

CITY OF FRANKLIN

SUPPLEMENTAL REPORT

DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

Members of Council
City of Franklin

We have reviewed the Independent Auditor's Report of the City of Franklin, Warren County, prepared by Trimble, Julian & Grube, Inc. for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 9, 2004

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CITY OF FRANKLIN

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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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*

Mayor and Members of Council
City of Franklin
35 East Fourth Street
Franklin, Ohio 45005

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the City of Franklin (the “City”) as of and for the year ended December 31, 2003, and have issued our report thereon dated August 26, 2004. As disclosed in Note 3 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 41, Budgetary Comparison Schedules – Perspective Differences; and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements for the year ended December 31, 2003. In addition, the City had a prior period adjustment for intergovernmental payables, accrued interest and capital assets and a change in accounting principle for its threshold for fixed assets, all as disclosed in Note 3. 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.

Mayor and Members of Council
City of Franklin

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated August 26, 2004.

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 grant 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-COF-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City of Franklin in a separate letter dated August 26, 2004.

This report is intended for the information of the Council and management of the City of Franklin and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
August 26, 2004

**CITY OF FRANKLIN
WARREN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2003-COF-001
----------------	--------------

It was noted during the audit that the following fund appropriation accounts had an excess of expenditures over appropriations in noncompliance with Ohio Revised Code Section 5705.41(B):

Fire Department			
Personal Services	-	149	(149)
Other	7,453	7,603	(150)
Building Inspection			
Personal Services	190,532	193,596	(3,064)
Special Revenue Fund			
Recreation Fund			
Leisure Time Activities			
Personal Services	142,811	143,393	(582)
Police and Fire Pension			
Fire Department			
Other	142,811	143,393	(582)
Transportation Fund			
Snow and Ice Removal			
Personal Services	30,177	31,291	(1,114)
Street Cleaning			
Other	-	27	(27)
Capital Projects Fund			
Shotwell Drive Fund			
Transfers Out	-	81,589	(81,589)
Debt Service Fund			
Debt Service			
Principal Retirement	2,037,340	2,103,210	(65,870)
Interest and Fiscal Charges	240,660	620,787	(380,127)
Enterprise Fund			
Sewer Fund			
Transfers Out	31,700	45,221	(13,521)

**CITY OF FRANKLIN
WARREN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

**1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2003-COF-001
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With expenditures exceeding appropriations, the City is spending monies that have not been appropriated by City Council. This may result in unnecessary spending.

We recommend the City monitor its budget on a more regular basis. If additional expenditures/expenses are necessary, the City should follow its policies and procedures and have council amend its appropriations as necessary.

**CITY OF FRANKLIN
WARREN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2002-COF-001	Ohio Revised Code Section 5705.39	Yes	No Longer Valid
2002-COF-002	Ohio Revised Code Section 5705.41 (B)	No	The City Finance Director is continually attempting to monitor the appropriations and expenditures more closely to avoid this citation.

City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2003

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

Introductory Section

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City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2003

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October 26, 2003

Citizens of Franklin
Mayor and Members of City Council

We are pleased to submit the City of Franklin's (the City) Comprehensive Annual Financial Report for the year ended December 31, 2003. The CAFR is presented in three sections:

1. The Introductory section includes a title page, the table of contents, this letter of transmittal, a list of principal officials, the organizational chart, and the Certificate of Achievement for Excellence in Financial Reporting.
2. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, the basic financial statements and notes to the financial statements which provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds, and other schedules that provide additional information relative to the basic financial statements.
3. The Statistical section includes a number of tables depicting the financial history of the City for the past ten years, as well as information on subjects such as overlapping governments and demographics.

This report is the culmination of the efforts of many people. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner designed to set forth fairly the financial position of the City's operations, and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

THE CITY OF FRANKLIN

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.

CITY ORGANIZATION AND REPORTING ENTITY

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. They 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 Ohio-Kentucky-Indiana Regional Council of Governments were determined to be jointly governed organizations (See Note 19).

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.

ECONOMIC CONDITION AND MAJOR INITIATIVES

Economic Development is a community priority in Franklin 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.

The biggest economic development success in 2003 involved the Burrows Paper Corporation. Other communities, (both within Ohio and out-of-state) were attempting to convince the company, one of Franklin's largest earnings tax providers, to leave Franklin and expand their operations elsewhere. By working closely with Local and State governmental authorities and the development firms of Henkle-Schuler and Bunnell Hill Construction, the City was able to structure an economic development program that met the company's needs. The Dayton-Montgomery County Port Authority also played a key role in this effort. Realizing the importance of a regional approach to economic development, the Port Authority crossed traditional boundaries and assisted the City in retaining Burrows. A celebratory groundbreaking program including Ohio Governor Bob Taft, State Representative Tom Raga, State Senator Robert Schuler, and Warren County officials occurred in recognition of the extreme cooperation and hard work that led to this important accomplishment. The Company subsequently built a 275,000 square foot facility in the Heritage Industrial Park and hired an additional 55 employees while retaining 215 key jobs within our community.

Although the Burrows Paper Corporation chose to build their new facility in the Heritage Industrial Park, the City also has 3 other industrial/office parks: the Jaygee Industrial Park, the Franklin Business Park and the Schumacher-Franklin Interstate Park. The extension of Industrial Drive in the latter half of 2004 will pave the way for a fourth industrial park of 120 acres to be named Bunnell Hill Industrial Park. All of these sites are located off of Interstate exchanges and tax abatements (real and personal property) are available.

Another City initiative that continued to be successful in 2003 was Franklin's Downtown Improvement Program. This program consists of funds set aside by the City for grants and loans to encourage downtown property owners to enhance their properties and thus attract additional development. Pisanello's Pizza 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 to create downtown development and rejuvenation is the mural program. Local citizen, and nationally renowned artist Eric Henn has completed two murals to date; one on the south wall of Parker's Cleaners and a second on the south wall of the Huntington National Bank. Additional murals are planned for the license bureau building, the VFW and other locations. Contributions from local owners, the Middletown Community Foundation and the City have contributed to this tourism initiative.

The final phase of the City of Franklin's facility improvements project was completed during 2003. This consisted of the remodeling and additions to the Municipal Offices and the Municipal Court. New landscaping, an expanded parking lot and a new entranceway via the reconstructed alley, now called Benjamin Franklin Way, completed the transformation of the 1970's era building at Fourth Street and Riley Boulevard.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

The City's records are maintained on a cash basis for all fund types. Following the year-end closing, necessary adjustments are made to the cash basis records to produce this CAFR. For governmental funds, the modified accrual basis of accounting is used for reporting purposes. This means that revenues are recognized when both measurable and available and expenditures are recognized when the fund liability is incurred.

The accrual basis of accounting is used for proprietary and fiduciary funds, which recognizes revenues when earned and expenses when incurred. A more detailed explanation of the basis of accounting for various funds is included in the Notes to the Basic Financial Statements, located in the Financial section of this report.

In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition.
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

Budgetary control is maintained by the encumbrance of purchase amounts prior to the release of purchase orders to vendors. Purchase orders are not issued when insufficient appropriations preclude the encumbrance of the amount of the purchase. Each department head is furnished a monthly budget report showing the status of the budget accounts for which he or she is responsible. The budget reports detail monthly transactions and summarize the balances available to be spent from the allocated appropriations.

Fund Structure

The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The type of funds used is determined by the Ohio Revised Code, by Ordinances and Resolutions of City Council, and by accounting principles generally accepted in the United States of America. The number of individual funds established is determined by prudent financial administration.

Financial Statement Presentation

The City has prepared financial statements following Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." As part of this new reporting model, management is responsible for preparing a Management's Discussion and Analysis of the City. This discussion follows the Independent Auditor's Report, providing an assessment of the City finances for 2003.

OTHER INFORMATION

Independent Audit

This report includes an unqualified audit report regarding the City's basic financial statements. This year's audit was conducted by the accounting firm of Trimble, Julian & Grube, Inc. The Independent Auditor's Report on the basic financial statements is included in the financial section of this report. The auditor's report related specifically to internal controls and compliance with applicable laws and regulations is presented in a separate report that may be obtained from the City finance office.

Certificate of Achievement

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, Ohio, for its 2002 Comprehensive Annual Financial Report.

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement to any governmental unit that publishes an easily readable and efficiently organized CAFR that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting, and its attainment is a significant accomplishment by a governmental unit.

We believe this report conforms to the reporting standards set forth by the GFOA. We are submitting our current Comprehensive Annual Financial Report for review and determination of eligibility for a certificate for 2003.

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 L. Morgan
Finance Director

James Lukas
City Manager

City of Franklin, Ohio

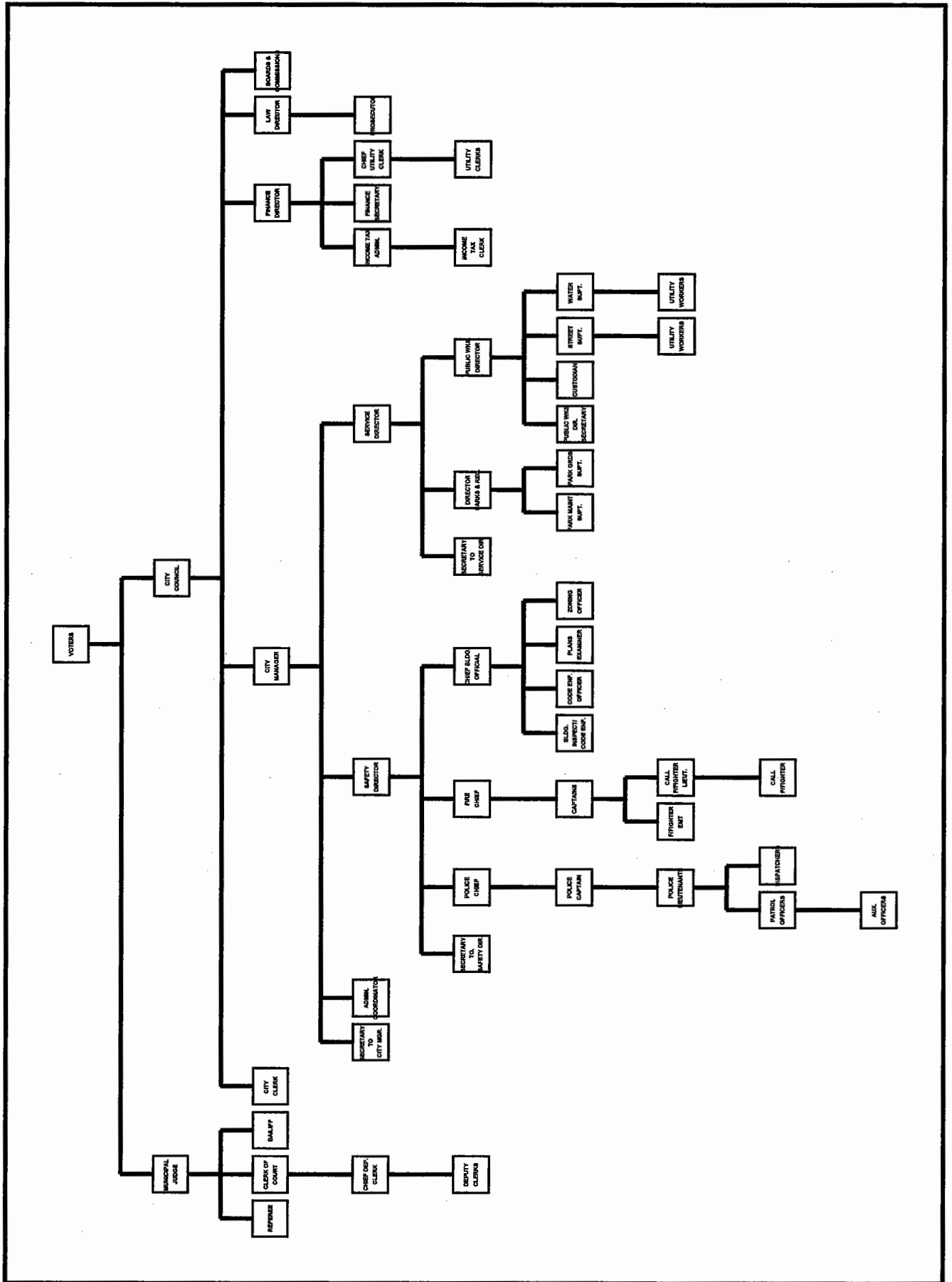
List of Principal Officials

December 31, 2003

<u>OFFICE HELD</u>	<u>NAME OF OFFICIAL</u>
Executive:	
City Manager	James Lucas
Assistant City Manager	Edward Schwaberow
Finance Director	Sandra L. Morgan
Law Director	Steven Runge
Legislative:	
Mayor	Greg Sample
Vice Mayor	Denny Centers
Council-At-Large	Todd Hall
	Robert Knipper
	Jason Faulkner
	Carl Bray
	Scott Lipps
Judicial:	
Municipal Court Judge	James Ruppert
Municipal Court Clerk	Sherry Mullins
Administrative:	
City Clerk	Jane McGee
Income Tax Administrator	Norma Kennard
Police Chief	Robert Rockwood
Fire Chief	Jonathan Westendorf
Public Works Director	Howard Lewis
Chief Building Official	Don Woods

CITY of FRANKLIN

2003 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, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

Mayor and Members of Council
City of Franklin
35 East Fourth Street
Franklin, Ohio 45005

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, Warren County, Ohio, (the "City"), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic 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 the 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.

As disclosed in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 41, Budgetary Comparison Schedules - Perspective Differences, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, for the year ended December 31, 2003. Also, as disclosed in Note 3 to the financial statements, the City had a change in accounting principle for its threshold of capital assets and inventory method and had restatements of prior year balances due to errors and omissions.

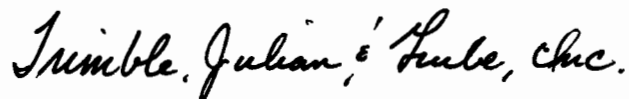
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Warren County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and fire levy fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report
City of Franklin

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying required supplementary information, such as the management's discussion and analysis on pages 3 through 10 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The accompanying supplementary information, such as the introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, such as the combining and individual nonmajor fund financial statements 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 supplementary information, such as 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.



Trimble, Julian & Grube, Inc.
October 26, 2004

City of Franklin, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2003
(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, 2003. 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, and the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$250,378. Revenues of governmental activities exceeded expenses by \$313,219. Net assets of business-type activities decreased by \$62,841
- General revenues of governmental activities accounted for \$7,433,119 or 73 percent of all governmental revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,708,535 or 27 percent of total governmental revenues of \$10,141,654.
- The City had \$9,851,585 in expenses related to governmental activities; only \$2,708,535 of these expenses were offset by program specific charges for services, grants and contributions.
- Enterprise funds reflected a total operating income of \$319,495. The Water, Sewer and Trash funds reflected an operating income of \$288,402, \$14,775 and \$16,318, 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 fiscal condition.

The Statement of Net Assets and 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 police, fire, public health and welfare, leisure time activities, economic development, basic, utility services, transportation, and general government.

Business-Type Activities – These services include water, sewer and trash. 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, Municipal Buildings, Water, Sewer and Trash 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 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets:						
Current and Other Assets	\$12,480,385	\$12,357,107	\$2,627,163	\$3,022,488	\$15,107,548	\$15,379,595
Nondepreciable Capital Assets	2,859,373	2,780,295	982,864	982,864	3,842,237	3,763,159
Depreciable Capital Assets, Net	66,442,565	64,881,099	9,445,933	9,549,693	75,888,498	74,430,792
Total Assets	81,782,323	80,018,501	13,055,960	13,555,045	94,838,283	93,573,546
Liabilities:						
Current and Other Liabilities	2,920,557	3,792,019	743,647	1,074,858	3,664,204	4,866,877
Long-Term Liabilities:						
Due Within One Year	1,548,414	866,102	217,670	348,090	1,766,084	1,214,192
Due in More Than One Year	12,398,900	10,759,147	6,014,524	6,264,745	18,413,424	17,023,892
Total Liabilities	16,867,871	15,417,268	6,975,841	7,687,693	23,843,712	23,104,961
Net Assets:						
Invested in Capital Assets, Net of Related Debt	56,078,615	55,740,255	4,353,963	4,282,115	60,432,578	60,022,370
Restricted	4,850,355	6,023,084	479,015	631,961	5,329,370	6,655,045
Unrestricted	3,985,482	2,837,894	1,247,141	1,228,884	5,232,623	4,066,778
Total Net Assets	\$64,914,452	\$64,601,233	\$6,080,119	\$6,142,960	\$70,994,571	\$70,744,193

Total net assets increased \$250,378. Net assets of the City's governmental activities increased by \$313,219 with unrestricted net assets increasing \$1,147,588.

The net assets of the City's business-type activities decreased by \$62,841. 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 year ended December 31, 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total
	2003	2003	2003
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$1,021,594	\$4,671,216	\$5,692,810
Operating Grants and Contributions	775,004	0	775,004
Capital Grants and Contributions	911,937	0	911,937
Total Program Revenues	<u>2,708,535</u>	<u>4,671,216</u>	<u>7,379,751</u>
General Revenues:			
Property and Other Local Taxes	1,408,292	0	1,408,292
Income Taxes	5,084,420	0	5,084,420
Grants and Entitlements	586,202	0	586,202
Investment Earnings	239,132	0	239,132
Miscellaneous	115,073	9,479	124,552
Total General Revenues	<u>7,433,119</u>	<u>9,479</u>	<u>7,442,598</u>
Total Revenues	<u>10,141,654</u>	<u>4,680,695</u>	<u>14,822,349</u>
Program Expenses:			
General Government	2,211,334	0	2,211,334
Security of Persons and Property:			
Police	2,459,999	0	2,459,999
Fire	1,354,505	0	1,354,505
Other	326,934	0	326,934
Public Health and Welfare	56,199	0	56,199
Leisure Time Activities	325,441	0	325,441
Economic Development	72,448	0	72,448
Basic Utilities	240,755	0	240,755
Transportation	774,499	0	774,499
Interest and Fiscal Charges	551,880	0	551,880
Depreciation on Infrastructure	1,477,591	0	1,477,591
Water	0	1,932,440	1,932,440
Sewer	0	2,259,319	2,259,319
Trash	0	528,627	528,627
Total Expenses	<u>9,851,585</u>	<u>4,720,386</u>	<u>14,571,971</u>
Increase (Decrease) in Net Assets Before Transfers	290,069	(39,691)	250,378
Transfers	<u>23,150</u>	<u>(23,150)</u>	<u>0</u>
Increase (Decrease) in Net Assets	313,219	(62,841)	250,378
Net Assets, January 1, 2003	<u>64,601,233</u>	<u>6,142,960</u>	<u>70,744,193</u>
Net Assets, December 31, 2003	<u>\$64,914,452</u>	<u>\$6,080,119</u>	<u>\$70,994,571</u>

Governmental Activities

The 1.5% 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.

In 2003, income tax revenues increased significantly. This was due, in part, to an increase in business income taxes paid by two profitable corporations within the City, combined with a payment of two years' worth of delinquent taxes from one of those corporations.

Governmental program expenses for 2003 were as follows:

Table 3
Governmental Activities

	Total Cost Of Services 2003	Net Cost of Services 2003
General Government	\$2,211,334	(\$1,409,727)
Security of Persons and Property:		
Police	2,459,999	(2,412,593)
Fire	1,354,505	(1,059,018)
Other	326,934	(241,024)
Public Health and Welfare	56,199	(15,443)
Leisure Time Activities	325,441	(303,435)
Economic Development	72,448	(72,448)
Basic Utilities	240,755	(240,755)
Transportation	774,499	640,864
Interest and Fiscal Charges	551,880	(551,880)
Unallocated Depreciation	1,477,591	(1,477,591)
Total Expenses	<u>\$9,851,585</u>	<u>(\$7,143,050)</u>

When looking at the sources of income to support governmental activities, it should be noted that charges for services are only 10% of revenue. Revenues provided by sources other than City residents in the form of operating and capital grants comprise another 17%. 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 and trash 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.

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.

The Trash fund charges fees to citizens for the collection of residential garbage. The City outsources the actual collection services.

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 \$10,291,764 and expenditures of \$12,343,264. The general fund's balance increased by \$433,893, primarily due to an increase in property and other local taxes and income tax revenue with a decrease in security of persons and property expenditures.

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 on at the object level (personal services and other expenditures) basis by City Council in the form of an appropriation resolution.

Original general fund budgeted revenues were \$6,887,427. The final budgeted amount was \$7,130,890. This 4% increase is primarily due to the increase in income taxes received by the City, combined with an increase in charges for services related to building permits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

	Governmental Activities		Business Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$2,842,675	\$2,780,295	\$982,864	\$982,864	\$3,825,539	\$3,763,159
Construction in Progress	16,698	0	0	0	16,698	0
Land Improvements	1,251,475	1,103,199	12,921	0	1,264,396	1,103,199
Buildings	6,869,171	5,379,121	72,700	9,482	6,941,871	5,388,603
Equipment	875,465	628,183	127,872	127,872	1,003,337	756,055
Vehicles	2,150,971	2,091,956	296,010	296,010	2,446,981	2,387,966
Infrastructure	87,793,621	86,250,591	14,031,367	13,958,571	101,824,988	100,209,162
Totals	<u>\$101,800,076</u>	<u>\$98,233,345</u>	<u>\$15,523,734</u>	<u>\$15,374,799</u>	<u>\$117,323,810</u>	<u>\$113,608,144</u>

The majority of the increase in capital assets was the result of the addition of \$1,490,050 in buildings, which was primarily related to the renovation of the City municipal building and the addition of \$1,543,030 of newly constructed infrastructure (includes streets, curb and gutter, street lights, storm sewers, and related structures).

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

Debt

At December 31, 2003, the City of Franklin had \$19,622,814 in debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Special Assessment Bonds	\$4,042,000	\$4,258,000	\$0	\$0	\$4,042,000	\$4,258,000
General Obligation Bonds	8,407,080	6,430,000	0	0	8,407,080	6,430,000
Bond Anticipation Notes	865,000	200,000	0	0	865,000	200,000
Short Term Notes	233,900	1,285,600	0	0	233,900	1,285,600
OWDA Loan	0	0	2,464,834	2,540,442	2,464,834	2,540,442
Mortgage Revenue Bonds	0	0	3,610,000	3,710,000	3,610,000	3,710,000
	<u>\$13,547,980</u>	<u>\$12,173,600</u>	<u>\$6,074,834</u>	<u>\$6,250,442</u>	<u>\$19,622,814</u>	<u>\$18,424,042</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 property tax revenues. The 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 \$15,760,454 as of December 31, 2003. The more restrictive unvoted legal debt margin \$3,728,819 as of the same date. See Note 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 Sandra Morgan, Finance Director, City of Franklin, 1 Benjamin Franklin Way, Franklin, Ohio 45005.

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CITY OF FRANKLIN, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$4,997,700	\$1,288,997	\$6,286,697
Accrued Interest Receivable	14,354	0	14,354
Accounts Receivable	70,049	1,138,607	1,208,656
Intergovernmental Receivable	957,383	0	957,383
Materials and Supplies Inventory	136,250	37,609	173,859
Income Taxes Receivable	1,245,470	0	1,245,470
Property and Other Local Taxes Receivable	1,361,307	0	1,361,307
Internal Balances	183,100	(183,100)	0
Special Assessments Receivable	3,460,863	0	3,460,863
Cash and Cash Equivalents with Fiscal Agents	26,209	0	26,209
Cash and Cash Equivalents with Trustee	0	345,050	345,050
Deferred Charges	27,700	0	27,700
Nondepreciable Capital Assets	2,859,373	982,864	3,842,237
Depreciable Capital Assets, Net	66,442,565	9,445,933	75,888,498
Total Assets	81,782,323	13,055,960	94,838,283
LIABILITIES			
Accounts Payable	183,981	223,367	407,348
Accrued Wages and Benefits	103,126	13,550	116,676
Intergovernmental Payable	479,415	71,553	550,968
Contracts Payable	543,110	264,946	808,056
Accrued Interest Payable	68,596	97,753	166,349
Deferred Revenue	1,295,599	0	1,295,599
Notes Payable	233,900	0	233,900
Matured Bonds Payable	10,500	0	10,500
Matured Interest Payable	2,330	0	2,330
Refundable Deposits	0	72,478	72,478
Long-Term Liabilities:			
Due Within One Year	1,548,414	217,670	1,766,084
Due in More Than One Year	12,398,900	6,014,524	18,413,424
Total Liabilities	16,867,871	6,975,841	23,843,712
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	56,078,615	4,353,963	60,432,578
Restricted for:			
Debt Service	2,978,941	186,995	3,165,936
Capital Outlay	613,671	0	613,671
Other Purposes	1,257,743	0	1,257,743
Revenue Bonds Replacement and Improvement	0	292,020	292,020
Unrestricted	3,985,482	1,247,141	5,232,623
Total Net Assets	\$64,914,452	\$6,080,119	\$70,994,571

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$2,211,334	\$752,181	\$49,426	\$0
Security of Persons and Property:				
Police	2,459,999	5,960	41,446	0
Fire	1,354,505	130,411	0	165,076
Other	326,934	85,910	0	0
Public Health and Welfare	56,199	40,756	0	0
Leisure Time Activities	325,441	4,006	18,000	0
Economic Development	72,448	0	0	0
Basic Utilities	240,755	0	0	0
Transportation	774,499	2,370	666,132	746,861
Interest and Fiscal Charges	551,880	0	0	0
Depreciation on Infrastructure	1,477,591	0	0	0
Total Governmental Activities	<u>9,851,585</u>	<u>1,021,594</u>	<u>775,004</u>	<u>911,937</u>
Business-Type Activities				
Water	1,932,440	1,861,483	0	0
Sewer	2,259,319	2,264,851	0	0
Trash	528,627	544,882	0	0
Total Business-Type Activities	<u>4,720,386</u>	<u>4,671,216</u>	<u>0</u>	<u>0</u>
Total Activities	<u>\$14,571,971</u>	<u>\$5,692,810</u>	<u>\$775,004</u>	<u>\$911,937</u>

General Revenues:

Taxes

Property and Other Local Taxes Levied For:

 General Purposes

 Fire

 Other Purposes

Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$1,409,727)	\$0	(\$1,409,727)
(2,412,593)	0	(2,412,593)
(1,059,018)	0	(1,059,018)
(241,024)	0	(241,024)
(15,443)	0	(15,443)
(303,435)	0	(303,435)
(72,448)	0	(72,448)
(240,755)	0	(240,755)
640,864	0	640,864
(551,880)	0	(551,880)
(1,477,591)	0	(1,477,591)
<u>(7,143,050)</u>	<u>0</u>	<u>(7,143,050)</u>
0	(70,957)	(70,957)
0	5,532	5,532
0	16,255	16,255
<u>0</u>	<u>(49,170)</u>	<u>(49,170)</u>
(7,143,050)	(49,170)	(7,192,220)
541,118	0	541,118
658,349	0	658,349
208,825	0	208,825
5,084,420	0	5,084,420
586,202	0	586,202
239,132	0	239,132
115,073	9,479	124,552
23,150	(23,150)	0
<u>7,456,269</u>	<u>(13,671)</u>	<u>7,442,598</u>
313,219	(62,841)	250,378
<u>64,601,233</u>	<u>6,142,960</u>	<u>70,744,193</u>
<u>\$64,914,452</u>	<u>\$6,080,119</u>	<u>\$70,994,571</u>

CITY OF FRANKLIN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	<u>GENERAL</u>	<u>FIRE LEVY</u>	<u>DEBT SERVICE</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$2,495,320	\$497,409	\$0
Cash and Cash Equivalents with Fiscal Agent	0	0	13,790
Materials and Supplies Inventory	23,764	0	0
Intergovernmental Receivable	322,562	29,315	0
Income Taxes Receivable	1,245,470	0	0
Property and Other Local Taxes Receivable	519,391	671,895	0
Accounts Receivable	70,049	0	0
Interfund Receivable	565,390	0	48,954
Special Assessments Receivable	0	0	3,375,603
Accrued Interest Receivable	14,354	0	0
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$5,256,300</u>	<u>\$1,198,619</u>	<u>\$3,438,347</u>
LIABILITIES			
Accounts Payable	\$105,069	\$16,408	\$0
Accrued Wages and Benefits	32,568	61,919	0
Contracts Payable	66,206	0	0
Intergovernmental Payable	144,076	28,147	0
Matured Bonds Payable	0	0	10,500
Matured Interest Payable	0	0	2,330
Accrued Interest Payable	0	0	0
Interfund Payable	17,039	0	178,925
Deferred Revenue	1,588,615	699,254	3,375,603
Notes Payable	0	0	0
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>1,953,573</u>	<u>805,728</u>	<u>3,567,358</u>
FUND BALANCES			
Reserved:			
Reserved for Encumbrances	80,004	411	0
Reserved for Unclaimed Monies	2,598	0	0
Unreserved, Undesignated, Reported in:			
General Fund	3,220,125	0	0
Special Revenue Funds	0	392,480	0
Debt Service Funds (Deficit)	0	0	(129,011)
Capital Projects Funds	0	0	0
	<hr/>	<hr/>	<hr/>
Total Fund Balances (Deficit)	<u>3,302,727</u>	<u>392,891</u>	<u>(129,011)</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$5,256,300</u>	<u>\$1,198,619</u>	<u>\$3,438,347</u>

See accompanying notes to the basic financial statements

<u>MUNICIPAL BUILDINGS</u>	<u>ALL OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$140,687	\$1,864,284	\$4,997,700
0	12,419	26,209
0	112,486	136,250
0	605,506	957,383
0	0	1,245,470
0	170,021	1,361,307
0	0	70,049
0	4,328	618,672
0	85,260	3,460,863
0	0	14,354
<u>\$140,687</u>	<u>\$2,854,304</u>	<u>\$12,888,257</u>
\$0	\$62,504	\$183,981
0	8,639	103,126
58,498	418,406	543,110
0	55,734	227,957
0	0	10,500
0	0	2,330
0	548	548
0	239,608	435,572
0	463,288	6,126,760
0	233,900	233,900
<u>58,498</u>	<u>1,482,627</u>	<u>7,867,784</u>
1,379	44,116	125,910
0	0	2,598
0	0	3,220,125
0	796,079	1,188,559
0	0	(129,011)
80,810	531,482	612,292
<u>82,189</u>	<u>1,371,677</u>	<u>5,020,473</u>
<u>\$140,687</u>	<u>\$2,854,304</u>	<u>\$12,888,257</u>

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CITY OF FRANKLIN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total Governmental Fund Balances \$5,020,473

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	2,842,675	
Infrastructure	87,793,621	
Construction in progress	16,698	
Other capital assets	11,147,081	
Accumulated depreciation	(32,498,137)	
Total capital assets		69,301,938

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 Taxes and Other Local Taxes	63,568	
Special Assessments	3,460,863	
Interest	11,817	
Accounts Receivable	69,525	
Due From Other Governments		
Estate Taxes	1,269	
Charges for Services	45,199	
Shared Taxes and Local Government Revenue Assistance	467,029	
Income Taxes	711,891	
		4,831,161

Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (251,458)

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 27,700

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

Accrued interest on bonds	(68,048)	
Discount on bonds	(17,920)	
Capital leases	(48,043)	
Notes	(865,000)	
Bonds	(12,431,160)	
Police Pension	(74,606)	
Compensated absences	(510,585)	
Total liabilities		(14,015,362)

Net Assets of Governmental Activities \$64,914,452

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, 2003

	<u>GENERAL</u>	<u>FIRE LEVY</u>	<u>DEBT SERVICE</u>
REVENUES:			
Property and Other Local Taxes	\$557,111	\$640,750	\$0
Income Taxes	4,868,815	0	0
Special Assessments	0	0	425,525
Charges for Services	134,723	0	0
Licenses and Permits	615,173	0	0
Intergovernmental	569,673	167,032	0
Interest	230,974	0	28,509
Other	179,368	0	1,647
	<u>7,155,837</u>	<u>807,782</u>	<u>455,681</u>
Total Revenues			
EXPENDITURES:			
Current:			
General Government	2,160,313	0	0
Security of Persons and Property:			
Police	2,197,875	0	0
Fire	7,752	1,146,904	0
Other	247,055	0	0
Public Health and Welfare	0	0	0
Leisure Time Activities	45,000	0	0
Economic Development	0	0	0
Basic Utility Services	183,400	0	0
Transportation	0	0	0
Capital Outlay	23,850	195,693	0
Debt Service:			
Principal Retirements	0	21,536	641,000
Interest and Fiscal Charges	0	3,967	598,426
Issuance Costs	0	0	0
	<u>4,865,245</u>	<u>1,368,100</u>	<u>1,239,426</u>
Total Expenditures			
Excess of Revenues Over (Under)			
Expenditures	<u>2,290,592</u>	<u>(560,318)</u>	<u>(783,745)</u>
OTHER FINANCING SOURCES AND USES:			
Transfers In	0	960,000	629,384
General Obligation Bonds Issued	0	0	0
Notes Issued	245,000	0	150,000
Discount on Debt Issued	0	0	0
Transfers Out	(2,101,699)	(6,791)	0
	<u>(1,856,699)</u>	<u>953,209</u>	<u>779,384</u>
Total Other Financing Sources and Uses			
Net Change in Fund Balance	433,893	392,891	(4,361)
Fund Balance (Deficit) at Beginning of Year - Restated (See Note 3)	<u>2,868,834</u>	<u>0</u>	<u>(124,650)</u>
Fund Balance (Deficit) at End of Year	<u>\$3,302,727</u>	<u>\$392,891</u>	<u>(\$129,011)</u>

See accompanying notes to the basic financial statements

MUNICIPAL BUILDINGS	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$0	\$213,798	\$1,411,659
0	0	4,868,815
0	85,910	511,435
0	99,766	234,489
0	24,451	639,624
0	1,384,346	2,121,051
0	585	260,068
0	63,608	244,623
0	1,872,464	10,291,764
29,940	5,041	2,195,294
0	186,380	2,384,255
0	68,182	1,222,838
0	101,437	348,492
0	56,199	56,199
0	220,732	265,732
0	72,448	72,448
0	0	183,400
0	667,498	667,498
1,319,136	2,095,343	3,634,022
0	731	663,267
1,488	16,846	620,727
29,092	0	29,092
1,379,656	3,490,837	12,343,264
(1,379,656)	(1,618,373)	(2,051,500)
14,225	768,962	2,372,571
1,500,000	720,000	2,220,000
0	470,000	865,000
(18,825)	0	(18,825)
0	(173,639)	(2,282,129)
1,495,400	1,785,323	3,156,617
115,744	166,950	1,105,117
(33,555)	1,204,727	3,915,356
\$82,189	\$1,371,677	\$5,020,473

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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, 2003

Net Change in Fund Balances - Total Governmental Funds \$1,105,117

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	3,566,731	
Current Year Depreciation	(1,926,187)	
	1,640,544	1,640,544

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	(3,367)	
Special Assessments	(425,525)	
Accounts Receivable		
Charges for Services	69,525	
Licenses and Permits	(29,309)	
Due From Other Governments		
Estate Taxes	(233)	
Charges for Services	43,437	
Shared Taxes and Local Government Revenue Assistance	587	
Income Taxes	215,605	
Interest	(20,830)	
	(150,110)	(150,110)

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	225,000	
Special assessment principal retirement	216,000	
Note principal retirement	200,000	
Police pension principal retirement	731	
Capital lease payments	21,536	
Total long-term debt repayment	663,267	663,267

Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities

Current Year Bond Discounts That Were Deferred	17,920	
Current Year Bond Issuance Costs That Were Deferred	27,700	
	45,620	45,620

Bond and Note 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.

Bond Proceeds	(2,220,000)	
Note Proceeds	(865,000)	
	(3,085,000)	(3,085,000)

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:

Decrease in Compensated Absences	81,748	
Increase in Accrued Pension Contributions	(59,111)	
Decrease in Accrued Interest	71,144	
Total additional expenditures	93,781	93,781

Change in Net Assets of Governmental Activities \$313,219

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and Other Local Taxes	\$474,529	\$615,574	\$554,881	(\$60,693)
Income Taxes	4,365,063	4,531,103	4,796,838	265,735
Charges for Services	43,196	168,840	132,466	(36,374)
Fines, Licenses, and Permits	817,786	608,893	668,170	59,277
Intergovernmental	653,542	678,401	584,024	(94,377)
Interest	314,155	326,105	226,926	(99,179)
Other	219,156	201,974	179,368	(22,606)
Total Revenues	<u>6,887,427</u>	<u>7,130,890</u>	<u>7,142,673</u>	<u>11,783</u>
Expenditures:				
Current:				
General Government	2,332,755	2,527,390	2,275,383	252,007
Security of Persons and Property:				0
Police	2,556,456	2,610,756	2,372,307	238,449
Fire	7,453	7,453	7,752	(299)
Building Inspection	240,362	248,362	238,250	10,112
Leisure Time Activities	0	45,000	45,000	0
Basic Utility Services	60,000	245,000	161,864	83,136
Total Expenditures	<u>5,197,026</u>	<u>5,683,961</u>	<u>5,100,556</u>	<u>583,405</u>
Excess of Revenues Over Expenditures	<u>1,690,401</u>	<u>1,446,929</u>	<u>2,042,117</u>	<u>595,188</u>
Other Financing Sources (Uses):				
Proceeds of Notes	255,000	245,000	245,000	0
Sale of Fixed Assets	1,963	2,000	0	(2,000)
Advances - In	0	0	262,563	262,563
Advances - Out	0	0	(408,459)	(408,459)
Operating Transfers - Out	(2,007,308)	(2,257,413)	(2,257,394)	19
Total Other Financing Sources (Uses)	<u>(1,750,345)</u>	<u>(2,010,413)</u>	<u>(2,158,290)</u>	<u>(147,877)</u>
Net Change in Fund Balance	(59,944)	(563,484)	(116,173)	447,311
Fund Balances at Beginning of Year	2,302,982	2,302,982	2,302,982	0
Prior Year Encumbrances Appropriated	<u>144,722</u>	<u>144,722</u>	<u>144,722</u>	<u>0</u>
Fund Balances at End of Year	<u>\$2,387,760</u>	<u>\$1,884,220</u>	<u>\$2,331,531</u>	<u>\$447,311</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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property Taxes	\$618,450	\$618,450	\$640,750	\$22,300
Intergovernmental	2,550	2,550	165,076	162,526
Total Revenues	<u>621,000</u>	<u>621,000</u>	<u>805,826</u>	<u>184,826</u>
Expenditures:				
Current:				
Security of Persons and Property				
Fire	<u>1,191,939</u>	<u>1,375,744</u>	<u>1,262,017</u>	<u>113,727</u>
Excess of Revenues Under Expenditures	<u>(570,939)</u>	<u>(754,744)</u>	<u>(456,191)</u>	<u>298,553</u>
Other Financing Sources (Uses):				
Transfers In	960,000	960,000	960,000	0
Transfers Out	<u>0</u>	<u>(50,494)</u>	<u>(6,791)</u>	<u>43,703</u>
Total Other Financing Sources (Uses)	<u>960,000</u>	<u>909,506</u>	<u>953,209</u>	<u>43,703</u>
Net Change in Fund Balance	389,061	154,762	497,018	342,256
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$389,061</u></u>	<u><u>\$154,762</u></u>	<u><u>\$497,018</u></u>	<u><u>\$342,256</u></u>

See accompanying notes to the basic financial statements

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CITY OF FRANKLIN, OHIO
STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2003

	<u>WATER</u>	<u>SEWER</u>	<u>TRASH</u>	<u>TOTAL</u>
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$163,794	\$627,223	\$133,482	\$924,499
Cash and Cash Equivalents with Trustee	60,302	0	0	60,302
Materials and Supplies Inventory	37,609	0	0	37,609
Accounts Receivable	245,701	809,117	83,789	1,138,607
Interfund Receivable	1,308	0	0	1,308
Restricted Assets:				
Cash and Cash Equivalents with Trustee	284,748	0	0	284,748
Total Current Assets	793,462	1,436,340	217,271	2,447,073
Noncurrent Assets:				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	301,801	62,697	0	364,498
Nondepreciable Capital Assets	982,864	0	0	982,864
Depreciable Capital Assets, Net	4,628,834	4,817,099	0	9,445,933
Total Noncurrent Assets	5,913,499	4,879,796	0	10,793,295
Total Assets	6,706,961	6,316,136	217,271	13,240,368
LIABILITIES:				
Current Liabilities:				
Accounts Payable	85,515	80,468	57,384	223,367
Accrued Wages and Benefits	7,311	6,239	0	13,550
Contracts Payable	0	264,946	0	264,946
Intergovernmental Payable	32,164	38,919	470	71,553
Interfund Payable	181,394	3,014	0	184,408
OWDA Loans Payable	80,578	0	0	80,578
Compensated Absences Payable	18,588	8,504	0	27,092
Total Current Liabilities	405,550	402,090	57,854	865,494
Current Liabilities Payable from Restricted Assets:				
Revenue Bonds Payable	110,000	0	0	110,000
Accrued Interest Payable	97,753	0	0	97,753
Total Current Liabilities Payable from Restricted Assets	207,753	0	0	207,753
Long Term Liabilities:				
Compensated Absences Payable	46,944	83,324	0	130,268
Revenue Bonds Payable	3,500,000	0	0	3,500,000
OWDA Loans Payable	2,384,256	0	0	2,384,256
Long Term Liabilities Payable from Restricted Assets:				
Refundable Deposits	9,781	62,697	0	72,478
Total Long Term Liabilities	5,940,981	146,021	0	6,087,002
Total Liabilities	6,554,284	548,111	57,854	7,160,249
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt (Deficit)	(463,136)	4,817,099	0	4,353,963
Restricted for:				
Debt Service	186,995	0	0	186,995
Revenue Bonds	292,020	0	0	292,020
Replacement and Improvement	136,798	950,926	159,417	1,247,141
Total Net Assets	\$152,677	\$5,768,025	\$159,417	\$6,080,119

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, 2003

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for Services	\$1,861,483	\$2,264,851	\$544,882	\$4,671,216
Other	<u>173</u>	<u>9,243</u>	<u>63</u>	<u>9,479</u>
Total Operating Revenues	<u>1,861,656</u>	<u>2,274,094</u>	<u>544,945</u>	<u>4,680,695</u>
OPERATING EXPENSES:				
Personal Services	422,335	403,155	15,726	841,216
Contractual Services	946,927	1,683,547	501,562	3,132,036
Supplies and Materials	60,506	63,408	11,339	135,253
Depreciation	<u>143,486</u>	<u>109,209</u>	<u>0</u>	<u>252,695</u>
Total Operating Expenses	<u>1,573,254</u>	<u>2,259,319</u>	<u>528,627</u>	<u>4,361,200</u>
Operating Income	<u>288,402</u>	<u>14,775</u>	<u>16,318</u>	<u>319,495</u>
NON-OPERATING EXPENSES:				
Interest and Fiscal Charges	<u>(359,186)</u>	<u>0</u>	<u>0</u>	<u>(359,186)</u>
Total Non-Operating Expenses	<u>(359,186)</u>	<u>0</u>	<u>0</u>	<u>(359,186)</u>
Income (Loss) Before Contributions and Transfers	(70,784)	14,775	16,318	(39,691)
Capital Contributions	33,646	33,646	0	67,292
Transfers Out	<u>(45,221)</u>	<u>(45,221)</u>	<u>0</u>	<u>(90,442)</u>
Change in Net Assets	(82,359)	3,200	16,318	(62,841)
Net Assets at Beginning of Year - Restated (See Note 3)	<u>235,036</u>	<u>5,764,825</u>	<u>143,099</u>	<u>6,142,960</u>
Net Assets at End of Year	<u><u>\$152,677</u></u>	<u><u>\$5,768,025</u></u>	<u><u>\$159,417</u></u>	<u><u>\$6,080,119</u></u>

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>WATER</u>	<u>SEWER</u>	<u>TRASH</u>	<u>TOTALS</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,884,442	\$2,222,215	\$538,755	\$4,645,412
Cash Paid for Employee Services and Benefits	(463,262)	(394,852)	(17,844)	(875,958)
Cash Paid to Suppliers for Goods and Services	(1,082,673)	(1,904,872)	(496,092)	(3,483,637)
Utility Deposits Received	20,000	20,400	0	40,400
Utility Deposits Returned	(29,824)	(1,228)	0	(31,052)
Other Operating Revenues	173	9,243	63	9,479
Net Cash Provided by (Used for) Operating Activities	<u>328,856</u>	<u>(49,094)</u>	<u>24,882</u>	<u>304,644</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Short Term Loans from Other Funds	100,000	0	0	100,000
Transfers Out to Other Funds	(45,221)	(45,221)	0	(90,442)
Net Cash Used For Noncapital Financing Activities	<u>54,779</u>	<u>(45,221)</u>	<u>0</u>	<u>9,558</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	(74,041)	(7,602)	0	(81,643)
Interest Paid on OWDA Loans	(175,544)	0	0	(175,544)
Principal Paid on OWDA Loans	(75,608)	0	0	(75,608)
Interest Paid on Mortgage Revenue Bonds	(134,434)	0	0	(134,434)
Principal Paid on Mortgage Revenue Bonds	(100,000)	0	0	(100,000)
Net Cash Used for Capital and Related Financing Activities	<u>(559,627)</u>	<u>(7,602)</u>	<u>0</u>	<u>(567,229)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest	13,806	36,472	0	50,278
Net Cash Provided By Investing Activities	<u>13,806</u>	<u>36,472</u>	<u>0</u>	<u>50,278</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(162,186)	(65,445)	24,882	(202,749)
Cash and Cash Equivalents at Beginning of Year	972,831	755,365	108,600	1,836,796
Cash and Cash Equivalents at End of Year	<u>\$810,645</u>	<u>\$689,920</u>	<u>\$133,482</u>	<u>\$1,634,047</u>

(continued)

CITY OF FRANKLIN, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(continued)

Reconciliation of Operating Income to

Net Cash Provided by (Used for) Operating Activities:

Operating Income	<u>\$288,402</u>	<u>\$14,775</u>	<u>\$16,318</u>	<u>\$319,495</u>
Adjustments to Reconcile Operating Income (Loss)				
<u>to Net Cash Provided by (Used for) Operating Activities:</u>				
Depreciation Expense	143,486	109,209	0	252,695
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	18,459	(42,636)	(6,127)	(30,304)
Increase in Due From Other Governments	4,500	0		4,500
Increase in Materials and Supplies Inventory	(16,306)	0	0	(16,306)
Increase (Decrease) in Accounts Payable	(59,655)	(75,984)	16,809	(118,830)
Decrease in Contracts Payable	0	(84,997)	0	(84,997)
Decrease in Accrued Wages and Benefits	(3,693)	(16,284)	(592)	(20,569)
Increase (Decrease) in Compensated Absences Payable	(39,997)	11,367	(795)	(29,425)
Increase (Decrease) in Due to Other Governments	3,484	16,284	(731)	19,037
Increase (Decrease) in Refundable Deposits	<u>(9,824)</u>	<u>19,172</u>	<u>0</u>	<u>9,348</u>
Total Adjustments	<u>40,454</u>	<u>(63,869)</u>	<u>8,564</u>	<u>(14,851)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$328,856</u></u>	<u><u>(\$49,094)</u></u>	<u><u>\$24,882</u></u>	<u><u>\$304,644</u></u>

Noncash Capital Financing Activities:

During 2003, the Water and Sewer Enterprise Funds received assets from governmental activities.

The assets were recorded as capital assets and capital contributions in the respective funds.

The value of the assets were \$33,646 and \$33,646, respectively.

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2003

ASSETS:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$28,373
Cash and Cash Equivalents in Segregated Accounts	39,386
Intergovernmental Receivable	<u>13</u>

Total Assets \$67,772

LIABILITIES:

Current Liabilities:

Intergovernmental Payable	\$26,187
Undistributed Monies	36,115
Deposits Held and Due to Others	<u>5,470</u>

Total Liabilities \$67,772

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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. They provide various services including a police force, a fire fighting force, street maintenance and repair force, planning and zoning departments, a park and recreation system, a water and sewer system, a contracting service for trash collection, a community development department, 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 2003.

The City is associated with one organization which is defined as a joint venture, one which is defined as a shared risk pool and three organizations which are defined as jointly governed organizations. These organizations are presented in Note 19 of the Basic Financial Statements. These organizations are:

Joint Venture:

Joint Recreation Facility

Shared Risk Pool:

Public Entities Pool of Ohio

Jointly Governed Organizations:

Warren County General Health District

Joint Emergency Medical Service (JEMS)

Ohio - Kentucky - Indiana Regional Council of Governments (OKI)

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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, 2003

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 to pay for operating expenses 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.

Municipal Buildings - This fund accounts for monies received from the issuance of debt to pay for improvements to municipal buildings.

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, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 four agency funds that are used to account for court fines and building fees 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 on Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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, 2003

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, 2003, but were levied to finance 2004 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, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS AND BUDGETARY ACCOUNTING

All 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. 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 plus encumbrances 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 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 set forth in the financial statements 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 and Cash Equivalents in Segregated Accounts." The City utilizes financial institutions to service bonded debt as principal and interest payments come due. The City also has \$12,419 in permissive motor vehicle license money which is held by the Warren County Engineer as agent and distributed to the City for approved street projects. The balances in these accounts are presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents". 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 and negotiable certificates of deposit, STAROhio, Federal Home Loan Mortgage Corporation notes, Federal Home Loan Bank notes and money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General fund during fiscal year 2003 amounted to \$230,974, which includes \$147,770 assigned from other funds.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption.

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 and cash and cash equivalents with fiscal agents set aside for the improvement and replacement of capital assets originally acquired with bond proceeds and for repayment of current debt service on revenue bonds that are required by the bond indenture to be held by a financial services corporation. 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 (or estimated historical cost) and updated for additions and reductions during the year. 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 expended.

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:

Buildings	20-30 years
Vehicles	5-20 years
Equipment	3-20 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 and a water well field. Except for water and sewer lines, the City reported infrastructure for the first time in 2003. The City did not have any additions to bridges and traffic structures, such as traffic signals and signs, and plans to phase in these items in future years.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

INTERFUND RECEIVABLES/PAYABLES

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services 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, claims, contractually required pension contributions and 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, the fire and police pension liability and capital leases are recognized as liabilities on the governmental fund financial statements when due.

BOND DISCOUNTS AND ISSUANCE COSTS

Bond discounts and issuance costs for government wide statements and proprietary fund statements 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 discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRIBUTIONS OF CAPITAL

Contributions of capital represent the construction and transfer of capital assets between governmental and business type activities.

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 unclaimed monies.

INTERFUND TRANSACTIONS

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in 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 unrestricted net assets. 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, the operation of police programs, and the City's street repair/improvement programs.

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 Sewer and Water enterprise funds have restricted net assets relative to those resources necessary to comply with various covenants of bond financing agreements.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 nonoperating.

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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

CHANGES IN ACCOUNTING PRINCIPLES

For 2003, the City has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

The government-wide financial statements split the City’s programs between governmental and business-type activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. This statement did not apply to the City for 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (continued)

The City has also implemented a new capital asset policy which increases the capitalization threshold for capital assets from \$500 to \$5,000. In addition, the City had a new valuation of capital assets performed by an independent appraisal firm for 2002 and 2003.

RESTATEMENT OF FUND BALANCES/EQUITY

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Fire Levy</u>	<u>Debt Service</u>
Fund Balances (Deficit) December 31, 2002	\$2,845,103	\$0	(\$124,650)
Fund Reclassifications	2,598	0	0
GASB Interpretation No. 6	21,133	0	0
Adjusted Fund Balance (Deficit), December 31, 2002	<u>\$2,868,834</u>	<u>\$0</u>	<u>(\$124,650)</u>

	<u>Municipal Buildings</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances (Deficit) December 31, 2002	(\$33,555)	\$1,202,695	\$3,889,593
Fund Reclassifications	0	(2,598)	0
GASB Interpretation No. 6	0	4,630	25,763
Adjusted Fund Balance (Deficit), December 31, 2002	<u>(\$33,555)</u>	<u>\$1,204,727</u>	3,915,356

GASB 34 Adjustments:

Deferred Assets:

Delinquent Property Taxes	36,447
Other Local Taxes	30,488
Special Assessments	3,886,388
Municipal Income Tax	496,286
Accounts Receivable	29,309
Intergovernmental Receivables	469,706
Interest	32,647
Capital Assets, Net	67,661,394
Intergovernmental Payables	(192,347)
Accrued Interest Payable	(139,192)
Long-Term Liabilities	
Special Assessment Bonds	(4,258,000)
General Obligation Bonds	(6,430,000)
Fire Equipment Note	(200,000)
Compensated Absences	(592,333)
Police and Fire Pension	(75,337)
Capital Leases	(69,579)
Governmental Activities, Net Assets December 31, 2002	<u>\$64,601,233</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (continued)

In 2002, accrued liabilities relating to long term pension obligations for the business-type activities were posted as liabilities of the general long term obligation account group. In addition, it was noted that accrued interest on the Ohio Water Development Authority Loans was not presented. Finally, the appraisal of the City's capital assets for 2002, performed in 2003, indicated that the City owned water well field, as well as multiple items relating to sewer line infrastructure had previously been omitted from the City's financial statements.

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Business-Type Activities</u>
Fund Equity December 31, 2002	\$1,832,298	\$2,122,574	\$143,679	\$4,098,551
Intergovernmental Payable	(14,251)	(8,316)	(580)	(23,147)
Accrued Interest Payable	(89,235)	0	0	(89,235)
Capital Assets, Net	<u>(1,493,776)</u>	<u>3,650,567</u>	<u>0</u>	<u>2,156,791</u>
Adjusted Net Assets, December 31, 2002	<u>\$235,036</u>	<u>\$5,764,825</u>	<u>\$143,099</u>	<u>\$6,142,960</u>

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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 Balances - 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).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

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	\$433,893	\$392,891
Revenue Accruals	(13,164)	(1,956)
Expenditure Accruals	(115,127)	84,958
Encumbrances	(120,184)	(411)
Debt Principal Payments	0	21,536
Advances	(145,896)	0
Transfers	(155,695)	0
Budget Basis	(\$116,173)	\$497,018

NOTE 5 - DEPOSITS AND INVESTMENTS

POLICIES AND PROCEDURES

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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.

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The City may deposit or invest interim monies in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this section are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

DEPOSITS

At year-end, the carrying amount of the City's deposits was \$4,708,149 and the bank balance was \$5,043,346. Of the bank balance, \$270,806 was covered by federal deposit insurance. The remainder of the deposits were not insured or collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

INVESTMENTS

GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the City's investments be classified in categories of risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Money market mutual funds and Star Ohio investments are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying/ Fair Value
Negotiable Certificates of Deposit	\$106,596	\$106,596
STAROhio	0	407,757
Federal Home Loan Mortgage Corporation Notes	1,302,232	1,302,232
Federal Home Loan Bank Notes	197,062	197,062
Money Market Mutual Funds	0	3,919
Total	<u>\$1,605,890</u>	<u>\$2,017,566</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$6,725,715	\$0
Investments:		
Negotiable Certificates of Deposit	(106,596)	106,596
STAROhio	(407,757)	407,757
Federal Home Loan Mortgage Corporation Notes	(1,302,232)	1,302,232
Federal Home Loan Bank Notes	(197,062)	197,062
Money Market Mutual Funds	(3,919)	3,919
GASB Statement No. 3	<u>\$4,708,149</u>	<u>\$2,017,566</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 6 – COMPLIANCE, ACCOUNTABILITY, AND BUDGET BASIS (NON-GAAP) RESTATEMENT

COMPLIANCE

The following final appropriation accounts had an excess of expenditures over appropriations for the year-ended December 31, 2003:

<u>Fund Type/Fund/Department/Object</u>	<u>Final Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
General Government			
Solicitor			
Other	\$107,500	\$114,385	(\$6,885)
Fire Department			
Personal Services	0	149	(149)
Other	7,453	7,603	(150)
Building Inspection			
Personal Services	190,532	193,596	(3,064)
Special Revenue Fund			
Transportation Fund			
Snow and Ice Removal			
Personal Services	30,177	31,291	(1,114)
Street Cleaning			
Other	0	27	(27)
Recreation Fund			
Leisure Time Activities			
Personal Services	142,811	143,393	(582)
Police and Fire Pension			
Fire Department			
Other	66,625	66,630	(5)
Capital Projects Funds			
Shotwell Drive Fund			
Transfers Out	0	81,589	(81,589)
Debt Service Fund			
Debt Service			
Principal Retirement	2,037,340	2,103,210	(65,870)
Interest and Fiscal Charges	240,660	620,787	(380,127)
Enterprise Funds			
Sewer Fund			
Transfers Out	31,700	45,221	(13,521)

The City will monitor budgetary control more closely to ensure that expenditures due not exceed appropriations.

ACCOUNTABILITY

At year-end, the debt service fund had a deficit balance of \$129,011. The deficit in this fund resulted from adjustments for accrued liabilities related to advances in to the fund. The deficit will be eliminated when the advance is repaid. In addition, the Shotwell Drive nonmajor capital projects fund had a deficit fund balance of \$146,139. This deficit resulted from the issuance of short-term bond anticipation notes which are used to finance projects until bonds are issued. This deficit will be eliminated when long-term bonds are issued.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 6 – COMPLIANCE, ACCOUNTABILITY, AND BUDGET BASIS (NON-GAAP) RESTATEMENT (continued)

BUDGET BASIS (NON-GAAP) RESTATEMENT

Beginning balances on the Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the major funds and the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) for the nonmajor funds have been restated to reflect the combination of funds with similar purposes.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002 on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2003, was \$5.73 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$170,386,110
Personal Property	58,762,770
Public Utility Personal Property	11,483,820
Totals	\$240,632,700

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.

Tangible personal property taxes paid 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.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 7 - PROPERTY TAXES (continued)

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, 2003 and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 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.

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 2003, the proceeds were allocated to the general fund.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2003 consisted of taxes, accounts (including utility), interfund, special assessments, interest on investments, and intergovernmental receivables, including grants, entitlements and shared revenues. All receivables are considered fully collectible. Special assessments expected to be collected in more than one year for the City amount to \$3,240,720. The City has \$25,116 in delinquent special assessments at December 31, 2003.

A summary of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Local Government Assistance	\$277,430
Estate Tax	5,075
Homestead, Rollback and Exemption	54,236
10,000 Personal Property Tax Exemption	3,865
Community Oriented Policing Services Grant	13,000
Issue II	230,296
Charges for Services	5,700
Gas Tax	142,635
Motor Vehicle Tax	97,488
Permissive Motor Vehicle Tax	7,658
County Vehicle Tax	120,000
Total Governmental Activities	\$957,383

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	Restated Balance At December 31, 2002	Additions	Deletions	Balance At December 31, 2003
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$2,780,295	\$62,380	\$0	\$2,842,675
Construction in Progress	0	16,698	0	16,698
Total Capital Assets, Not Being Depreciated	<u>2,780,295</u>	<u>79,078</u>	<u>0</u>	<u>2,859,373</u>
Depreciable Capital Assets:				
Land Improvements	1,103,199	148,276	0	1,251,475
Buildings	5,379,121	1,490,050	0	6,869,171
Equipment	628,183	247,282	0	875,465
Vehicles	2,091,956	59,015	0	2,150,971
Infrastructure	86,250,591	1,543,030	0	87,793,621
Total Depreciable Capital Assets	<u>95,453,050</u>	<u>3,487,653</u>	<u>0</u>	<u>98,940,703</u>
Total Capital Assets At Historical Cost	<u>98,233,345</u>	<u>3,566,731</u>	<u>0</u>	<u>101,800,076</u>
Less Accumulated Depreciation:				
Land Improvements	(611,080)	(59,109)	0	(670,189)
Buildings	(643,078)	(137,383)	0	(780,461)
Equipment	(210,150)	(72,057)	0	(282,207)
Vehicles	(1,388,760)	(180,047)	0	(1,568,807)
Infrastructure	(27,718,883)	(1,477,591)	0	(29,196,474)
Total Accumulated Depreciation	<u>(30,571,951)</u>	<u>(1,926,187)</u>	<u>0</u>	<u>(32,498,138)</u>
Depreciable Capital Assets, Net	<u>64,881,099</u>	<u>1,561,466</u>	<u>0</u>	<u>66,442,565</u>
Governmental Activities Capital Assets, Net	<u>\$67,661,394</u>	<u>\$1,640,544</u>	<u>\$0</u>	<u>\$69,301,938</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 10 - CAPITAL ASSETS (continued)

	Restated Balance At December 31, 2002	Additions	Deletions	Balance At December 31, 2003
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$982,864	\$0	\$0	\$982,864
Depreciable Capital Assets:				
Land Improvements	0	12,921	0	12,921
Buildings	9,482	63,218	0	72,700
Equipment	127,872	0	0	127,872
Vehicles	296,010	0	0	296,010
Infrastructure				
Water Lines	4,001,619	65,194	0	4,066,813
Sewer Lines	7,612,246	7,602	0	7,619,848
Water Well Field	2,344,706	0	0	2,344,706
Total Depreciable Capital Assets	14,391,935	148,935	0	14,540,870
Total Capital Assets At Historical Cost	15,374,799	148,935	0	15,523,734
Less Accumulated Depreciation:				
Land Improvements	0	(646)	0	(646)
Buildings	(6,258)	(1,454)	0	(7,712)
Equipment	(57,307)	(9,833)	0	(67,140)
Vehicles	(241,588)	(11,436)	0	(253,024)
Infrastructure				
Water Lines	(1,521,425)	(76,802)	0	(1,598,227)
Sewer Lines	(2,734,299)	(105,630)	0	(2,839,929)
Water Well Field	(281,365)	(46,894)	0	(328,259)
Total Accumulated Depreciation	(4,842,242)	(252,695)	0	(5,094,937)
Depreciable Capital Assets, Net	9,549,693	(103,760)	0	9,445,933
Business-Type Activities Capital Assets, Net	\$10,532,557	(\$103,760)	\$0	\$10,428,797

Depreciation expense was charged to governmental programs as follows:

Security of Persons And Property:	
Police	\$74,394
Fire	153,985
Other	3,292
Leisure Time Activities	60,881
Basic Utility Services	57,355
Transportation	50,864
General Government	47,825
Depreciation on Infrastructure	1,477,591
Total Depreciation Expense	<u>\$1,926,187</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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% 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$271,872, \$195,311, and \$182,598 respectively; 77 percent has been contributed for 2003 and 100 percent for 2002 and 2001. There were no contributions to the member-directed plan for 2003.

OHIO POLICE AND FIRE PENSION FUND

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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2003, 2002, and 2001 were \$232,076, \$197,098, and \$172,236 respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 70 percent has been contributed for 2003 with the remainder being reported as a liability.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2003, the unfunded liability of the City was \$74,606, payable in semiannual installments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported on the government-wide financial statements.

NOTE 12 - 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 the rate of 4.62 hours per eighty 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 leave City employment for reasons other than death or retirement will be paid 50 percent of accumulated sick leave up to a maximum of 150 days (600 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 out. 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.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 12 - OTHER EMPLOYEE BENEFITS (continued)

HEALTH CARE BENEFITS

The City has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue Shield. 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.

NOTE 13 - POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$158,989. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$113,652 for police and \$28,503 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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. In 2003, the City joined the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. 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.

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

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 City.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 14 - RISK MANAGEMENT (continued)

Coverage provided by the insurance follows:

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

Settled claims have not exceeded this commercial 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 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into a capital lease for a vehicle. By the terms of the agreement, ownership of the vehicle is transferred to the City by the end of the lease term. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as a debt service expenditure in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. General capital assets consisting of equipment have been capitalized in the amount of \$198,650 which equals the present value of the future minimum lease payments at the time of acquisition. Principal payments in 2003 totaled \$21,536 in the governmental funds.

<u>Asset</u>	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value December 31, 2003</u>
Equipment: Pierce Pumper	\$198,560	\$19,856	\$178,704

The following is a schedule of the future long-term minimum lease payments required under the capital lease:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	\$25,503
2005	26,636
Subtotal	52,139
Less: Amount Representing Interest	(4,096)
Present Value of Minimum Lease Payments	<u>\$48,043</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2003 follows:

Types/Issues	Restated Balance January 1, 2003	Increases	Decreases	Balance December 31, 2003	Due Within One Year
<u>Special Assessment Bonds</u>					
6.85% - 1991 Franklin Commerce Improvement - \$1,340,000	\$860,000	\$0	\$70,000	\$790,000	\$75,000
8.78% - 1985 Streetscape - \$107,000	20,000	0	5,000	15,000	5,000
7.125% - 1989 Shady Glenn - \$170,000	72,000	0	9,000	63,000	9,000
6.00% - 1995 Miller Stub Street - \$78,513	60,000	0	3,000	57,000	3,000
5.75% - 1995 Shotwell Drive - \$227,000	176,000	0	9,000	167,000	10,000
5.80% - 1997 Franklin Commerce Center - \$577,400	475,000	0	20,000	455,000	25,000
5.00% - 1998 Scholl Road - \$514,177	440,000	0	20,000	420,000	20,000
5.00% - 1998 Fourth Street Improvement - \$337,705	285,000	0	10,000	275,000	10,000
5.00% - 1998 Schumaker-Franklin - \$1,322,708	1,150,000	0	45,000	1,105,000	50,000
5.00% - 1998 Deardoff Phase II - \$158,410	135,000	0	5,000	130,000	5,000
5.70% - 1999 Eastlawn Sewer Line Extension - \$119,779	105,000	0	5,000	100,000	5,000
5.125% - 2001 Shotwell Drive Phase III - \$490,000	480,000	0	15,000	465,000	15,000
TOTAL-Special Assessment Bonds	<u>\$4,258,000</u>	<u>\$0</u>	<u>\$216,000</u>	<u>\$4,042,000</u>	<u>\$232,000</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Types/Issues	Restated Balance January 1, 2003	Increases	Decreases	Balance December 31, 2003	Due Within One Year
<u>General Obligation Bonds</u>					
(Unvoted)					
4.25% - 6.10% 1994 Road Extension - \$1,730,000	\$910,000	\$0	\$130,000	\$780,000	\$140,000
4.625% - 5.125% 2001 Street Improvement - \$920,000	895,000	0	25,000	870,000	30,000
3.00% - 5.25% 2002 Public Works Facility - \$4,625,000	4,625,000	0	50,000	4,575,000	50,000
4.00% - 5.00% 2003 Various Purpose - \$960,000	0	960,000	0	960,000	35,000
1.50% - 4.65% 2003 Administrative and Court Facility Improvements - \$1,260,000	0	1,260,000	20,000	1,240,000	40,000
Dicount on Debt Issue	0	(18,825)	(905)	(17,920)	0
TOTAL-General Obligation Bonds	6,430,000	2,201,175	224,095	8,407,080	295,000
<u>Other Long-Term Obligations</u>					
2.30% - 2002 Fire Equipment Note \$200,000	200,000	0	200,000	0	0
1.90% - 2003 Road Improvement Bond Anticipation Notes \$470,000	0	470,000	0	470,000	470,000
1.50% - 2003 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$395,000	0	395,000	0	395,000	395,000
Compensated Absences	592,333	121,992	203,740	510,585	132,105
Police and Fire Pension	75,337	0	731	74,606	1,538
Capital Leases Payable	69,579	0	21,536	48,043	22,771
TOTAL-Other Long-Term Obligations	937,249	986,992	426,007	1,498,234	1,021,414
TOTAL- All General Long-Term Obligations	\$11,625,249	\$3,188,167	\$866,102	\$13,947,314	\$1,548,414

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 16 - 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.

The unvoted general obligation bond issues will be paid from property taxes.

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, 2004 through August 31, 2005	102%
September 1, 2005 through August 31, 2006	101%
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 Capital Improvement Capital Projects Fund (22%) and the Ohio Public Works Commission Capital Projects 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 Municipal Building Capital Projects 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, 2003

NOTE 16 - 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 Municipal Building Capital Projects 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 28, 2002, the City issued a \$200,000 Bond Anticipation Note for the purpose of purchasing new fire equipment. The note was to be paid from the General Fund with no specifically identifiable revenue source.

On July 23, 2003, the City issued a \$470,000 Bond Anticipation Note for the purpose of making street improvements. The note was to be paid from the General Fund with no specifically identifiable revenue source.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

On March 24, 2004, the City issued a \$395,000 Bond Anticipation Note for the purpose of purchasing fire equipment and conducting a stormwater drainage study. \$150,000 of the note related to fire equipment purchase, and will be paid from the General fund, with no specifically identifiable revenue source. The remaining \$245,000 related to the stormwater drainage study, and will be paid with user charges that will begin assessment in 2004.

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

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 2003 were as follows:

Types/Issues	Balance January 1, 2003	Increases	Decreases	Balance December 31, 2003	Due Within One Year
6.70% OWDA Loans - \$2,947,907 4.00% - 5.80% Mortgage Revenue	\$2,540,442	\$0	\$75,608	\$2,464,834	\$80,578
Bonds - \$4,215,000	3,710,000	0	100,000	3,610,000	110,000
Compensated Absences	186,785	13,877	43,302	157,360	27,092
TOTAL - Business Type-Activities	\$6,437,227	\$13,877	\$218,910	\$6,232,194	\$217,670

The Ohio Water Development Authority (OWDA) loans are for the construction of water mains. The loans will be paid from water fund operating revenues.

The Mortgage Revenue Bonds are for improvements to the City's water system, and will be paid from Water fund operating revenues. The bonds will mature in the year 2022.

The enterprise fund's related 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.

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

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,760,454 with an unvoted debt margin of \$3,728,819.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2003 are:

Governmental Activities				
Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2004	\$295,000	\$408,442	\$232,000	\$227,794
2005	310,000	388,070	253,000	213,976
2006	315,000	373,882	254,000	198,717
2007	335,000	359,048	280,000	183,778
2008	340,000	372,790	290,000	167,292
2009-2013	1,485,000	1,512,203	1,474,000	565,585
2014-2018	1,885,000	1,152,690	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>\$8,425,000</u>	<u>\$5,384,846</u>	<u>\$4,042,000</u>	<u>\$1,754,729</u>

Business-Type Activities				
Year	Mortgage Revenue Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2004	\$110,000	\$206,103	\$80,578	\$170,337
2005	115,000	200,603	86,145	164,769
2006	125,000	194,738	92,098	158,816
2007	130,000	188,238	98,462	152,452
2008	135,000	180,763	105,266	145,648
2009-2013	810,000	776,738	646,024	608,545
2014-2018	1,075,000	515,288	902,277	352,291
2019-2023	1,110,000	165,300	453,984	47,605
Totals	<u>\$3,610,000</u>	<u>\$2,427,771</u>	<u>\$2,464,834</u>	<u>\$1,800,463</u>

REVENUE HOUSING BONDS

The City served as the issuer of \$7,220,000 in revenue housing bonds in 1997. The proceeds were used by Emerald Edge/Warren, Limited Partnership to finance the acquisition, construction and equipping of a multi-family residential rental housing facility. 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. As of December 31, 2003, the outstanding principal balance was \$6,725,000.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 17 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year-ended December 31, 2002 follows:

Fund Type	Balance			Balance December 31, 2003
	December 31, 2002	Increase	Decrease	
Special Revenue	\$105,900	\$88,900	\$105,900	\$88,900
Capital Projects	1,179,700	145,000	1,179,700	145,000
Total	\$1,285,600	\$233,900	\$1,285,600	\$233,900

Short-term notes outstanding at year-end consisted of the following issues:

Issue	Principal Outstanding	Annualized Rate
Shotwell Drive	\$145,000	1.66 %
Street Sweeper	88,900	1.50
Total	\$233,900	

These 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.

NOTE 18 - INTERFUND ACTIVITY

INTERFUND RECEIVABLE/PAYABLE

Interfund balances at December 31, 2003, consist of the following individual fund receivables and payables:

		Receivable				Total
		Nonmajor Governmental		Water	Total	
		General	Debt Service			Funds
Payable	General	\$0	\$11,403	\$4,328	\$1,308	\$17,039
	Debt Service Fund	178,925	0	0	0	178,925
	Nonmajor Governmental Funds	209,855	29,753	0	0	239,608
	Water	176,610	4,784	0	0	181,394
	Sewer	0	3,014	0	0	3,014
	Total	\$565,390	\$48,954	\$4,328	\$1,308	\$619,980

The amount due to the Nonmajor Governmental Funds from the General fund relates to misposted receipts for electric tax deregulation settlements. The remaining balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 18 - INTERFUND ACTIVITY (continued)

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					Total
		General	Fire Levy	Nonmajor Governmental		Water	
				Funds			
Transfers To	Fire Levy Fund	\$960,000	\$0	\$0	\$0	\$0	\$960,000
	Debt Service Fund	365,303	0	173,639	45,221	45,221	629,384
	Municipal Buildings Fund	14,225	0	0	0	0	14,225
	Nonmajor Governmental Funds	762,171	6,791	0	0	0	768,962
	Total	<u>\$2,101,699</u>	<u>\$6,791</u>	<u>\$173,639</u>	<u>\$45,221</u>	<u>\$45,221</u>	<u>\$2,372,571</u>

Transfers from the General, Nonmajor Governmental and Water and Sewer funds to the Debt Service fund were made for scheduled debt service payments. Transfers from the General fund to the Nonmajor Governmental funds and the Municipal Buildings fund included amounts transferred for the construction of capital assets and for grants made to local businesses for improvements in the downtown area. The transfer from the General fund to the Fire Levy fund was for operating monies for the fire department.

NOTE 19 - JOINT VENTURES/SHARED RISK POOL/JOINTLY GOVERNED ORGANIZATIONS

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 \$45,000 in 2003. 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, 2003 prepared on the basis of cash receipts and disbursements:

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 19 - JOINT VENTURES/SHARED RISK POOL/JOINTLY GOVERNED ORGANIZATIONS
(continued)

	Joint Recreation Facility
Operating Revenues	\$133,592
Operating Expenditures	117,272
Excess of Operating Revenues Over Expenditures	16,320
Fund Balance Beginning of Year	11,235
Fund Balance at End of Year	\$27,555

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 an annual contribution 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.

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 \$3,978 during 2002 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 Kathy Stephenson 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.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 19 - JOINT VENTURES/SHARED RISK POOL/JOINTLY GOVERNED ORGANIZATIONS
(continued)

The City participates in the Ohio-Kentucky-Indiana Regional Council of Governments (OKI), a jointly governed organization. OKI members include Butler, Clermont and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky and Dearborn and Ohio Counties in Indiana. The purpose of OKI is to provide coordinated planning services to the appropriate federal, state and local governments, their political subdivisions, agencies, departments, instrumentalities, and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plans within the OKI Region. OKI also serves as an area wide review agency in conjunction with comprehensive planning within the OKI Region.

OKI contracts periodically for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county and municipal corporation, one individual selected by each county planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region.

The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI.

Payments to OKI are made from the general fund. To obtain financial information, write to the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St. - Suite 400, Cincinnati, Ohio, 45203.

NOTE 20 - 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, 2003, to December 31, 2003, 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 21 - SUBSEQUENT EVENT

On March 25, 2004, the City reissued the Road Improvement Bond Anticipation Note. The new note will mature on March 26, 2005. On July 22, 2004, the City reissued the Consolidated Fire Equipment and Stormwater Study Bond Anticipation Note. The new note will mature on July 23, 2005.

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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 expendable trust or for 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.

Court

To account for fines, forfeitures and donations related to law enforcement that are received by the Municipal Court.

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 in from the general fund that are paid out 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.

Firemen's Indemnity

To account for money transferred from the General Fund for the purpose of making low or no-interest loans to injured or disabled volunteer firemen.

CITY OF FRANKLIN, OHIO
(Continued)

NONMAJOR FUND DESCRIPTIONS

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

Issue II

To account for City infrastructure reconstruction and replacement projects which are financed primarily through the Ohio Public Works Commission.

Capital Improvement

To account for monies received primarily from transfers from the General Fund. Expenditures relate to the retirement of note debt issued for Municipal Building improvements and Riley Boulevard improvements.

Shotwell Drive

To account for monies received primarily from the issuance of debt to pay for improvements to the Shotwell Drive area.

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CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$901,368	\$962,916	\$1,864,284
Cash and Cash Equivalents with Fiscal Agent	12,419	0	12,419
Materials and Supplies Inventory	112,486	0	112,486
Intergovernmental Receivable	375,210	230,296	605,506
Property and Other Local Taxes Receivable	170,021	0	170,021
Interfund Receivable	4,328	0	4,328
Special Assessments Receivable	85,260	0	85,260
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$1,661,092</u>	<u>\$1,193,212</u>	<u>\$2,854,304</u>
Liabilities:			
Accounts Payable	\$62,504	\$0	\$62,504
Accrued Wages and Benefits	8,639	0	8,639
Contracts Payable	21,525	396,881	418,406
Intergovernmental Payable	55,734	0	55,734
Accrued Interest Payable	307	241	548
Interfund Payable	120,000	119,608	239,608
Deferred Revenue	463,288	0	463,288
Notes Payable	88,900	145,000	233,900
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>820,897</u>	<u>661,730</u>	<u>1,482,627</u>
Fund Equity:			
Fund Balances:			
Reserved for Encumbrances	44,116	0	44,116
Unreserved, Undesignated Special Revenue Funds	796,079	0	796,079
Capital Project Funds	0	531,482	531,482
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>840,195</u>	<u>531,482</u>	<u>1,371,677</u>
Total Liabilities and Fund Equity	<u>\$1,661,092</u>	<u>\$1,193,212</u>	<u>\$2,854,304</u>

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2003

	<u>Transportation</u>	<u>Court</u>	<u>Recreation</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$322,488	\$274,371	\$85,175
Cash and Cash Equivalents with Fiscal Agents	12,419	0	0
Materials and Supplies Inventory	111,265	0	1,221
Intergovernmental Receivable	367,781	0	0
Property and Other Local Taxes Receivable	0	0	0
Interfund Receivable	1,550	0	0
Special Assessments Receivable	0	0	0
Total Assets	<u>\$815,503</u>	<u>\$274,371</u>	<u>\$86,396</u>
Liabilities:			
Accounts Payable	29,217	2,743	7,113
Accrued Wages and Benefits	6,944	0	1,695
Contracts Payable	0	21,525	0
Intergovernmental Payable	27,830	0	6,920
Accrued Interest Payable	307	0	0
Interfund Payable	120,000	0	0
Deferred Revenue	201,070	0	0
Notes Payable	88,900	0	0
Total Liabilities	<u>474,268</u>	<u>24,268</u>	<u>15,728</u>
Fund Equity:			
Fund Balances:			
Reserved for Encumbrances	16,500	26,416	1,200
Unreserved, Undesignated	324,735	223,687	69,468
Total Fund Equity	<u>341,235</u>	<u>250,103</u>	<u>70,668</u>
Total Liabilities and Fund Equity	<u>\$815,503</u>	<u>\$274,371</u>	<u>\$86,396</u>

<u>Community Development & Improvement</u>	<u>Street Lighting</u>	<u>U.S. Filter</u>	<u>Police and Fire Pension</u>	<u>Firemen's Indemnity</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$75,412	\$85,925	\$16,027	\$27,009	\$14,961	\$901,368
0	0	0	0	0	12,419
0	0	0	0	0	112,486
0	0	1,323	6,106	0	375,210
0	0	30,279	139,742	0	170,021
0	0	494	2,284	0	4,328
0	85,260	0	0	0	85,260
<u>\$75,412</u>	<u>\$171,185</u>	<u>\$48,123</u>	<u>\$175,141</u>	<u>\$14,961</u>	<u>\$1,661,092</u>
10,411	13,020	0	0	0	62,504
0	0	0	0	0	8,639
0	0	0	0	0	21,525
0	0	14,830	6,154	0	55,734
0	0	0	0	0	307
0	0	0	0	0	120,000
0	85,260	31,514	145,444	0	463,288
0	0	0	0	0	88,900
<u>10,411</u>	<u>98,280</u>	<u>46,344</u>	<u>151,598</u>	<u>0</u>	<u>820,897</u>
0	0	0	0	0	44,116
<u>65,001</u>	<u>72,905</u>	<u>1,779</u>	<u>23,543</u>	<u>14,961</u>	<u>796,079</u>
<u>65,001</u>	<u>72,905</u>	<u>1,779</u>	<u>23,543</u>	<u>14,961</u>	<u>840,195</u>
<u>\$75,412</u>	<u>\$171,185</u>	<u>\$48,123</u>	<u>\$175,141</u>	<u>\$14,961</u>	<u>\$1,661,092</u>

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2003

	Issue II	Capital Improvement	Shotwell Drive	Total Nonmajor Capital Projects Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$554,911	\$408,005	\$0	\$962,916
Intergovernmental Receivable	230,296	0	0	230,296
Total Assets	\$785,207	\$408,005	\$0	\$1,193,212
Liabilities:				
Contracts Payable	230,296	166,585	0	396,881
Accrued Interest Payable	0	0	241	241
Interfund Payable	111,680	7,030	898	119,608
Notes Payable	0	0	145,000	145,000
Total Liabilities	341,976	173,615	146,139	661,730
Fund Equity:				
Fund Balances:				
Unreserved, Undesignated (Deficit)	443,231	234,390	(146,139)	531,482
Total Fund Equity (Deficit)	443,231	234,390	(146,139)	531,482
Total Liabilities and Fund Equity	\$785,207	\$408,005	\$0	\$1,193,212

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Property and Other Local Taxes	\$213,798	\$0	\$213,798
Special Assessments	85,910	0	85,910
Charges for Services	99,766	0	99,766
Licenses and Permits	24,451	0	24,451
Intergovernmental	677,485	706,861	1,384,346
Interest	585	0	585
Other	23,608	40,000	63,608
	<hr/>	<hr/>	<hr/>
Total Revenues	1,125,603	746,861	1,872,464
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General Government	5,041	0	5,041
Security of Persons and Property:			
Police	186,380	0	186,380
Fire	68,182	0	68,182
Other	101,437	0	101,437
Public Health and Welfare	56,199	0	56,199
Leisure Time Activities	216,347	4,385	220,732
Economic Development	72,448	0	72,448
Transportation	665,960	1,538	667,498
Capital Outlay	728,607	1,366,736	2,095,343
Debt Service:			
Principal Retirement	731	0	731
Interest and Fiscal Charges	3,802	13,044	16,846
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,105,134	1,385,703	3,490,837
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(979,531)	(638,842)	(1,618,373)
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Transfers In	688,535	80,427	768,962
Bonds Issued	0	720,000	720,000
Notes Issued	0	470,000	470,000
Transfers Out	(92,050)	(81,589)	(173,639)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	596,485	1,188,838	1,785,323
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(383,046)	549,996	166,950
	<hr/>	<hr/>	<hr/>
Fund Balance (Deficit) at Beginning of Year	1,223,241	(18,514)	1,204,727
	<hr/>	<hr/>	<hr/>
Fund Balance at End of Year	\$840,195	\$531,482	\$1,371,677
	<hr/>	<hr/>	<hr/>

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Transportation</u>	<u>Court</u>	<u>Recreation</u>
Revenues:			
Property and Other Local Taxes	\$50,700	\$0	\$0
Other Local Taxes	0	0	0
Special Assessments	0	0	0
Charges for Services	100	99,666	0
Licenses and Permits	0	24,451	0
Intergovernmental	669,286	3,563	0
Interest	106	0	0
Other	6,602	0	17,006
	<u>726,794</u>	<u>127,680</u>	<u>17,006</u>
Total Revenues			
Expenditures:			
Current:			
General Government	0	5,041	0
Security of Persons and Property			
Police	0	3,120	0
Fire	0	0	0
Other	0	0	0
Public Health Services	0	56,199	0
Leisure Time Activities	0	0	216,347
Economic Development	0	0	0
Transportation	665,960	0	0
Capital Outlay	381,006	334,227	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	1,688	0	0
	<u>1,048,654</u>	<u>398,587</u>	<u>216,347</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>(321,860)</u>	<u>(270,907)</u>	<u>(199,341)</u>
Other Financing Sources (Uses):			
Transfers In	366,289	0	130,762
Transfers Out	(92,050)	0	0
	<u>274,239</u>	<u>0</u>	<u>130,762</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(47,621)	(270,907)	(68,579)
Fund Balance at Beginning of Year	388,856	521,010	139,247
Fund Balances at End of Year	<u>\$341,235</u>	<u>\$250,103</u>	<u>\$70,668</u>

<u>Community Development & Improvement</u>	<u>Street Lighting</u>	<u>U.S. Filter</u>	<u>Police and Fire Pension</u>	<u>Firemen's Indemnity</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$0	\$0	\$26,519	\$136,579	\$0	\$213,798
0	0	0	0	0	0
0	85,910	0	0	0	85,910
0	0	0	0	0	99,766
0	0	0	0	0	24,451
0	0	2,858	1,778	0	677,485
479	0	0	0	0	585
0	0	0	0	0	23,608
<u>479</u>	<u>85,910</u>	<u>29,377</u>	<u>138,357</u>	<u>0</u>	<u>1,125,603</u>
0	0	0	0	0	5,041
0	0	0	183,260	0	186,380
0	0	0	68,182	0	68,182
0	101,437	0	0	0	101,437
0	0	0	0	0	56,199
0	0	0	0	0	216,347
29,612	0	42,836	0	0	72,448
0	0	0	0	0	665,960
13,374	0	0	0	0	728,607
0	0	0	731	0	731
0	0	0	2,114	0	3,802
<u>42,986</u>	<u>101,437</u>	<u>42,836</u>	<u>254,287</u>	<u>0</u>	<u>2,105,134</u>
<u>(42,507)</u>	<u>(15,527)</u>	<u>(13,459)</u>	<u>(115,930)</u>	<u>0</u>	<u>(979,531)</u>
50,000	0	8,200	133,284	0	688,535
0	0	0	0	0	(92,050)
<u>50,000</u>	<u>0</u>	<u>8,200</u>	<u>133,284</u>	<u>0</u>	<u>596,485</u>
7,493	(15,527)	(5,259)	17,354	0	(383,046)
<u>57,508</u>	<u>88,432</u>	<u>7,038</u>	<u>6,189</u>	<u>14,961</u>	<u>1,223,241</u>
<u>\$65,001</u>	<u>\$72,905</u>	<u>\$1,779</u>	<u>\$23,543</u>	<u>\$14,961</u>	<u>\$840,195</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, 2003

	Issue II	Capital Improvement	Shotwell Drive	Total Nonmajor Capital Projects Funds
Revenues:				
Intergovernmental	\$706,861	\$0	\$0	\$706,861
Other	0	40,000	0	40,000
Total Revenues	<u>706,861</u>	<u>40,000</u>	<u>0</u>	<u>746,861</u>
Expenditures:				
Current:				
Leisure Time Activities	0	4,385	0	4,385
Transportation	0	1,538	0	1,538
Capital Outlay	958,232	407,804	700	1,366,736
Debt Service:				
Interest and Fiscal Charges	9,915	0	3,129	13,044
Total Expenditures	<u>968,147</u>	<u>413,727</u>	<u>3,829</u>	<u>1,385,703</u>
Excess of Revenues Over (Under) Expenditures	<u>(261,286)</u>	<u>(373,727)</u>	<u>(3,829)</u>	<u>(638,842)</u>
Other Financing Sources:				
Transfers In	52,539		27,888	80,427
Bonds Issued	720,000	0	0	720,000
Notes Issued	0	360,000	110,000	470,000
Transfers Out	0	0	(81,589)	(81,589)
Total Other Financing Sources (Uses)	<u>772,539</u>	<u>360,000</u>	<u>56,299</u>	<u>1,188,838</u>
Net Change in Fund Balance	511,253	(13,727)	52,470	549,996
Fund Balances (Deficit) at Beginning of Year	<u>(68,022)</u>	<u>248,117</u>	<u>(198,609)</u>	<u>(18,514)</u>
Fund Balances (Deficit) at End of Year	<u><u>\$443,231</u></u>	<u><u>\$234,390</u></u>	<u><u>(\$146,139)</u></u>	<u><u>\$531,482</u></u>

AGENCY FUNDS

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

Municipal Court

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

Joint Emergency Medical Services (JEMS)

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

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, 2003

	Municipal Court	Joint Emergency Medical Services (JEMS)
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$0	\$754
Cash and Cash Equivalents in Segregated Accounts	39,386	0
Intergovernmental Receivable	<u>0</u>	<u>0</u>
Total Assets	<u><u>\$39,386</u></u>	<u><u>\$754</u></u>
Liabilities:		
Intergovernmental Payable	25,433	754
Undistributed Monies	8,483	0
Deposits Held and Due to Others	<u>5,470</u>	<u>0</u>
Total Liabilities	<u><u>\$39,386</u></u>	<u><u>\$754</u></u>

<u>Joint Recreation</u>	<u>Building Standards Fee</u>	<u>Total</u>
\$27,555	\$64	28,373
0	0	39,386
<u>0</u>	<u>13</u>	<u>13</u>
<u><u>\$27,555</u></u>	<u><u>\$77</u></u>	<u><u>\$67,772</u></u>
0	0	26,187
27,555	77	36,115
<u>0</u>	<u>0</u>	<u>5,470</u>
<u><u>\$27,555</u></u>	<u><u>\$77</u></u>	<u><u>\$67,772</u></u>

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CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Balance 1/1/03	Additions	Reductions	Balance 12/31/03
MUNICIPAL COURT				
Assets:				
Cash and Cash Equivalents in Segregated Accounts	\$91,282	\$612,113	\$664,009	\$39,386
Liabilities:				
Intergovernmental Payable	\$73,652	\$388,957	\$437,176	\$25,433
Undistributed Monies	7,557	222,805	221,879	\$8,483
Deposits Held and Due to Others	10,073	351	4,954	5,470
Total Liabilities	\$91,282	\$612,113	\$664,009	\$39,386
JOINT EMERGENCY MEDICAL SERVICES (JEMS)				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$754	\$0	\$0	\$754
Liabilities:				
Intergovernmental Payable	\$754	\$0	\$0	\$754
JOINT RECREATION				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$11,235	\$133,593	\$117,273	\$27,555
Liabilities:				
Undistributed Monies	\$11,235	\$133,593	\$117,273	\$27,555
BUILDING STANDARDS FEE				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$0	\$64	\$0	\$64
Intergovernmental Receivable	13	0	0	13
Total Assets	\$13	\$64	\$0	\$77
Liabilities:				
Undistributed Monies	\$0	\$77	\$0	\$77
Interfund Payable	13	0	13	0
Total Liabilities	\$13	\$77	\$13	\$77
TOTAL - ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$11,989	\$133,657	\$117,273	\$28,373
Cash and Cash Equivalents in Segregated Accounts	91,282	612,113	664,009	39,386
Intergovernmental Receivable	13	0	0	13
Total Assets	\$103,284	\$745,770	\$781,282	\$67,772
Liabilities:				
Intergovernmental Payable	\$74,406	\$388,957	\$437,176	\$26,187
Undistributed Monies	18,792	356,475	339,152	36,115
Interfund Payable	13	0	13	0
Deposits Held and Due to Others	10,073	351	4,954	5,470
Total Liabilities	\$103,284	\$745,783	\$781,295	\$67,772

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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and Other Local Taxes	\$474,529	\$615,574	\$554,881	(\$60,693)
Income Taxes	4,365,063	4,531,103	4,796,838	265,735
Charges for Services	43,196	168,840	132,466	(36,374)
Fines, Licenses, and Permits	817,786	608,893	668,170	59,277
Intergovernmental	653,542	678,401	584,024	(94,377)
Interest	314,155	326,105	226,926	(99,179)
Other	219,156	201,974	179,368	(22,606)
Total Revenues	6,887,427	7,130,890	7,142,673	11,783
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Clerk and Council				
Personal Services	67,619	67,619	67,080	539
Other	76,678	76,678	61,402	15,276
Total Clerk and Council	144,297	144,297	128,482	15,815
Municipal Court				
Personal Services	544,605	535,605	487,971	47,634
Other	207,074	216,074	189,735	26,339
Total Municipal Court	751,679	751,679	677,706	73,973
Mayor's and Administrative Office				
Personal Services	300,657	300,657	300,402	255
Other	17,650	17,650	13,302	4,348
Total Mayor's and Administrative Office	318,307	318,307	313,704	4,603
Clerk Treasurer				
Personal Services	145,573	145,573	145,532	41
Other	38,300	39,700	34,041	5,659
Total Clerk Treasurer	183,873	185,273	179,573	5,700
Income Tax Administration				
Personal Services	157,890	163,190	162,944	246
Other	124,300	119,000	111,703	7,297
Total Income Tax Administration	\$282,190	\$282,190	\$274,647	\$7,543

(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, 2003
(continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Solicitor				
Personal Services	\$65,458	\$70,458	\$58,943	\$11,515
Other	26,000	107,500	114,385	(6,885)
Total Solicitor	91,458	177,958	173,328	4,630
Civil Service Commission				
Other	10,500	15,500	9,154	6,346
Total Civil Service Commission	10,500	15,500	9,154	6,346
Planning Commission				
Personal Services	1,050	1,050	1,050	0
Other	57,335	39,335	33,833	5,502
Total Planning Commission	58,385	40,385	34,883	5,502
Board of Zoning, Bldg and Housing				
Other	500	500	0	500
Total Board of Zoning, Bldg and Housing	500	500	0	500
Building and Grounds				
Personal Services	82,751	85,251	42,881	42,370
Other	95,600	93,100	87,495	5,605
Total Building and Grounds	178,351	178,351	130,376	47,975
Special Appropriations				
Other	190,500	300,235	230,641	69,594
Total Special Appropriations	190,500	300,235	230,641	69,594
Community Services				
Other	39,939	39,939	39,939	0
Total Community Services	39,939	39,939	39,939	0
Economic Development				
Other	5,000	5,000	4,861	139
Total Economic Development	5,000	5,000	4,861	139
Engineering				
Other	77,776	87,776	78,089	9,687
Total Engineering	77,776	87,776	78,089	9,687
Total General Government	2,332,755	2,527,390	2,275,383	252,007
Security of Persons and Property				
Police Law Enforcement				
Personal Services	2,025,701	2,071,701	1,941,606	130,095
Other	530,755	539,055	430,701	108,354
Total Police Law Enforcement	\$2,556,456	\$2,610,756	\$2,372,307	\$238,449

(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, 2003
(continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Fire Department				
Personal Services	\$0	\$0	\$149	(\$149)
Other	7,453	7,453	7,603	(150)
Total Fire Department	\$7,453	\$7,453	\$7,752	(\$299)
Building Inspection				
Personal Services	190,532	190,532	193,596	(3,064)
Other	49,830	57,830	44,654	13,176
Total Building Inspection	240,362	248,362	238,250	10,112
Total Security of Persons and Property	2,804,271	2,866,571	2,618,309	248,262
Leisure Time Activities				
Other	0	45,000	45,000	0
Total Leisure Time Activities	0	45,000	45,000	0
Basic Utility Services				
Storm Drains				
Other	60,000	245,000	161,864	83,136
Total Storm Drains	60,000	245,000	161,864	83,136
Total Expenditures	5,197,026	5,683,961	5,100,556	583,405
Excess of Revenues Over Expenditures	1,690,401	1,446,929	2,042,117	595,188
Other Financing Sources (Uses):				
Notes Issued	255,000	245,000	245,000	0
Sale of Capital Assets	1,963	2,000	0	(2,000)
Advances In	0	0	262,563	262,563
Advances Out	0	0	(408,459)	(408,459)
Transfers Out	(2,007,308)	(2,257,413)	(2,257,394)	19
Total Other Financing Sources (Uses)	(1,750,345)	(2,010,413)	(2,158,290)	(147,877)
Net Change in Fund Balance	(59,944)	(563,484)	(116,173)	447,311
Fund Balance at Beginning of Year	2,302,982	2,302,982	2,302,982	0
Prior Year Encumbrances Appropriated	144,722	144,722	144,722	0
Fund Balance at End of Year	\$2,387,760	\$1,884,220	\$2,331,531	\$447,311

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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property Taxes	\$618,450	\$618,450	\$640,750	\$22,300
Intergovernmental	2,550	2,550	165,076	162,526
Total Revenues	<u>621,000</u>	<u>621,000</u>	<u>805,826</u>	<u>184,826</u>
Expenditures:				
Current:				
Security of Persons and Property				
Fire				
Personal Services	937,583	937,583	847,886	89,697
Other	254,356	438,161	414,131	24,030
Total Expenditures	<u>1,191,939</u>	<u>1,375,744</u>	<u>1,262,017</u>	<u>113,727</u>
Excess of Revenues Under Expenditures	<u>(570,939)</u>	<u>(754,744)</u>	<u>(456,191)</u>	<u>298,553</u>
Other Financing Sources (Uses):				
Transfers In	960,000	960,000	960,000	0
Transfers Out	0	(50,494)	(6,791)	43,703
Total Other Financing Sources (Uses)	<u>960,000</u>	<u>909,506</u>	<u>953,209</u>	<u>43,703</u>
Net Change in Fund Balance	389,061	154,762	497,018	342,256
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$389,061</u>	<u>\$154,762</u>	<u>\$497,018</u>	<u>\$342,256</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Special Assessments	\$597,192	\$597,192	\$452,207	(\$144,985)
Interest	0	0	1,827	1,827
Other	0	0	1,647	1,647
Total Revenues	597,192	597,192	455,681	(141,511)
Expenditures:				
Debt Service:				
Principal Retirement	2,261,000	2,037,340	2,103,210	(65,870)
Interest and Fiscal Charges	0	240,660	620,787	(380,127)
Total Expenditures	2,261,000	2,278,000	2,723,997	(445,997)
Excess of Revenues Under Expenditures	(1,663,808)	(1,680,808)	(2,268,316)	(587,508)
Other Financing Sources (Uses):				
Bonds Issued	1,330,911	369,084	960,000	590,916
Notes Issued	537,978	147,526	383,900	236,374
Advances In	295,638	81,985	288,459	206,474
Advances Out	0	0	(262,563)	(262,563)
Transfers In	1,243,311	3,401,838	898,520	(2,503,318)
Total Other Financing Sources (Uses)	3,407,838	4,000,433	2,268,316	(1,732,117)
Net Change in Fund Balance	1,744,030	2,319,625	0	(2,319,625)
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$1,744,030	\$2,319,625	\$0	(\$2,319,625)

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
MUNICIPAL BUILDINGS FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Other	\$0	\$0	\$1,775	\$1,775
Total Revenues	0	0	1,775	1,775
Expenditures:				
Capital Outlay				
Other	\$1,042,464	\$2,292,464	\$1,566,059	\$726,405
Debt Service:				
Bond Issuance Costs	29,092	29,092	29,092	0
Total Debt Service	29,092	29,092	29,092	0
Total Expenditures	1,071,556	2,321,556	1,595,151	726,405
Excess of Revenues Under Expenditures	(1,071,556)	(2,321,556)	(1,593,376)	728,180
Other Financing Sources (Uses):				
Bonds Issued	1,500,000	1,900,000	1,260,000	(640,000)
Discount on Debt Issued	0	0	(18,825)	(18,825)
Total Other Financing Sources (Uses)	1,500,000	1,900,000	1,241,175	(658,825)
Net Change in Fund Balance	428,444	(421,556)	(352,201)	69,355
Fund Balance at Beginning of Year	211,456	211,456	211,456	0
Prior Year Encumbrances Appropriated	221,556	221,556	221,556	0
Fund Balance at End of Year	<u>\$861,456</u>	<u>\$11,456</u>	<u>\$80,811</u>	<u>\$69,355</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Charges for Services	\$2,259,087	\$2,259,240	\$1,884,442	(\$374,798)
Deposits Received	14,000	14,000	20,000	6,000
Interest	25,153	25,000	13,806	(11,194)
Other	500	500	173	(327)
Total Revenues	<u>2,298,740</u>	<u>2,298,740</u>	<u>1,918,421</u>	<u>(380,319)</u>
Expenses:				
Personal Services	522,324	522,324	463,262	59,062
Contractual Services	1,094,625	1,120,672	1,015,374	105,298
Materials and Supplies	124,789	124,789	69,300	55,489
Deposit Refunds	29,900	29,900	29,824	76
Capital Outlay	493,092	358,092	76,827	281,265
Debt Service:				
Principal Retirement	115,369	115,369	75,608	39,761
Interest and Fiscal Charges	336,698	336,698	281,045	55,653
Total Expenses	<u>2,716,797</u>	<u>2,607,844</u>	<u>2,011,240</u>	<u>596,604</u>
Excess of Revenues Under Expenses	(418,057)	(309,104)	(92,819)	216,285
Transfers In	10,000	0	0	0
Transfers Out	(76,521)	(66,521)	(45,221)	21,300
Net Change in Fund Equity	(484,578)	(375,625)	(138,040)	237,585
Fund Equity at Beginning of Year	574,660	574,660	574,660	0
Prior Year Encumbrances Appropriated	24,183	24,183	24,183	0
Fund Equity at End of Year	<u>\$114,265</u>	<u>\$223,218</u>	<u>\$460,803</u>	<u>\$237,585</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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Charges for Services	\$2,435,038	\$2,426,940	\$2,222,215	(\$204,725)
Deposits Received	13,000	13,000	20,400	7,400
Interest	25,500	30,000	36,472	6,472
Other	76,501	80,100	9,243	(70,857)
Total Revenues	<u>2,550,039</u>	<u>2,550,040</u>	<u>2,288,330</u>	<u>(261,710)</u>
Expenses:				
Personal Services	407,740	407,740	394,852	12,888
Contractual Services	2,030,677	2,030,677	1,778,251	252,426
Materials and Supplies	60,455	60,455	51,867	8,588
Deposit Refunds	7,210	7,210	1,228	5,982
Capital Outlay	225,450	225,450	90,735	134,715
Total Expenses	<u>2,731,532</u>	<u>2,731,532</u>	<u>2,316,933</u>	<u>414,599</u>
Excess of Revenues Under Expenses	(181,493)	(181,492)	(28,603)	152,889
Transfers In	10,000	0	0	0
Transfers Out	(32,908)	(31,700)	(45,221)	(13,521)
Net Change in Fund Equity	(204,401)	(213,192)	(73,824)	139,368
Fund Equity at Beginning of Year	742,565	742,565	742,565	0
Prior Year Encumbrances Appropriated	<u>12,800</u>	<u>12,800</u>	<u>12,800</u>	<u>0</u>
Fund Equity at End of Year	<u>\$550,964</u>	<u>\$542,173</u>	<u>\$681,541</u>	<u>\$139,368</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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Charges for Services	\$546,375	\$532,800	\$538,755	\$5,955
Other	0	0	63	63
Total Revenues	<u>546,375</u>	<u>532,800</u>	<u>538,818</u>	<u>6,018</u>
Expenses:				
Personal Services	15,500	45,500	17,844	27,656
Contractual Services	440,000	486,745	484,526	2,219
Materials and Supplies	423	11,728	11,675	53
Total Expenses	<u>455,923</u>	<u>543,973</u>	<u>514,045</u>	<u>29,928</u>
Net Change in Fund Equity	90,452	(11,173)	24,773	35,946
Fund Equity at Beginning of Year	108,177	108,177	108,177	0
Prior Year Encumbrances Appropriated	<u>423</u>	<u>423</u>	<u>423</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$199,052</u></u>	<u><u>\$97,427</u></u>	<u><u>\$133,373</u></u>	<u><u>\$35,946</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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Other Local Taxes	\$57,731	\$57,731	\$45,595	(\$12,136)
Charges for Services	127	127	100	(27)
Intergovernmental	710,092	770,092	528,678	(241,414)
Interest	134	134	106	(28)
Other	8,359	8,359	6,602	(1,757)
Total Revenues	776,443	836,443	581,081	(255,362)
Expenditures:				
Current:				
Transportation				
Street Maintenance and Repair				
Personal Services	367,059	367,059	332,393	34,666
Other	199,185	521,863	501,627	20,236
Total Street Maintenance and Repair	566,244	888,922	834,020	54,902
Snow and Ice Removal				
Personal Services	23,677	30,177	31,291	(1,114)
Other	21,100	117,000	76,088	40,912
Total Snow and Ice Removal	44,777	147,177	107,379	39,798
Street Cleaning				
Personal Services	0	0	27	(27)
Other	18,695	18,695	8,320	10,375
Total Street Cleaning	18,695	18,695	8,347	10,348
Traffic Controls and Marking				
Other	77,023	77,023	54,778	22,245
State Highway Maintenance				
Other	75,338	75,338	60,457	14,881
Total Transportation	782,077	1,207,155	1,064,981	142,174
Total Expenditures	782,077	1,207,155	1,064,981	142,174
Excess of Revenues Under Expenditures	(5,634)	(370,712)	(483,900)	(113,188)
Other Financing Sources (Uses):				
Advances In	0	0	120,000	120,000
Transfers In	50,317	198,157	347,500	149,343
Transfers Out	(100,500)	(92,500)	(92,050)	450
Total Other Financing Sources (Uses)	(50,183)	105,657	375,450	269,793
Net Change in Fund Balance	(55,817)	(265,055)	(108,450)	156,605
Fund Balance at Beginning of Year	375,377	375,377	375,377	0
Prior Year Encumbrances Appropriated	35,364	35,364	35,364	0
Fund Balance at End of Year	\$354,924	\$145,686	\$302,291	\$156,605

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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Charges for Services	\$80,190	\$80,190	\$99,666	\$19,476
Fines, Licenses, and Permits	26,200	17,200	24,451	7,251
Intergovernmental	0	0	3,563	3,563
Total Revenues	<u>106,390</u>	<u>97,390</u>	<u>127,680</u>	<u>30,290</u>
Expenditures:				
Current:				
General Government				
Legislative and Executive				
Municipal Court				
Other	8,500	8,500	2,520	5,980
Total General Government	<u>8,500</u>	<u>8,500</u>	<u>2,520</u>	<u>5,980</u>
Security of Persons and Property				
Police Law Enforcement				
Other	24,500	23,500	3,120	20,380
Total Security of Persons and Property	<u>24,500</u>	<u>23,500</u>	<u>3,120</u>	<u>20,380</u>
Public Health and Welfare				
Personal Services				0
Other	183,000	183,000	56,199	126,801
Total Public Health and Welfare	<u>183,000</u>	<u>183,000</u>	<u>56,199</u>	<u>126,801</u>
Capital Outlay				
Other	302,000	340,000	339,876	124
Total Capital Outlay	<u>302,000</u>	<u>340,000</u>	<u>339,876</u>	<u>124</u>
Total Expenditures	<u>518,000</u>	<u>555,000</u>	<u>401,715</u>	<u>153,285</u>
Net Change in Fund Balance	(411,610)	(457,610)	(274,035)	183,575
Fund Balance at Beginning of Year	<u>521,989</u>	<u>521,989</u>	<u>521,989</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$110,379</u></u>	<u><u>\$64,379</u></u>	<u><u>\$247,954</u></u>	<u><u>\$183,575</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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Other	\$0	\$0	\$17,006	\$17,006
Total Revenues	0	0	17,006	17,006
Expenditures:				
Current:				
Leisure Time Activities				
Recreation Program				
Personal Services	142,811	142,811	143,393	(582)
Other	92,494	97,494	74,128	23,366
Total Expenditures	235,305	240,305	217,521	22,784
Excess of Revenues Under Expenditures	(235,305)	(240,305)	(200,515)	39,790
Other Financing Sources:				
Transfers In	120,000	120,000	130,762	10,762
Net Change in Fund Balance	(115,305)	(120,305)	(69,753)	50,552
Fund Balance at Beginning of Year	146,434	146,434	146,434	0
Prior Year Encumbrances Appropriated	3,220	3,220	3,220	0
Fund Balance at End of Year	<u>\$34,349</u>	<u>\$29,349</u>	<u>\$79,901</u>	<u>\$50,552</u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
COMMUNITY DEVELOPMENT & IMPROVEMENT
FOR THE YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$0	\$120,000	\$0	(\$120,000)
Interest	100	100	479	379
Total Revenues	<u>100</u>	<u>120,100</u>	<u>479</u>	<u>(119,621)</u>
Expenditures:				
Current:				
Economic Development				
Other	<u>165,225</u>	<u>220,225</u>	<u>38,836</u>	<u>181,389</u>
Total Expenditures	<u>165,225</u>	<u>220,225</u>	<u>38,836</u>	<u>181,389</u>
Other Financing Sources:				
Transfers In	<u>0</u>	<u>60,000</u>	<u>50,000</u>	<u>(10,000)</u>
Total Other Financing Sources	<u>0</u>	<u>60,000</u>	<u>50,000</u>	<u>(10,000)</u>
Net Change in Fund Balance	(165,125)	(40,125)	11,643	51,768
Fund Balance at Beginning of Year	<u>57,508</u>	<u>57,508</u>	<u>57,508</u>	<u>0</u>
Fund Balance at End of Year	<u>(\$107,617)</u>	<u>\$17,383</u>	<u>\$69,151</u>	<u>\$51,768</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Special Assessments	\$84,514	\$87,000	\$85,910	(\$1,090)
Total Revenues	<u>84,514</u>	<u>87,000</u>	<u>85,910</u>	<u>(1,090)</u>
Expenditures:				
Current:				
Security of Persons and Property				
Street Lighting				
Other	85,000	90,000	88,417	1,583
Total Expenditures	<u>85,000</u>	<u>90,000</u>	<u>88,417</u>	<u>1,583</u>
Excess of Revenues Under Expenditures	(486)	(3,000)	(2,507)	493
Other Financing Sources:				
Transfers In	2,486	2,500	0	(2,500)
Net Change in Fund Balance	2,000	(500)	(2,507)	(2,007)
Fund Balance at Beginning of Year	<u>88,430</u>	<u>88,430</u>	<u>88,430</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$90,430</u></u>	<u><u>\$87,930</u></u>	<u><u>\$85,923</u></u>	<u><u>(\$2,007)</u></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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property Taxes	\$24,570	\$24,570	\$26,519	\$1,949
Intergovernmental	2,430	2,430	2,720	290
Special Assessments	775	775	0	(775)
Total Revenues	<u>27,775</u>	<u>27,775</u>	<u>29,239</u>	<u>1,464</u>
Expenditures:				
Current:				
Economic Development				
Other	<u>27,000</u>	<u>28,006</u>	<u>28,006</u>	<u>0</u>
Total Expenditures	<u>27,000</u>	<u>28,006</u>	<u>28,006</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	775	(231)	1,233	1,464
Other Financing Sources:				
Transfers In	<u>0</u>	<u>0</u>	<u>8,200</u>	<u>8,200</u>
Net Change in Fund Balance	775	(231)	9,433	9,664
Fund Balance at Beginning of Year	<u>6,593</u>	<u>6,593</u>	<u>6,593</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$7,368</u></u>	<u><u>\$6,362</u></u>	<u><u>\$16,026</u></u>	<u><u>\$9,664</u></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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property Taxes	\$127,840	\$129,858	\$136,579	\$6,721
Intergovernmental	0	1,142	1,142	0
Total Revenues	<u>127,840</u>	<u>131,000</u>	<u>137,721</u>	<u>6,721</u>
Expenditures:				
Current:				
Security of Persons and Property				
Police Law Enforcement				
Other	<u>251,459</u>	<u>249,490</u>	<u>178,659</u>	<u>70,831</u>
Fire Department				
Other	<u>63,920</u>	<u>66,625</u>	<u>66,630</u>	<u>(5)</u>
Total Security of Persons and Property	<u>315,379</u>	<u>316,115</u>	<u>245,289</u>	<u>70,826</u>
Debt Service:				
Principal Retirement	0	730	730	0
Interest and Fiscal Charges	<u>0</u>	<u>2,114</u>	<u>2,114</u>	<u>0</u>
Total Debt Service	<u>0</u>	<u>2,844</u>	<u>2,844</u>	<u>0</u>
Total Expenditures	<u>315,379</u>	<u>318,959</u>	<u>248,133</u>	<u>70,826</u>
Excess of Revenues Under Expenditures	(187,539)	(187,959)	(110,412)	77,547
Other Financing Sources:				
Transfers In	<u>217,757</u>	<u>214,597</u>	<u>133,284</u>	<u>(81,313)</u>
Net Change in Fund Balance	30,218	26,638	22,872	(3,766)
Fund Balance at Beginning of Year	<u>4,137</u>	<u>4,137</u>	<u>4,137</u>	<u>0</u>
Fund Balance at End of Year	<u>\$34,355</u>	<u>\$30,775</u>	<u>\$27,009</u>	<u>(\$3,766)</u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FIREMEN'S INDEMNITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures:				
Current:				
Security of Persons and Property				
Fire Department				
Other	\$14,961	\$14,961	\$0	\$14,961
Total Expenditures	<u>14,961</u>	<u>14,961</u>	<u>0</u>	<u>14,961</u>
Net Change in Fund Balance	(14,961)	(14,961)	0	14,961
Fund Balance at Beginning of Year	<u>14,961</u>	<u>14,961</u>	<u>14,961</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$14,961</u></u>	<u><u>\$14,961</u></u>

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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$900,000	\$504,140	\$476,565	(\$27,575)
Total Revenues	<u>900,000</u>	<u>504,140</u>	<u>476,565</u>	<u>(27,575)</u>
Expenditures:				
Current:				
Capital Outlay				
Other	900,000	1,304,140	730,441	573,699
Total Expenditures	<u>900,000</u>	<u>1,304,140</u>	<u>730,441</u>	<u>573,699</u>
Net Change in Fund Balance	0	(800,000)	(253,876)	546,124
Fund Balance at Beginning of Year	<u>808,788</u>	<u>808,788</u>	<u>808,788</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$808,788</u></u>	<u><u>\$8,788</u></u>	<u><u>\$554,912</u></u>	<u><u>\$546,124</u></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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Other	\$0	\$100	\$40,000	\$39,900
Total Revenues	0	100	40,000	39,900
Expenditures:				
Current:				
Capital Outlay				
Other	237,000	615,500	247,142	368,358
Total Expenditures	237,000	615,500	247,142	368,358
Excess of Revenues Under Expenditures	(237,000)	(615,400)	(207,142)	408,258
Other Financing Sources:				
Notes Issued	0	400,000	360,000	(40,000)
Net Change in Fund Balance	(237,000)	(215,400)	152,858	368,258
Fund Balance at Beginning of Year	255,146	255,146	255,146	0
Fund Balance at End of Year	<u>\$18,146</u>	<u>\$39,746</u>	<u>\$408,004</u>	<u>\$368,258</u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
SHOTWELL DRIVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Original Budget	Budget	Actual	Variance With Final Budget
Expenditures:				
Current:				
Capital Outlay				
Other	\$25,000	\$156,220	\$156,216	\$4
Total Expenditures	25,000	156,220	156,216	4
Excess of Revenues Under Expenditures	(25,000)	(156,220)	(156,216)	4
Other Financing Sources (Uses):				
Notes Issued	0	110,000	110,000	0
Transfers Out	0	0	(81,589)	(81,589)
Total Other Financing Sources (Uses)	0	110,000	28,411	(81,589)
Net Change in Fund Balance	(25,000)	(46,220)	(127,805)	(81,585)
Fund Balance at Beginning of Year	127,805	127,805	127,805	0
Fund Balance at End of Year	\$102,805	\$81,585	\$0	(\$81,585)

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Statistical Section

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The following statistical tables reflect social and economic data, financial trends and fiscal capacity of the City.

CITY OF FRANKLIN, OHIO
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN YEARS

<u>YEAR</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
GENERAL GOVERNMENT	\$956,491	\$996,911	\$1,228,690	\$1,319,037	\$1,573,030
SECURITY OF PERSONS AND PROPERTY	1,942,025	2,339,711	2,280,660	2,381,306	3,205,269
PUBLIC HEALTH AND WELFARE	0	0	0	21,524	36,220
LEISURE TIME ACTIVITIES	120,934	119,425	140,381	121,441	207,465
ECONOMIC DEVELOPMENT	84,241	15,172	49,371	251,058	216,868
BASIC UTILITY SERVICES	9,696	50,158	56,344	111,789	75,019
TRANSPORTATION	503,441	347,451	593,618	400,385	772,064
CAPITAL OUTLAY	1,253,137	1,429,092	1,442,202	1,570,375	695,151
DEBT SERVICE	<u>555,226</u>	<u>537,245</u>	<u>582,570</u>	<u>649,148</u>	<u>726,033</u>
TOTAL (1)	<u>\$5,425,191</u>	<u>\$5,835,165</u>	<u>\$6,373,836</u>	<u>\$6,826,063</u>	<u>\$7,507,119</u>

SOURCE: City of Franklin's Finance Office

(1) Includes all governmental funds.

Statistical information for governmental activities will be presented when sufficient data is available for comparison.

TABLE 1

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
\$1,460,587	\$1,845,467	\$1,916,202	\$1,924,764	\$2,195,294
2,844,349	3,143,004	3,534,114	3,630,531	3,955,585
1,527	13,868	18,503	9,241	56,199
329,434	275,370	232,485	230,120	265,732
26,882	204,321	141,755	287,215	72,448
57,968	86,758	96,090	90,078	183,400
581,932	846,718	618,165	773,026	667,498
667,085	2,167,141	4,072,598	3,210,715	3,634,022
<u>705,762</u>	<u>689,011</u>	<u>754,922</u>	<u>939,192</u>	<u>1,313,086</u>
<u>\$6,675,526</u>	<u>\$9,271,658</u>	<u>\$11,384,834</u>	<u>\$11,094,882</u>	<u>\$12,343,264</u>

CITY OF FRANKLIN, OHIO
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN YEARS

<u>YEAR</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
TAXES	\$2,613,349	\$3,085,298	\$3,382,334	\$3,656,907	\$4,213,673
SPECIAL ASSESSMENTS	313,036	312,684	371,344	153,642	482,390
CHARGES FOR SERVICES	80,320	85,183	116,175	91,211	128,794
LICENSES AND PERMITS	384,343	431,736	477,703	484,631	547,866
INTERGOVERNMENTAL	969,170	1,413,743	1,128,543	1,480,104	1,920,560
INTEREST	76,564	158,238	185,889	373,667	320,122
OTHER	<u>19,687</u>	<u>87,022</u>	<u>94,190</u>	<u>110,080</u>	<u>418,760</u>
TOTAL (1)	<u>\$4,456,469</u>	<u>\$5,573,904</u>	<u>\$5,756,178</u>	<u>\$6,350,242</u>	<u>\$8,032,165</u>

SOURCE: City of Franklin's Finance Office

(1) Includes all governmental funds.

Statistical information for governmental activities will be presented when sufficient data is available for comparison.

TABLE 2

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
\$4,049,311	\$4,400,239	\$4,738,696	\$4,895,169	\$6,280,474
434,661	476,745	491,293	470,678	511,435
120,569	139,306	123,252	163,242	234,489
657,361	700,802	698,088	888,535	639,624
1,679,851	2,335,192	2,137,645	1,724,847	2,121,051
341,972	373,495	264,572	175,233	260,068
<u>103,462</u>	<u>88,638</u>	<u>392,324</u>	<u>223,913</u>	<u>244,623</u>
<u><u>\$7,387,187</u></u>	<u><u>\$8,514,417</u></u>	<u><u>\$8,845,870</u></u>	<u><u>\$8,541,617</u></u>	<u><u>\$10,291,764</u></u>

CITY OF FRANKLIN, OHIO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

<u>COLLECTION YEAR</u>	<u>TOTAL TAX LEVY</u>	<u>CURRENT TAX COLLECTIONS</u>	<u>DELINQUENT TAX COLLECTIONS</u>	<u>TOTAL TAX COLLECTIONS</u>
1994	\$341,412	\$310,684	\$9,447	\$320,131
1995	363,943	341,431	11,186	352,617
1996	372,510	360,292	9,048	369,340
1997	383,488	378,567	10,717	389,284
1998	423,981	414,523	10,186	424,709
1999	466,406	451,368	9,817	461,185
2000	534,141	506,035	18,871	524,906
2001	611,494	577,043	18,651	595,694
2002	621,639	592,711	34,643	627,354
2003	1,295,509	1,225,660	33,825	1,259,485

SOURCE: Warren County Auditor's Office

TABLE 3

<u>PERCENTAGE OF TOTAL TAX COLLECTIONS TO TAX LEVY</u>	<u>ACCUMULATED OUTSTANDING DELINQUENT TAXES</u>	<u>PERCENTAGE OF ACCUMULATED DELINQUENT TAXES TO TOTAL TAX LEVY</u>
93.80%	\$14,671	4.3%
96.90	12,588	3.5
99.10	8,049	2.2
101.50	9,989	2.6
100.20	11,497	2.7
98.88	16,474	3.6
98.27	32,799	6.1
97.42	36,632	6.0
100.92	36,447	5.9
97.22	40,264	3.1

**CITY OF FRANKLIN, OHIO
 ASSESSED VALUATION AND ESTIMATED
 ACTUAL VALUES OF TAXABLE PROPERTY
 LAST TEN YEARS**

YEAR	REAL PROPERTY		PERSONAL PROPERTY	
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE
1994	\$84,947,240	\$242,706,400	\$25,087,683	\$100,350,732
1995	86,800,030	248,000,086	27,499,334	109,997,336
1996	93,650,870	267,573,914	31,703,229	126,812,916
1997	106,287,760	303,679,314	33,579,779	134,319,116
1998	114,152,770	326,150,771	36,161,985	144,647,940
1999	120,126,750	343,219,286	39,952,347	159,809,388
2000	144,059,380	413,883,943	58,622,764	234,491,056
2001	149,263,540	426,467,257	56,525,550	226,102,200
2002	154,745,790	442,130,829	60,364,620	241,458,480
2003	170,386,110	486,817,460	58,762,770	235,051,000

SOURCE: Warren County Auditor's Office

TABLE 4

<u>PUBLIC UTILITY PERSONAL</u>		<u>TOTAL</u>		<u>PERCENTAGE OF ASSESSED VALUE TO ESTIMATED ACTUAL VALUE</u>
<u>ASSESSED VALUE</u>	<u>ESTIMATED ACTUAL VALUE</u>	<u>ASSESSED VALUE</u>	<u>ESTIMATED ACTUAL VALUE</u>	
\$11,255,270	\$12,790,080	\$121,290,193	\$355,847,212	34.08
10,905,560	12,392,682	125,204,924	370,390,104	33.80
10,814,790	12,289,534	136,168,889	406,676,364	33.48
10,563,810	12,004,330	150,431,349	450,002,760	33.43
11,022,020	12,525,023	161,336,775	483,323,734	33.38
10,772,760	12,241,773	170,851,857	515,270,447	33.16
10,401,300	11,819,659	213,083,444	660,194,658	32.28
8,366,100	9,506,932	214,155,190	662,076,389	32.35
11,334,230	12,879,807	226,444,640	696,469,116	32.51
11,483,820	13,049,800	240,632,700	734,918,260	32.74

CITY OF FRANKLIN, OHIO
PROPERTY TAX RATES-DIRECT AND OVERLAPPING GOVERNMENTS
PER \$1,000 OF ASSESSED VALUATION
LAST TEN YEARS

TABLE 5

YEAR	<u>CITY OF FRANKLIN</u>	<u>WARREN COUNTY (1)</u>	<u>FRANKLIN CITY SCHOOL DISTRICT</u>			<u>OTHER (2)</u>	
	OPERATING	OPERATING	OPERATING	DEBT SERVICE	TOTAL	OPERATING	TOTAL
1994	\$2.82	\$8.07	\$42.68	\$1.60	\$44.28	\$7.00	\$62.17
1995	2.82	6.57	48.58	1.50	50.08	8.50	67.97
1996	2.82	5.00	48.58	1.50	50.08	8.50	66.40
1997	2.82	5.00	48.58	1.25	49.83	8.50	66.15
1998	2.81	4.75	47.50	1.25	48.75	8.50	64.81
1999	2.83	4.00	48.58	1.25	49.83	8.50	65.16
2000	2.83	4.00	48.58	1.67	50.25	8.50	65.58
2001	2.83	4.00	48.41	1.67	50.08	8.50	65.41
2002	5.73	4.96	48.58	1.50	50.08	8.50	69.27
2003	5.73	6.53	48.58	1.50	50.08	8.50	70.84

SOURCE: City of Franklin's Operating Budget

SOURCE: Warren County Auditor's Office

(1) Includes Warren County Health Care District

(2) Other includes Franklin Township, Warren County Joint Vocational School and Joint Emergency Medical Service

**CITY OF FRANKLIN, OHIO
 PRINCIPAL TAXPAYERS
 DECEMBER 31, 2003**

TABLE 6

TAXPAYER	2003 REAL PROPERTY ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION REAL PROPERTY
1. Dayton Newspapers	\$10,397,560	6.1
2. Cincinnati Gas and Electric	8,588,230	5.0
3. Pharmacia Hepar Incorporated	6,211,090	3.6
4. Faurecia Exhaust Systems	3,836,460	2.3
5. Newark Group Industries Incorporated	3,481,390	2.1
6. Wheelabrator EOS of Ohio	3,307,500	1.9
7. Ample Industries Incorporated	2,829,250	1.7
8. Burrows Paper Corporation	2,773,430	1.6
9. IKO Production Incorporated	2,459,830	1.4
10. Emerald Edge/Warren L.P.	1,970,860	1.2
Total Principal Taxpayers	<u>\$45,855,600</u>	<u>26.9%</u>
Total City	<u>\$170,386,110</u>	

SOURCE: Warren County Auditor's Office

CITY OF FRANKLIN, OHIO
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS

TABLE 7

<u>COLLECTION YEAR</u>	<u>BILLED</u>	<u>AMOUNT COLLECTED</u>	<u>PERCENT COLLECTED</u>
1994	\$294,032	\$313,036	106.46%
1995	291,435	312,684	107.29
1996	320,039	371,344	116.03
1997	309,343	153,642	49.67
1998	490,824	482,390	98.28
1999	510,877	434,661	85.08
2000	530,639	476,745	89.84
2001	513,154	491,293	95.74
2002	484,350	470,678	98.56
2003	541,465	511,435	94.45

SOURCE: Warren County Auditor's Office.

CITY OF FRANKLIN, OHIO
COMPUTATION OF OVERALL LEGAL DEBT MARGIN
DECEMBER 31, 2003

TABLE 8

ASSESSED VALUE		<u><u>\$240,632,700</u></u>
TOTAL DEBT LIMIT-10 1/2% OF ASSESSED VALUATION		\$25,266,434
TOTAL DEBT OUTSTANDING AT DECEMBER 31, 2003	19,622,814	
LESS: EXEMPT DEBT GENERAL OBLIGATION BONDS ISSUED IN ANTICIPATION OF THE COLLECTION OF SPECIAL ASSESSMENTS	(4,042,000)	
OWDA LOANS TO BE PAID BY ENTERPRISE FUND REVENUE	(2,464,834)	
MORTGAGE REVENUE BONDS TO BE PAID BY ENTERPRISE FUND REVENUE	<u>(3,610,000)</u>	
TOTAL	9,505,980	
(1) LESS: BOND RETIREMENT FUND BALANCE	<u>0</u>	
NET SUBJECT TO 10 1/2% LIMITATION		<u>9,505,980</u>
LEGAL DEBT MARGIN WITHIN 10 1/2% LIMITATION		<u><u>\$15,760,454</u></u>

(1) BOND RETIREMENT FUND BALANCE DOES NOT INCLUDE AMOUNT AVAILABLE FOR
SPECIAL ASSESSMENTS

CITY OF FRANKLIN, OHIO
COMPUTATION OF UNVOTED LEGAL DEBT MARGIN
DECEMBER 31, 2003

TABLE 8a

ASSESSED VALUE		<u><u>\$240,632,700</u></u>
TOTAL DEBT LIMIT- 5 1/2% OF ASSESSED VALUATION		\$13,234,799
TOTAL DEBT OUTSTANDING AT DECEMBER 31, 2003	19,622,814	
LESS: EXEMPT DEBT GENERAL OBLIGATION BONDS ISSUED IN ANTICIPATION OF THE COLLECTION OF SPECIAL ASSESSMENTS	(4,042,000)	
OWDA LOANS TO BE PAID BY ENTERPRISE FUND REVENUE	(2,464,834)	
MORTGAGE REVENUE BONDS TO BE PAID BY ENTERPRISE FUND REVENUE	<u>(3,610,000)</u>	
TOTAL	9,505,980	
(1) LESS: BOND RETIREMENT FUND BALANCE	<u>0</u>	
NET SUBJECT TO 5 1/2% LIMITATION		<u>9,505,980</u>
LEGAL DEBT MARGIN WITHIN 5 1/2% LIMITATION		<u><u>\$3,728,819</u></u>

(1) BOND RETIREMENT FUND BALANCE DOES NOT INCLUDE AMOUNT AVAILABLE FOR
SPECIAL ASSESSMENTS

CITY OF FRANKLIN, OHIO
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS

TABLE 9

<u>YEAR</u>	<u>POPULATION</u>	<u>ASSESSED VALUE</u>	<u>GROSS BONDED DEBT</u>	<u>DEBT SERVICE BALANCE</u>	<u>NET BONDED DEBT (1)</u>	<u>RATIO OF NET BONDED DEBT TO ASSESSED VALUATION</u>	<u>NET BONDED DEBT PER CAPITA</u>
1994	11,034	\$121,290,193	\$1,767,332	\$46,609	\$1,720,723	1.42	\$155.95
1995	11,034	125,204,924	1,695,665	19,229	1,676,436	1.34	151.93
1996	11,034	136,168,889	1,603,998	0	1,603,998	1.18	145.37
1997	11,034	150,431,349	1,505,998	37,138	1,468,860	0.97	133.12
1998	11,034	161,336,775	1,392,998	38,123	1,354,875	0.84	122.79
1999	11,034	170,851,857	1,395,000	0	1,395,000	0.82	126.43
2000	11,334	213,083,444	1,160,000	51,150	1,108,850	0.52	97.83
2001	11,396	214,155,190	1,960,000	62,531	1,897,469	0.89	166.50
2002	11,396	226,444,640	6,430,000	0	6,430,000	2.84	564.23
2003	11,396	240,632,700	8,425,000	0	8,425,000	3.50	739.29

SOURCE: Population figures are taken from the 1990 Census.

(1) Includes only General Obligation Bonds payable from Property Taxes

CITY OF FRANKLIN, OHIO
RATIO OF ANNUAL DEBT PRINCIPAL AND INTEREST EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES
LAST TEN YEARS

TABLE 10

<u>YEAR</u>	<u>DEBT PRINCIPAL (1)</u>	<u>DEBT INTEREST</u>	<u>TOTAL DEBT SERVICE</u>	<u>GENERAL GOVERNMENT EXPENDITURES</u>	<u>RATIO OF DEBT PRINCIPAL AND INTEREST TO GENERAL FUND EXPENDITURES</u>
1994	\$41,666	\$61,072	\$102,738	\$2,730,595	3.8%
1995	71,667	81,955	153,622	3,203,932	4.8
1996	91,667	102,945	194,612	3,401,942	5.7
1997	98,000	90,713	188,713	3,596,809	5.2
1998	113,000	85,988	198,988	4,837,172	4.1
1999	118,000	79,965	197,965	4,147,016	4.8
2000	115,000	74,190	189,190	4,817,516	3.9
2001	120,000	67,980	187,980	5,240,543	3.6
2002	155,000	234,780	389,780	5,329,854	7.3
2003	225,000	335,998	560,998	12,343,264	4.5

SOURCE: City of Franklin's Finance Office

(1) Includes only general obligation bonded debt payable from property taxes.

CITY OF FRANKLIN, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2003

TABLE 11

JURISDICTION	NET DEBT OUTSTANDING (1)	PERCENTAGE APPLICABLE TO CITY OF FRANKLIN	AMOUNT APPLICABLE TO CITY OF FRANKLIN
CITY OF FRANKLIN	\$8,407,080	100.00%	\$8,407,080
WARREN COUNTY	13,913,600	5.49	<u>763,857</u>
TOTAL			<u><u>\$9,170,937</u></u>

The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed valuation within the City by the subdivision's total assessed valuation.

(1) Includes only general obligation bonded debt payable from property taxes less Debt Service balance.

SOURCE: Warren County Auditor's Office

**CITY OF FRANKLIN, OHIO
REVENUE BOND COVERAGE
WATER FUND
LAST TEN YEARS (1)**

TABLE 12

YEAR	OPERATING REVENUES	OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
1994	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
1995	0	0	0	0	0	0	0.00
1996	0	0	0	0	0	0	0.00
1997	1,443,971	797,484	646,487	45,000	200,370	245,370	2.63
1998	2,473,634	1,496,659	976,975	85,000	219,267	304,267	3.21
1999	2,129,119	1,374,631	754,488	90,000	209,795	299,795	2.52
2000	1,932,016	1,546,655	385,361	95,000	224,404	319,404	1.21
2001	1,765,279	1,370,517	394,762	90,000	220,033	310,033	1.27
2002	1,989,942	1,430,133	559,809	100,000	215,803	315,803	1.77
2003	1,861,656	1,429,768	431,888	100,000	211,033	311,033	1.39

SOURCE: City of Franklin's Finance Office

- (1) Water Revenue Debt was retired in 1993 and no Water Revenue Debt was issued until 1996. 1996 information is not shown, even though there were operating revenues and expenses, because there were no payments made.
- (2) Operating Expenses less Depreciation Expense

**CITY OF FRANKLIN, OHIO
 DEMOGRAPHIC STATISTICS
 LAST TEN YEARS**

TABLE 13

<u>YEAR</u>	<u>POPULATION (1)</u>	<u>SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE WARREN COUNTY (3)</u>
1994	11,034	3,300	3.60%
1995	11,034	3,089	3.9
1996	11,034	3,067	3.8
1997	11,034	3,129	3.2
1998	11,034	3,129	3.3
1999	11,034	3,106	3.3
2000	11,334	3,129	3.0
2001	11,396	3,125	3.3
2002	11,396	3,101	4.0
2003	11,396	3,097	4.4

(1) SOURCE: U.S. Census, Census of population - 1990 Federal Census

(2) SOURCE: Ohio Department of Education

(3) SOURCE: Ohio Bureau of Job and Family Services - research and statistics

CITY OF FRANKLIN, OHIO
CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUE
LAST TEN YEARS

YEAR	RESIDENTIAL CONSTRUCTION (1)		COMMERCIAL CONSTRUCTION (1)	
	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE
1994	71	932,580	64	13,041,131
1995	110	2,066,176	49	13,937,554
1996	107	3,191,104	139	8,887,058
1997	270	17,810,740	52	13,870,554
1998	245	9,160,298	91	20,227,681
1999	306	9,907,829	81	9,587,352
2000	135	9,740,536	28	9,876,112
2001	84	10,198,970	23	10,459,930
2002	73	8,468,863	1	4,402,728
2003	76	7,423,173	19	17,678,964

(1) SOURCE: City of Franklin Building Department

(2) SOURCE: Federal Reserve Bank of Cleveland (note: dollar amounts are in thousands)

TABLE 14

COUNTY BANK DEPOSITS (2)	REAL PROPERTY VALUE		
	RESIDENTIAL/ AGRICULTURAL	INDUSTRIAL/ COMMERCIAL	EXEMPT
422,581	57,900,280	27,046,960	13,821,600
460,950	59,180,290	27,619,740	14,356,760
465,584	59,994,860	33,656,010	10,814,790
523,595	70,149,920	36,137,840	10,563,810
521,795	75,340,826	38,811,944	11,022,020
533,873	79,283,653	40,843,097	10,772,760
569,566	97,605,930	47,253,450	13,337,240
618,781	100,702,300	48,561,240	13,408,080
660,464	104,684,710	50,061,080	13,271,780
637,524	117,509,560	52,876,550	14,630,530

**CITY OF FRANKLIN, OHIO
MISCELLANEOUS STATISTICS
DECEMBER 31, 2003**

TABLE 15

DATE OF INCORPORATION	1814
CITY STATUS	1951
	CHARTER - COUNCIL/MANAGER
AREA	8.4 Miles
MILES OF STREETS	110
NUMBER OF STREET LIGHTS	913
POLICE PROTECTION	
NUMBER OF STATIONS	1
NUMBER OF POLICEMEN AND OFFICERS	25
EDUCATION (K-12) (PUBLIC ONLY)	8
ADMINISTRATION BUILDINGS	1
BUS GARAGE	1
ATTENDANCE CENTERS	8
NUMBER OF CLASSROOMS	201
NUMBER OF TEACHERS	208
NUMBER OF STUDENTS	3,097
MUNICIPAL WATER DEPARTMENT	
MILES OF WATER MAINS	48 Miles
SEWERS	
MILES OF SANITARY SEWERS	44 Miles
BUILDING PERMITS ISSUED IN 2003	245
RECREATION AND CULTURE	
NUMBER OF PARKS	6
NUMBER OF LIBRARIES	1
EMPLOYEES	
FULL-TIME	78
PART-TIME	
YEAR ROUND	7
SEASONAL	10
VOLUNTEER	28

SOURCE: Various departments within the City of Franklin



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
DECEMBER 28, 2004**