 88 | 505,082 | 12 | 4,185,384 |
| 2002 | 3,208,589 | 74 | 475,936 | 12 | 3,684,525 | 86 | 624,218 | 14 | 4,308,743 |
| 2003 | 3,459,715 | 68 | 504,189 | 10 | 3,963,904 | 78 | 1,120,516 | 22 | 5,084,420 |
| 2004 | 3,346,509 | 75 | 497,533 | 11 | 3,844,042 | 86 | 606,306 | 14 | 4,450,348 |
| 2005 | 3,295,412 | 64 | 479,347 | 9 | 3,774,759 | 73 | 1,364,073 | 27 | 5,138,832 |
| 2006 | 2,218,157 | 31 | 293,539 | 5 | 2,511,696 | 36 | 4,603,570 | 64 | 7,115,266 |
| 2007 | 3,947,906 | 70 | 563,987 | 10 | 4,511,893 | 80 | 1,127,973 | 20 | 5,639,866 |
| 2008 | 3,685,640 | 71 | 467,194 | 9 | 4,152,834 | 80 | 1,038,209 | 20 | 5,191,043 |

Source: City Income Tax Department

(1) 2003 through 2008 are on an Accrual Basis and 1999 through 2002 are on a Modified Accrual Basis

The City levies a municipal income tax of 1.5 percent. This rate has been the same for all ten years presented.

City of Franklin, Ohio
Principal Income Taxpayers - Withholding Accounts
2008 and 1999

| Range of Withholding Amount | 2008 | | 1999 | |
|-----------------------------|--------------------------------------|--|--------------------------------------|--|
| | Number of Withholding Accounts | Percentage of Total Withholding Revenue | Number of Withholding Accounts | Percentage of Total Withholding Revenue |
| \$100,001 - 300,000 | 5 | 21.79% | 4 | 0.0044% |
| \$55,001 - 100,000 | 9 | 17.15 | 2 | .0022 |
| Total | 14 | 38.94 | 6 | 0.0066 |
| All Others | 931 | 61.06 | 907 | 99.99 |
| Total Withholding Accounts | 945 | 100.00% | 913 | 100.00% |

Source: City Income Tax Department

City of Franklin, Ohio
 Computation of All Direct and Overlapping Governmental Activities Debt
 December 31, 2008

| Jurisdiction | Debt Outstanding | Percentage Applicable to the City of Franklin (1) | Amount Applicable to the City of Franklin |
|--|----------------------------|--|--|
| Direct | | | |
| City of Franklin | | | |
| General Obligation Bonds | \$6,816,560 | 100.00% | \$6,816,560 |
| Special Assessment Bonds | 2,733,000 | 100.00 | 2,733,000 |
| Police Pension | 68,299 | 100.00 | 68,299 |
| Bond Anticipation Notes | <u>775,000</u> | 100.00 | <u>775,000</u> |
| Total Direct Debt | <u>10,392,859</u> | | <u>10,392,859</u> |
| Overlapping Subdivisions | | | |
| Warren County | | | |
| General Obligation Bonds | 4,205,000 | 3.90 | 164,123 |
| Special Assessment Bonds | 14,896,999 | 3.90 | 581,437 |
| OPWC Loan | 126,860 | 3.90 | 4,951 |
| ODOT Loan | 949,834 | 3.90 | 37,073 |
| State 166 Loan | 6,587,404 | 3.90 | 257,110 |
| Franklin City School District | | | |
| General Obligation Bonds | 3,494,085 | 48.19 | 1,835,011 |
| Carlisle Local School District | | | |
| Tax Anticipation Note | 204,000 | .09 | 224 |
| Energy Conservation Improvement Installment Note | 388,547 | .09 | 427 |
| Capital Leases | 206,984 | .09 | 228 |
| Warren County Vocational School District | | | |
| Capital Leases | <u>694,355</u> | 5.85 | <u>41,620</u> |
| Total Overlapping Debt | <u>31,754,068</u> | | <u>2,922,204</u> |
| Grand Total | <u><u>\$42,146,927</u></u> | | <u><u>\$13,315,063</u></u> |

Source: Warren County Auditor and Fiscal Officers of Subdivisions

(1) Percentages determined by dividing each overlapping subdivision's assessed valuation within the City by the subdivision's total assessed valuation.

City of Franklin, Ohio
Ratio of General Obligation Bonded Debt to Estimated
Actual Value and General Obligation Bonded Debt Per Capita
Last Ten Years

| Collection Year | General Obligation Bonded Debt (1) | Estimated Actual Value of Taxable Property (2) | Population (3) | Ratio of General Obligation Bonded Debt to Estimated Actual Value | General Obligation Bonded Debt Per Capita |
|--------------------|---|---|----------------|---|--|
| 1999 | \$1,275,000 | \$515,270,447 | 11,034 | 0.25% | \$115.55 |
| 2000 | 1,160,000 | 660,194,658 | 11,396 | 0.18% | 101.79 |
| 2001 | 1,960,000 | 662,076,389 | 11,760 | 0.30% | 166.67 |
| 2002 | 6,430,000 | 696,469,116 | 11,924 | 0.92% | 539.25 |
| 2003 | 8,407,080 | 734,918,260 | 12,130 | 1.14% | 693.08 |
| 2004 | 8,112,976 | 771,962,020 | 12,285 | 1.05% | 660.40 |
| 2005 | 7,803,872 | 719,769,939 | 12,410 | 1.08% | 628.84 |
| 2006 | 7,489,768 | 717,007,040 | 12,457 | 1.04% | 601.25 |
| 2007 | 7,155,664 | 710,470,887 | 12,731 | 1.01% | 562.07 |
| 2008 | 6,816,560 | 626,097,500 | 12,622 | 1.09% | 540.05 |

(1) Includes all general obligation debt financed with general government resources

(2) Warren County Auditor

(3) US Census Bureau and the Warren County Office of Economic Development

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

City of Franklin, Ohio
Ratio of Outstanding Debt by Type to
Total Personal Income and Debt Per Capita
Last Ten Years

| Year | Governmental Activities | | | | | Business-Type Activities | | |
|------|--------------------------------|--------------------------------|------------------|-------------------|--------------------------------|------------------------------|---------------|------------------|
| | General Obligation Bonds | Special Assessment Bonds | Notes Payable | Capital Leases | Police Pension Liability | Mortgage Revenue Bonds | OWDA Loans | Notes Payable |
| 1999 | \$1,275,000 | \$4,318,000 | \$765,137 | \$133,065 | \$78,399 | \$3,995,000 | \$2,745,678 | \$210,000 |
| 2000 | 1,160,000 | 4,149,000 | 1,999,478 | 110,935 | 77,421 | 3,900,000 | 2,643,911 | 100,000 |
| 2001 | 1,960,000 | 4,459,000 | 2,686,000 | 89,928 | 76,401 | 3,810,000 | 2,610,940 | 50,000 |
| 2002 | 6,430,000 | 4,258,000 | 1,485,600 | 69,579 | 75,337 | 3,710,000 | 2,540,442 | 0 |
| 2003 | 8,407,080 | 4,042,000 | 1,098,900 | 48,043 | 74,606 | 3,610,000 | 2,464,834 | 0 |
| 2004 | 8,112,976 | 3,810,000 | 663,900 | 568,272 | 73,448 | 3,500,000 | 2,384,256 | 543,000 |
| 2005 | 7,803,872 | 3,557,000 | 1,005,000 | 0 | 72,241 | 3,385,000 | 2,252,061 | 1,284,500 |
| 2006 | 7,489,768 | 3,303,000 | 955,000 | 0 | 70,981 | 6,168,735 | 2,156,781 | 1,245,000 |
| 2007 | 7,155,664 | 3,023,000 | 878,000 | 0 | 69,668 | 5,842,028 | 2,107,550 | 1,245,000 |
| 2008 | 6,816,560 | 2,733,000 | 775,000 | 0 | 68,299 | 5,485,321 | 3,067,762 | 1,225,000 |

Sources:

- (1) US Census Bureau and the Warren County Office of Economic Development
- (2) Per capita income multiplied by population

| Total Outstanding Debt | Population (1) | Personal Income (2) | Ratio of Debt to Personal Income | Debt Per Capita |
|------------------------------|----------------|------------------------|--|--------------------|
| \$13,520,279 | 11,034 | \$197,618,940 | 6.84% | \$1,225 |
| 14,140,745 | 11,396 | 210,016,884 | 6.73 | 1,241 |
| 15,742,269 | 11,760 | 222,828,480 | 7.06 | 1,339 |
| 18,568,958 | 11,924 | 232,124,508 | 8.00 | 1,557 |
| 19,745,463 | 12,130 | 242,430,180 | 8.15 | 1,628 |
| 19,655,852 | 12,285 | 251,903,925 | 7.81 | 1,600 |
| 19,359,674 | 12,410 | 260,907,840 | 7.43 | 1,560 |
| 21,389,265 | 12,457 | 272,322,477 | 7.82 | 1,717 |
| 20,320,910 | 12,731 | 279,425,641 | 7.27 | 1,596 |
| 20,170,942 | 12,622 | 278,141,393 | 7.25 | 1,598 |

City of Franklin, Ohio
 Computation of Legal Debt Margin
 Last Ten Years

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total Assessed Property Value | <u>\$161,336,775</u> | <u>\$170,851,857</u> | <u>\$213,883,444</u> | <u>\$214,155,190</u> |
| Overall Legal Debt Limit (10 ½ % of Assessed Valuation) | <u>16,940,361</u> | <u>17,939,445</u> | <u>22,457,762</u> | <u>22,486,295</u> |
| Debt Outstanding: | | | | |
| General Obligation Bonds | \$1,275,000 | \$1,160,000 | \$1,960,000 | \$6,430,000 |
| Mortgage Revenue Bonds | 3,995,000 | 3,900,000 | 3,810,000 | 3,710,000 |
| Special Assessment Bonds | 4,318,000 | 4,149,000 | 4,459,000 | 4,258,000 |
| Bond Anticipation Notes | 975,137 | 2,099,478 | 2,736,000 | 1,485,600 |
| OWDA Loans | <u>2,745,678</u> | <u>2,643,911</u> | <u>2,610,940</u> | <u>2,540,442</u> |
| Total Gross Indebtedness | 13,308,815 | 13,952,389 | 15,575,940 | 18,424,042 |
| Less: | | | | |
| Mortgage Revenue Bonds | (3,995,000) | (3,900,000) | (3,810,000) | (3,710,000) |
| Special Assessment Bonds | (4,318,000) | (4,149,000) | (4,459,000) | (4,258,000) |
| Bond Anticipation Notes | (210,000) | (100,000) | (50,000) | 0 |
| OWDA Loans | <u>(2,745,678)</u> | <u>(2,643,911)</u> | <u>(2,610,940)</u> | <u>(2,540,442)</u> |
| Total Net Debt Applicable to Debt Limit | <u>2,040,137</u> | <u>3,159,478</u> | <u>4,646,000</u> | <u>7,915,600</u> |
| Legal Debt Margin Within 10 ½ % Limitations | <u>\$14,900,224</u> | <u>\$14,779,967</u> | <u>\$17,811,762</u> | <u>\$14,570,695</u> |
| Legal Debt Margin as a Percentage of the Debt Limit | 87.96% | 82.39% | 79.31% | 64.80% |
| Unvoted Debt Limitation (5 ½ % of Assessed Valuation) | <u>\$8,873,523</u> | <u>\$9,396,852</u> | <u>\$11,763,589</u> | <u>\$11,778,535</u> |
| Total Gross Indebtedness | 13,308,815 | 13,952,389 | 15,575,940 | 18,424,042 |
| Less: | | | | |
| Mortgage Revenue Bonds | (3,995,000) | (3,900,000) | (3,810,000) | (3,710,000) |
| Special Assessment Bonds | (4,318,000) | (4,149,000) | (4,459,000) | (4,258,000) |
| Bond Anticipation Notes | (210,000) | (100,000) | (50,000) | 0 |
| OWDA Loans | <u>(2,745,678)</u> | <u>(2,643,911)</u> | <u>(2,610,940)</u> | <u>(2,540,442)</u> |
| Net Debt Within 5 ½ % Limitations | <u>2,040,137</u> | <u>3,159,478</u> | <u>4,646,000</u> | <u>7,915,600</u> |
| Unvoted Legal Debt Margin Within 5 ½ % Limitations | <u>\$6,833,386</u> | <u>\$6,237,374</u> | <u>\$7,117,589</u> | <u>\$3,862,935</u> |
| Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation | 77.01% | 66.38% | 60.51% | 32.80% |

Source: City Financial Records

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>\$226,444,640</u> | <u>\$240,632,700</u> | <u>\$253,954,030</u> | <u>\$240,026,372</u> | <u>\$246,303,533</u> | <u>\$232,377,515</u> |
| 23,776,687 | 25,266,434 | 42,963,265 | 25,202,769 | 25,861,871 | 24,399,639 |
| \$8,407,080 | \$8,130,000 | \$7,820,000 | \$7,505,000 | \$7,170,000 | \$6,830,000 |
| 3,610,000 | 3,500,000 | 3,385,000 | 6,140,000 | 5,815,000 | 5,460,000 |
| 4,042,000 | 3,810,000 | 3,557,000 | 3,303,000 | 3,023,000 | 2,733,000 |
| 1,098,900 | 1,206,900 | 2,289,500 | 2,200,000 | 2,123,000 | 2,000,000 |
| 2,464,834 | 2,384,256 | 2,252,061 | 2,156,781 | 2,107,550 | 3,067,762 |
| 19,622,814 | 19,031,156 | 19,303,561 | 21,304,781 | 20,238,550 | 20,090,762 |
| (3,610,000) | (3,500,000) | (3,385,000) | (6,140,000) | (5,815,000) | (5,460,000) |
| (4,042,000) | (3,810,000) | (3,557,000) | (3,303,000) | (3,023,000) | (2,733,000) |
| 0 | 0 | 0 | (1,245,000) | (1,245,000) | (1,225,000) |
| (2,464,834) | (2,384,256) | (2,252,061) | (2,156,781) | (2,107,550) | (3,067,762) |
| 9,505,980 | 9,336,900 | 10,109,500 | 8,460,000 | 8,048,000 | 7,605,000 |
| <u>\$14,270,707</u> | <u>\$15,929,534</u> | <u>\$32,853,765</u> | <u>\$16,742,769</u> | <u>\$17,813,871</u> | <u>\$16,794,639</u> |
| 60.02% | 63.05% | 76.47% | 66.43% | 68.88% | 68.83% |
| <u>\$12,454,455</u> | <u>\$13,234,799</u> | <u>\$22,504,567</u> | <u>\$13,201,450</u> | <u>\$13,546,694</u> | <u>\$12,780,763</u> |
| 19,622,814 | 19,031,156 | 19,303,561 | 21,304,781 | 20,238,550 | 20,090,762 |
| (3,610,000) | (3,500,000) | (3,385,000) | (6,140,000) | (5,815,000) | (5,460,000) |
| (4,042,000) | (3,810,000) | (3,557,000) | (3,303,000) | (3,023,000) | (2,733,000) |
| 0 | 0 | 0 | (1,245,000) | (1,245,000) | (1,225,000) |
| (2,464,834) | (2,384,256) | (2,252,061) | (2,156,781) | (2,107,550) | (3,067,762) |
| 9,505,980 | 9,336,900 | 10,109,500 | 8,460,000 | 8,048,000 | 7,605,000 |
| <u>\$2,948,475</u> | <u>\$3,897,899</u> | <u>\$12,395,067</u> | <u>\$4,741,450</u> | <u>\$5,498,694</u> | <u>\$5,175,763</u> |
| 23.67% | 29.45% | 55.08% | 35.92% | 40.59% | 40.50% |

City of Franklin, Ohio
Pledged Revenue Coverage
Last Ten Years

| Year | Water Service Charges and Interest | Direct Operating Expenses (1) | Net Available Revenues | Debt Service | | Coverage |
|------|--|-------------------------------------|---------------------------|--------------|-----------|----------|
| | | | | Principal | Interest | |
| 1999 | \$2,129,119 | \$1,374,631 | \$754,488 | \$281,730 | \$269,481 | 1.37 |
| 2000 | 1,932,016 | 1,546,655 | 385,361 | 158,810 | 411,507 | 0.68 |
| 2001 | 1,765,279 | 1,370,517 | 394,762 | 122,971 | 312,520 | 0.91 |
| 2002 | 1,989,942 | 1,430,133 | 559,809 | 170,498 | 396,219 | 0.99 |
| 2003 | 1,861,656 | 1,429,768 | 431,888 | 175,608 | 309,978 | 0.89 |
| 2004 | 1,981,390 | 1,594,548 | 386,842 | 190,578 | 417,373 | 0.64 |
| 2005 | 2,295,691 | 1,188,049 | 1,107,642 | 247,195 | 445,222 | 1.60 |
| 2006 | 2,571,541 | 1,508,805 | 1,062,736 | 220,280 | 350,372 | 1.86 |
| 2007 | 2,406,648 | 1,260,316 | 1,146,332 | 374,231 | 278,503 | 1.76 |
| 2008 | 2,391,732 | 1,371,576 | 1,020,156 | 460,266 | 379,841 | 1.21 |

(1) Direct operating expenses do not include depreciation expense.

City of Franklin, Ohio
Demographic and Economic Statistics
Last Ten Years

| <u>Year</u> | <u>Population (1)</u> | <u>Total Personal Income (2)</u> | <u>Per Capita Income (3)</u> | <u>School Enrollment (4)</u> | <u>Unemployment Rate (5) Warren County</u> |
|-------------|-----------------------|--|----------------------------------|----------------------------------|--|
| 1999 | 11,034 | \$197,618,940 | \$17,910 | 3,106 | 3.3% |
| 2000 | 11,396 | 210,016,884 | 18,429 | 3,129 | 3.0 |
| 2001 | 11,760 | 222,828,480 | 18,948 | 3,125 | 3.3 |
| 2002 | 11,924 | 232,124,508 | 19,467 | 3,101 | 4.0 |
| 2003 | 12,130 | 242,430,180 | 19,986 | 3,097 | 4.4 |
| 2004 | 12,285 | 251,903,925 | 20,505 | 2,992 | 4.3 |
| 2005 | 12,410 | 260,907,840 | 21,024 | 2,838 | 4.2 |
| 2006 | 12,457 | 272,322,477 | 21,861 | 2,927 | 4.9 |
| 2007 | 12,731 | 279,425,641 | 21,948 | 2,953 | 4.7 |
| 2008 | 12,622 | 278,141,393 | 22,036 | 2,927 | 8.5 |

- Sources: (1) US Census Bureau and the Warren County Office of Economic Development
(2) Per capita income multiplied by population
(3) U.S. Department of Commerce, Bureau of the Census and Computation
based on change of Warren County
(4) Ohio Department of Education and Franklin City School District Treasurer
(5) Ohio Department of Jobs and Family Services, Office of Workforce Development

City of Franklin, Ohio
Principal Employers
Current Year and Nine Years Ago

2008

| Employer | Number of Employees | Rank | Percentage of Total Employment |
|---|------------------------|------|--------------------------------------|
| Patrick Staffing | 1,022 | 1 | 6.06% |
| Franklin City School District | 552 | 2 | 3.27 |
| Burrow Paper Company | 379 | 3 | 2.24 |
| AP Automotive | 352 | 4 | 2.08 |
| Newark Group | 324 | 5 | 1.92 |
| Ample Industries | 313 | 6 | 1.85 |
| ADE of Cincinnati Dayton | 246 | 7 | 1.46 |
| Franklin Ridge Nursing Home | 226 | 8 | 1.34 |
| Interstate Uniform | 200 | 9 | 1.18 |
| Atlas Roofing | 197 | 10 | 1.17 |
| Total | 3,811 | | 22.57 |
| All Other Employers | 13,072 | | 77.43 |
| Total Employment within the City | 16,883 | | 100.00% |

1999

| Employer | Number of Employees | Rank | Percentage of Total Employment |
|---|------------------------|------|--------------------------------------|
| Patrick Staffing | 1,038 | 1 | 6.24% |
| Faurecia | 745 | 2 | 4.48 |
| Franklin City School District | 547 | 3 | 3.30 |
| Burrow Paper Company | 461 | 4 | 2.77 |
| Ample Industries | 280 | 5 | 1.68 |
| ADE of Cincinnati Dayton | 254 | 6 | 1.52 |
| Franklin Ridge Nursing Home | 236 | 7 | 1.42 |
| Atlas Roofing | 216 | 8 | 1.30 |
| Riverview Packaging | 211 | 9 | 1.27 |
| Frisch's Restaurant | 209 | 10 | 1.26 |
| Total | 4,197 | | 25.24 |
| All Other Employers | 12,428 | | 74.76 |
| Total Employment within the City | 16,625 | | 100.00% |

Source: City of Franklin Tax Department

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City of Franklin, Ohio
City Government Employees by Function/Program
Last Ten Years

| Function/Program | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | |
|----------------------------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|
| | Full-Time | All | Full-Time | All | Full-Time | All | Full-Time | All | Full-Time | All |
| General Government | 16 | 30 | 16 | 30 | 17 | 31 | 17 | 31 | 18 | 32 |
| Security of Persons and Property | 37 | 92 | 39 | 90 | 41 | 93 | 41 | 94 | 42 | 95 |
| Leisure Time Activities | 2 | 52 | 2 | 52 | 2 | 52 | 2 | 52 | 2 | 52 |
| Economic Development | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Basic Utility Services | 15 | 19 | 16 | 19 | 16 | 21 | 16 | 22 | 16 | 22 |
| <i>Total Number of Employees</i> | <u>71</u> | <u>194</u> | <u>74</u> | <u>192</u> | <u>77</u> | <u>198</u> | <u>76</u> | <u>199</u> | <u>78</u> | <u>201</u> |

Source: City Payroll Records

| 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|
| Full-Time | All | Full-Time | All | Full-Time | All | Full-Time | All | Full-Time | All |
| 18 | 32 | 20 | 34 | 20 | 34 | 18 | 28 | 18 | 28 |
| 41 | 94 | 40 | 95 | 43 | 96 | 43 | 74 | 41 | 74 |
| 2 | 52 | 2 | 52 | 2 | 52 | 2 | 52 | 2 | 52 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | 22 | 16 | 24 | 16 | 24 | 18 | 27 | 18 | 27 |
| <u>77</u> | <u>200</u> | <u>78</u> | <u>205</u> | <u>81</u> | <u>206</u> | <u>81</u> | <u>181</u> | <u>79</u> | <u>181</u> |

City of Franklin, Ohio
 Capital Assets Statistics by Function/Program
 Last Ten Years

| Function/Program | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|--------|--------|--------|
| General Government: | | | | | | |
| Government Center | 1 | 1 | 1 | 1 | 1 | 1 |
| Security of Persons and Property: | | | | | | |
| Number of Police Stations | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Fire/EMS Stations | 1 | 1 | 1 | 1 | 1 | 1 |
| Leisure Time Activities: | | | | | | |
| Number of Parks | 6 | 6 | 6 | 6 | 6 | 6 |
| Number of Swimming Pools | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Libraries | 1 | 1 | 1 | 1 | 1 | 1 |
| Basic Utility Services: | | | | | | |
| Miles of Water Mains | 51 | 51 | 64 | 64 | 44 | 48 |
| Miles of Sanitary Sewers | 49.76 | 49.76 | 55.00 | 55.00 | 44.00 | 44.00 |
| Water Treatment Facility | 0 | 0 | 0 | 0 | 0 | 0 |
| Transportation: | | | | | | |
| Miles of Streets | 62.84 | 62.84 | 72.70 | 110.00 | 110.00 | 110.00 |
| Number of Street Lights | 867 | 867 | 867 | 867 | 913 | 929 |

Source: City capital asset records

| 2005 | 2006 | 2007 | 2008 |
|--------|--------|--------|--------|
| 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 |
| 6 | 6 | 6 | 6 |
| 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 |
| 48 | 48 | 48 | 48 |
| 44.00 | 44.00 | 44.00 | 44.00 |
| 0 | 0 | 1 | 1 |
| 110.00 | 110.00 | 110.00 | 110.00 |
| 929 | 929 | 929 | 929 |

City of Franklin, Ohio
 Operating Indicators by Function/Program
 Last Ten Years

| Function/Program | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|--------|--------|--------|--------|--------|--------|
| General Government: | | | | | | |
| Active Income Tax Accounts | 8,207 | 8,201 | 8,287 | 8,232 | 8,294 | 8,772 |
| Individual | 5,902 | 5,874 | 5,832 | 5,861 | 5,874 | 6,266 |
| Business | 1,123 | 1,121 | 1,182 | 1,125 | 1,174 | 1,205 |
| Withholding | 1,182 | 1,206 | 1,273 | 1,246 | 1,246 | 1,301 |
| Clerk of Courts: | | | | | | |
| Traffic Court Cases | 7,478 | 8,604 | 9,188 | 11,320 | 8,179 | 7,726 |
| Civil Court Cases | 570 | 573 | 602 | 674 | 830 | 804 |
| Small Claims Court Cases | 97 | 83 | 85 | 91 | 93 | 71 |
| Security of Persons and Property: | | | | | | |
| Police Calls | 18,952 | 19,495 | 20,766 | 22,076 | 23,631 | 24,358 |
| Physical Arrests | 825 | 962 | 785 | 872 | 878 | 737 |
| Citations | N/A | 2,243 | 2,164 | 2,681 | 1,998 | 2,949 |

Source: Department reports

| <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|-------------|-------------|-------------|-------------|
| 9,470 | 8,972 | 7,400 | 7,468 |
| 6,888 | 6,432 | 5,402 | 5,551 |
| 1,240 | 1,173 | 1,056 | 972 |
| 1,342 | 1,367 | 942 | 945 |
| 7,461 | 7,356 | 6,336 | 6,180 |
| 779 | 643 | 658 | 965 |
| 62 | 55 | 53 | 99 |
| 24,031 | 24,893 | 24,864 | 21,645 |
| 696 | 794 | 2,216 | 1,357 |
| 2,487 | 2,235 | 1,696 | 1,958 |

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Mary Taylor, CPA
Auditor of State

CITY OF FRANKLIN

WARREN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 4, 2009