

CITY OF FRANKLIN, OHIO

**Independent Auditors' Report on
Internal Controls and Compliance**

December 31, 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Franklin, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 28, 2007

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CITY OF FRANKLIN, OHIO

Table of Contents

	<u>Page</u>
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	1 - 2
Schedule of Findings and Responses	3 - 7
Status of Prior Audit Findings	8

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**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***

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Ohio (City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements

that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described as findings 2006-1 and 2006-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial report.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2006-3, 2006-4, 2006-5, 2006-6, 2006-7, 2006-8 & 2006-9.

We noted certain matters that we reported to management of the City of Franklin, Ohio in a separate letter dated June 27, 2007.

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
June 27, 2007

CITY OF FRANKLIN, OHIO

Schedule of Findings and Responses

Year Ended December 31, 2006

Finding 2006-1 – Physical Inventory

It was noted during the audit that the individual departments did not complete a physical inventory count at December 31, 2006. Amounts have been estimated based on prior year balances for financial statements recording. Physical counts of inventory should be performed at least quarterly. We recommend that the city formally document the procedures for performing its physical inventory counts and supervise the year-end counts. We recommend count sheets be collected and reviewed by the Finance Director in a timely manner to ensure safeguarding of City assets and prevent internal loss and theft.

***Management response:** The Finance Director will require year end physical inventory sheets to be submitted from each department.*

Finding 2006-2 – Payroll Processing

During our testing of internal controls over the processing of payroll, we selected a sample of 60 payroll checks paid from throughout the year. Our test indicated that fifteen percent (15%) of the timecards did not contain an approving department head signature. This signature is used to ensure the amount of hours reported on the timecard have been approved by the department head. We recommend the City review the policies and procedures in place over the payroll process and monitor the procedures in place to ensure that the applicable controls are applied on a consistent basis.

***Management response:** The Finance Director will attempt to modify the payroll processing to ensure that timecards contain the appropriate signatures.*

Finding 2006-3 – Expenditure in Excess of Appropriations

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

Fund Type/Fund/Department/Object Final Appropriations Expenditures Excess

General Fund			
General Government			
Clerk and Council			
Personal Services	\$69,083	\$69,328	(\$245)
Planning Commission			
Personal Services	\$0	\$850	(\$850)
Buildings and Grounds			
Other	\$105,260	\$105,286	(\$26)
Security of Persons and Property			
Police			
Personal Services	\$2,487,052	\$2,570,823	(\$83,771)
Building Inspection			
Personal Services	\$198,365	\$200,006	(\$1,641)
Leisure Time Activities			
Other	\$0	\$25,000	(\$25,000)
Transfers Out	\$2,593,081	\$2,826,543	(\$233,462)
Special Revenue Funds			
Fire Levy Fund			
Transfers Out	\$0	\$151,329	(\$151,329)
Transportation Fund			
Street Maintenance and Repair			
Other	\$162,924	\$237,514	(\$74,590)
State Highway Maintenance			
Other	\$34,000	\$44,087	(\$10,087)
Court Fund			
Public Health and Welfare			
Other	\$27,624	\$64,790	(\$37,166)
Municipal Buildings Fund			
Capital Outlay			
Other	\$0	\$13,000	(\$13,000)
Debt Service Fund			
Debt Service			
Interest and Fiscal Charges	\$647,853	\$647,937	(\$84)
Enterprise Funds			
Water Fund			
Bond Issuance Costs	\$116,620	\$222,570	(\$105,950)
Transfers Out	\$0	\$326,497	(\$326,497)
Sewer Fund			
Transfers Out	\$0	\$45,000	(\$45,000)
Stormwater Utility Fund			
Personal Services	\$113,209	\$202,254	(\$89,045)

With expenditures exceeding appropriations, the City is spending monies that have not been appropriated by the City Council. We recommend that the City monitor its budget on a more regular basis. If additional expenditures/expenses are necessary, the City should follow its policy and procedures and have City Council amend its appropriations as necessary.

Management response: The Finance Director is attempting to modify its appropriations through City Council more frequently.

Finding 2006-4 – Invoices Dated Prior to Purchase Orders

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

It was noted during the audit that for the year ended December 31, 2006, 16% of the expenditures tested, the invoice was dated prior to the purchase order by the Finance Director, thus causing those expenditures not to be certified in a timely manner. Without timely certification, the City increases the risk that purchase may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection.

Management response: The Finance Director is attempting to create and utilize the purchase order system.

Finding 2006-5 – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.28 requires subdivision to obtain from the budget commission an increased amended certificate if the City intends to appropriate and expend excess revenue. Total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriations. It was noted during the audit that the City had appropriations exceeding its certificate of estimated resources during 2006 in the following funds:

<u>Fund</u>	<u>Estimated Resources and Balances</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Debt Services	\$1,587,238	\$3,506,353	(\$1,919,115)
Community Development & Improvement	\$30,766	\$250,606	(\$219,840)
Police and Fire Pension	\$386,156	\$419,948	(\$33,792)
Capital Projects Funds:			
Issue II	\$2,749,458	\$3,368,536	(\$619,078)
Capital Improvement	\$244,764	\$273,962	(\$29,198)
Enterprise Funds:			
Water	\$2,841,568	\$9,027,869	(\$6,186,301)
Sewer	\$2,757,632	\$2,818,787	(\$61,155)
Stormwater Utility	\$698,820	\$1,405,687	(\$706,867)

We recommend that the City review monthly its latest certificate of estimated resources and compare it to appropriations, and ensure that estimated resources exceed appropriations.

***Management response:** The Finance Director will file a certificate of available resources at year end and monitor receipts throughout the year to determine if amended resources need to be filed.*

Finding 2006-6 – Tax Budget

Tax Budget

Ohio Revised Code Section 5705.28 requires that the taxing authority of each subdivision must adopt a tax budget for the succeeding year before July 15. Per review of the board minutes we noted that the City did approve the tax budget until August 8. We recommend that the City monitor the tax budget process to ensure that the budget is prepared and approved by the required July 15 due date.

***Management response:** The Finance Director will prepare the tax budget to ensure it is adopted prior to the July 15th deadline.*

Finding 2006-7 – Negative Fund Balances

Ohio Revised Code Section 5705.10 requires that money paid into any fund shall be used only for the purpose for which such fund was established. We noted that the State Issue II fund had a negative cash fund balance at December 31, 2006. We recommend that the City monitor fund balances more closely throughout the year and consider using advances to avoid these negative fund balances.

***Management response:** The Finance Director will use advances in the future to cover any shortfalls while waiting for anticipated revenues.*

Finding 2006-8 – Allocation of Interest

Ohio Revised Code Sections 135.21, 135.351, & 5705.10 maintain various requirements regarding the allocation of interest among funds. As a general rule, interest earned must be credited to the general fund of the subdivision with some exceptions; including, but not limited to, interest derived from a motor vehicle license or fuel tax must follow the principal. It was noted during the audit that the City did not allocate interest earned to funds derived from motor vehicle license or fuel tax. We recommend that the city properly record interest earnings in the required funds according to the requirements above.

***Management response:** Interest allocations were not done in 2006, but the proper allocations will be used in 2007 to ensure compliance.*

Finding 2006-9 – Transfer of Funds

Ohio Revised Code Sections 5705.14, 5705.15, & 5705.16 states that money may be transferred only by approved resolution of the taxing authority. During our testing of transfers made during 2006 we noted that the board had approved at the appropriation level, however, we recommend that the City approve each transfer individually by separate resolution and clearly denote the purpose of the transfer in order for Council to better monitor the City's transfers.

***Management response:** The Finance Director will list transfers individually to ensure they approved at the appropriate level.*

CITY OF FRANKLIN, OHIO

Status of Prior Audit Findings

Year Ended December 31, 2006

Finding Number	Finding Summary	Fully Corrected?	
2005-COF-001	During the course of our previous year audit it was noted that several funds had expenditures over appropriations in noncompliance with Ohio Revised Code Section 5705.41(B).	No	Repeated as Finding 2006-3
2005-COF-002	It was noted during the previous audit that 58% of the expenditures tested, the invoice was dated prior to the purchase order by the Finance Director, thus causing those expenditures not to be certified in a timely manner. Without timely certification, the City increases the risk that purchase may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result. It may also result in unnecessary purchases.	No	Repeated as Finding 2006-4
2005-COF-003	It was noted during the previous year audit that the City had appropriations exceeding its certificate of estimated resources.	No	Repeated as Finding 2006-5

Introductory Section

City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006

Issued by:
Office of the Finance Director
Mike Robinette
Finance Director

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City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006

Table of Contents

INTRODUCTORY SECTION

Title Page.....	i
Table of Contents	ii
Letter of Transmittal.....	v
List of Principal Officials	x
Organizational Chart	xi
GFOA Certificate of Achievement.....	xii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Budget Basis) - General Fund	21
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Budget Basis) – Fire Levy Fund	22
Statement of Fund Net Assets – Enterprise Funds	23

City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006
(Continued)

Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	24
Statement of Cash Flows – Enterprise Funds	25
Statement of Fiduciary Assets and Liabilities – Agency Funds	27
Notes to the Basic Financial Statements	28
Combining Financial Statements:	
Combining Statements – Nonmajor Governmental Funds:	
Nonmajor Fund Descriptions	66
Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	69
Combining Balance Sheet – Nonmajor Special Revenue Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	72
Combining Balance Sheet – Nonmajor Capital Projects Funds	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	75
Combining Statements – Agency Funds:	
Agency Fund Descriptions	76
Combining Statement of Assets and Liabilities – Agency Funds	77
Combining Statement of Changes in Assets and Liabilities – Agency Funds	78

City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006
(Continued)

**Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes
in Fund Balance/Fund Equity – Budget and Actual (Budget Basis):**

General Fund	79
Fire Levy Fund	82
Debt Service Fund	83
Water Fund	84
Sewer Fund	85
Trash Fund	86
Stormwater Utility Fund	87
Transportation Fund	88
Court Fund	89
Recreation Fund	90
Community Development & Improvement Fund	91
Street Lighting Fund	92
U.S. Filter Fund	93
Police and Fire Pension Fund	94
Firemen's Indemnity Fund	95
Municipal Buildings Fund	96
Issue II Fund	97
Capital Improvement Fund	98

STATISTICAL SECTION

Net Assets By Component - Last Five Years	100
Changes in Net Assets - Last Four Years	101
Program Revenues by Function/Program - Last Four Years	103
Fund Balances - Governmental Funds – Last Ten Years	104
Changes in Fund Balances - Governmental Funds – Last Ten Years	106
Income Tax Revenue by Payer Type – Last Ten Years	108
Principal Income Taxpayers – Withholding Accounts – 2006 and 1997	109
Computation of All Direct and Overlapping Governmental Activities Debt – December 31, 2006	110
Ratio of General Obligation Bonded Debt to Estimated Actual Value and General Obligation Bonded Debt Per Capita – Last Ten Years	111
Ratio of Outstanding Debt by Type to Total Personal Income and Debt Per Capita – Last Ten Years	112
Computation of Legal Debt Margin - Last Ten Years	114
Pledged Revenue Coverage Water System Mortgage Revenue Bonds – Last Ten Years	116
Demographic and Economic Statistics – Last Ten Years	117
Principal Employers – Current Year and Nine Years Ago	118
City Government Employees by Function/Program – Last Ten Years	120
Capital Assets Statistics by Function/Program – Last Ten Years	122
Operating Indicators by Function/Program – Last Ten Years	124

CITY OF FRANKLIN

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

June 27, 2007

Citizens of Franklin
Mayor and Members of City Council

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Franklin. This report, for the year ended December 31, 2006, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the City of Franklin (the "City"). The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the City, specifically with the City Finance Director's office.

State law requires that the City file with the Auditor of State and publish the availability of financial statements within 150 days of the close of the year. This report was prepared to fulfill that requirement for the year ended December 31, 2006.

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

The accounting firm of Clark, Shaffer & Hackett has issued an unqualified ("clean") opinion on the City of Franklin's financial statements for the year ended December 31, 2006. The Independent Auditor's Report is located at the front of the financial section of this report.

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

FORMATION OF THE CITY

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

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

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

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

PROFILE OF THE GOVERNMENT AND REPORTING ENTITY

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

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

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

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

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

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

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

MAJOR INITIATIVE

The City of Franklin will be repurchasing the water treatment plant in 2007 for approximately \$2.5 million from the current owner and operator, Earthtech Inc. In anticipation of this purchase, during 2006, the City of Franklin refunded the remaining \$3,385,000 of the 1996 series Waterworks Bonds. The refunding bonds were issued in the amount of \$6,140,000. Over the life of this new debt, the City will save approximately \$3.2 million in interest and rental payments. Earthtech Inc. will still operate the plant.

The City of Franklin will be replacing the Franklin Business Park Water Tower in 2007. The current water tower, with a capacity of 500,000 gallons, will be replaced with a 1,000,000 gallon tank. The new tank will allow for the development of the three surrounding business parks and maintain the water pressure in the surrounding residential areas as well. The water tower will cost approximately \$2.5 million, with \$1 million of the funding being State Issue II Grant funds and the rest funded through revenue bonds.

The City of Franklin's major transportation project for the 2006-2010 time frame is the Second Street/US 73 reconstruction and widening project. This project will start with the Second Street and Deardoff Road interchange expansion and upgrade and end with the I-75 and US 73 interchange upgrade and expansion. This project will improve the road to current transportation standards and increase the capacity to handle the next twenty years' projection of growth. The total project cost is estimated to be between \$7.5 and \$8.5 million over the life of the project.

LOCAL ECONOMY

Economic development is a community priority because the creation/retention of jobs is essential for the City's revenue base. City officials understand its importance and have a reputation for creativity, accessibility, and responsiveness when dealing with businesses. Franklin's officials work hand-in-hand with the School Board and local/state officials to ensure that business owners find Franklin an attractive place to locate or expand their operations.

The biggest recent economic development success involved the Burrows Paper Corporation and MTP, Inc. Other communities, (both within Ohio and out-of-state) were attempting to convince Burrows, 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-Schueler 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.

Due to the Burrows relocation, the City was faced with finding another tenant to locate in the now vacant 210,000 square foot facility. Fortunately, this building did not remain vacant for long. The Ohio Department of Development, the Warren County Commissioners, and Franklin officials worked together to convince MTP, Inc., a maker of specialty vinyl siding, to relocate to this facility in 2005. MTP brought nearly 100 employees to the City as part of their relocation.

The City has four Industrial/Office Parks with vacant land: the Heritage Industrial Park, the Jaygee Industrial Park, the Franklin Business Park and the Schumacher-Franklin Interstate Park. The extension of Industrial Drive began in the latter half of 2006 and will be completed in 2007. This will pave the way for an additional 120 acres, which was named Bunnell Hill Industrial Park. All of these sites are located off of Interstate exchanges and tax abatements (real and personal property) are available.

In addition to industrial growth in 2006, the City also witnessed significant commercial growth. Wal-Mart received approval to build a facility on E. 2nd Street near I-75. This building, which will open in the beginning of 2007, has sparked other commercial activity – W.W. Grainger, Fifth-Third Bank, Walgreens, and McDonalds received approval to build new facilities on E. 2nd Street as well.

Another City initiative that continued to be successful 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, for example, used these funds to convert an empty building to a pizza shop and catering business. Other businesses have used the funds to repair or replace siding, windows, awnings and to make other façade improvements. This program was established in 2001 for exterior renovations and, due to its success, was expanded in 2003 to include interior improvements.

A further initiative to create downtown development and rejuvenation is the City's mural program. Local citizen, and nationally renowned artist, Eric Henn has completed several murals to date. Additional murals are planned in the downtown area. Contributions from local owners, the Middletown Community Foundation and the City have contributed to this tourism initiative.

FINANCIAL PLANNING AND POLICIES

The cash fund balance in the General Fund (34.49 percent of the total General Fund revenues) exceeds the policy guidelines set by Council for budgetary and planning purposes. (i.e., between 10 and 20 percent of total General Fund revenues.)

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

OTHER INFORMATION

Independent Audit

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

Awards

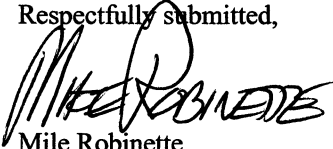
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Franklin for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

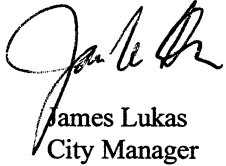
Acknowledgments

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

Respectfully submitted,



Mile Robinette
Finance Director



James Lukas
City Manager

City of Franklin, Ohio

List of Principal Officials

December 31, 2006

<u>OFFICE HELD</u>	<u>NAME OF OFFICIAL</u>
Executive:	
City Manager	James Lucas
Finance Director (1)	Joseph Homan
Law Director	Donnette Fisher
Legislative:	
Mayor	Todd Hall
Vice Mayor	Denny Centers
Council-At-Large	Michael Aldridge
	Robert Knipper
	Jason Faulkner
	Carl Bray
	Scott Lipps
Judicial:	
Municipal Court Judge	James Ruppert
Municipal Court Clerk	Sherry Mullins
Administrative:	
City Clerk	Jane McGee
Income Tax Administrator	David Fouch
Police Chief	Gordon Ellis
Fire Chief	Jonathan Westendorf
Public Works Director	Howard Lewis
Chief Building Official	Don Woods

(1) In 2007, the Finance Director was replaced by Mike Robinette.

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, 2005

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



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

City Council
City of Franklin, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Ohio (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As disclosed in Note 3 to the basic financial statements, the City has restated fund balances and net assets at January 1, 2006 due to errors and omissions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Ohio as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
June 27, 2007

City of Franklin, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2006
(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, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the transmittal letter, the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$717,391. Revenues of governmental activities exceeded expenses by \$9,631,301. Net assets of business-type activities increased by \$129,015.
- General revenues of governmental activities accounted for \$9,745,667 or 80.26 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$2,396,510 or 19.74 percent of total governmental revenues of \$12,142,177.
- The City had \$11,439,435 in expenses related to governmental activities; only \$2,396,510 of these expenses were offset by program specific charges for services and sales, and grants and contributions.
- Enterprise funds reflected a total operating income of \$568,988. The Water and Trash Funds reflected an operating income of \$916,551 and \$17,727, respectively, while the Sewer and Stormwater Utility Funds reflected an operating loss of \$144,359 and \$220,931, respectively.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

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

Governmental Activities – Most of the City's services are reported here including 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, trash and stormwater utility. Service fees for these operations are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE CITY AS A WHOLE

As stated previously, the statement of net assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005 Restated	2006	2005	2006	2005 Restated
Assets:						
Current and Other Assets	\$16,915,774	\$10,837,797	\$6,497,722	\$3,416,100	\$23,413,496	\$14,253,897
Nondepreciable Capital Assets	19,112,406	18,964,095	1,547,347	982,864	20,659,753	19,946,959
Depreciable Capital Assets, Net	30,488,644	31,689,470	19,504,257	20,095,293	49,992,901	51,784,763
Total Assets	66,516,824	61,491,362	27,549,326	24,494,257	94,066,150	85,985,619
Liabilities:						
Current and Other Liabilities	6,783,155	2,578,724	622,312	442,528	7,405,467	3,021,252
Long-Term Liabilities:						
Due Within One Year	810,415	705,085	460,304	208,143	1,270,719	913,228
Due in More Than One Year	11,619,262	12,000,107	9,327,374	6,833,265	20,946,636	18,833,372
Total Liabilities	19,212,832	15,283,916	10,409,990	7,483,936	29,622,822	22,767,852
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	37,961,827	38,402,623	14,506,779	15,441,096	52,468,606	53,843,719
Restricted	5,154,354	4,254,352	882,612	577,535	6,036,966	4,831,887
Unrestricted	4,187,811	4,058,641	1,749,945	991,690	5,937,756	5,050,331
Total Net Assets	\$47,303,992	\$46,715,616	\$17,139,336	\$17,010,321	\$64,443,328	\$63,725,937

Total net assets increased \$717,391. Net assets of the City's governmental activities increased by \$588,376. The recognition of depreciation expense of \$2,058,342 on capital assets decreased net assets invested in capital assets, net of related debt. This was offset by additions of capital assets of \$1,018,125. Unrestricted net assets increased \$129,170, due mainly to an increase in revenues from income taxes.

The net assets of the City's business-type activities increased by \$129,015. The City strives to control operation expenses for business-type activities in order to maintain stability in charges for services and sales and to closely monitor the trends of our growing community in order to adjust for budgetary issues and changes in city policy where necessary.

Table 2 shows the changes in net assets for the years ended December 31, 2006 and December 31, 2005.

Table 2
Changes in Net Assets

	Governmental		Business Type		Total	
	Activities		Activities			
	2006	2005 Restated	2006	2005	2006	2005 Restated
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$1,072,737	\$1,019,664	\$5,878,685	\$5,650,657	\$6,951,422	\$6,670,321
Operating Grants and Contributions	1,248,551	875,940	0	722	1,248,551	876,662
Capital Grants and Contributions	75,222	122,817	0	0	75,222	122,817
Total Program Revenues	2,396,510	2,018,421	5,878,685	5,651,379	8,275,195	7,669,800
General Revenues:						
Property and Other Local Taxes	1,443,140	1,466,061	0	0	1,443,140	1,466,061
Income Taxes	7,115,266	5,138,832	0	0	7,115,266	5,138,832
Grants and Entitlements	469,626	606,232	0	0	469,626	606,232
Unrestricted Investment Earnings	338,330	137,003	24,489	43,120	362,819	180,123
Miscellaneous	379,305	692,525	6,053	1,114	385,358	693,639
Total General Revenues	9,745,667	8,040,653	30,542	44,234	9,776,209	8,084,887
Total Revenues	12,142,177	10,059,074	5,909,227	5,695,613	18,051,404	15,754,687
Program Expenses:						
General Government	2,591,951	3,248,993	0	0	2,591,951	3,248,993
Security of Persons and Property:						
Police	3,465,323	2,990,102	0	0	3,465,323	2,990,102
Fire	1,680,757	1,356,739	0	0	1,680,757	1,356,739
Other	326,956	328,880	0	0	326,956	328,880
Public Health and Welfare	64,790	27,626	0	0	64,790	27,626
Leisure Time Activities	299,128	291,418	0	0	299,128	291,418
Economic Development	30,476	88,113	0	0	30,476	88,113
Basic Utility Services	57,355	91,914	0	0	57,355	91,914
Transportation	2,277,692	2,177,960	0	0	2,277,692	2,177,960
Interest and Fiscal Charges	645,007	632,945	0	0	645,007	632,945
Water	0	0	2,193,130	1,735,657	2,193,130	1,735,657
Sewer	0	0	2,414,728	2,798,516	2,414,728	2,798,516
Trash	0	0	574,010	537,279	574,010	537,279
Stormwater Utility	0	0	712,710	595,199	712,710	595,199
Total Expenses	11,439,435	11,234,690	5,894,578	5,666,651	17,334,013	16,901,341
Increase (Decrease) in						
Net Assets Before Transfers	702,742	(1,175,616)	14,649	28,962	717,391	(1,146,654)
Transfers	(114,366)	90,448	114,366	(90,448)	0	0
Increase (Decrease) in Net Assets	588,376	(1,085,168)	129,015	(61,486)	717,391	(1,146,654)
Beginning Net Assets - Restated (See Note 3)	46,715,616	47,800,784	17,010,321	17,071,807	63,725,937	64,872,591
Ending Net Assets	\$47,303,992	\$46,715,616	\$17,139,336	\$17,010,321	\$64,443,328	\$63,725,937

Operating grants and contributions increased by \$372,611 in the governmental activities. In 2006, the City received grant funding from the FEMA to purchase capital assets. There were no monies received under this program in 2005.

Charges for services and sales in the business-type activities increased by \$228,028 in 2006 for several reasons. Water and sewer rates were both increased by 2.86 percent, to reflect a cost-of-living adjustment.

Income taxes increased by \$1,976,434 in 2006 due to increased economic activity that caused an increase in the net profit tax portion of the City's income tax collections.

Program expenses for general government decreased by \$657,042 due to the need to use outside legal counsel that specializes in environmental law in 2005.

Program expenses for water operations increased by \$457,473, while program expenses for sewer operations decreased by \$383,788 and stormwater utility operations increased by \$117,511. The increase in expenses for water operations was due to the Water Superintendent vacancy filled in 2006 and a three percent wage increase. The decrease in program expenses for the sewer operations was from the pay for outside legal counsel that specializes in environmental law in 2005. The increase in stormwater utility operations was due to increased personal services.

Governmental Activities

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

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

Governmental program expenses for 2006 were as follows:

Table 3
Governmental Activities

	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$2,591,951	(\$1,596,263)	\$3,248,993	(\$2,403,198)
Security of Persons and Property:				
Police	3,465,323	(3,364,579)	2,990,102	(2,919,570)
Fire	1,680,757	(1,201,944)	1,356,739	(1,180,982)
Other	326,956	(238,757)	328,880	(242,640)
Public Health and Welfare	64,790	6,320	27,626	18,013
Leisure Time Activities	299,128	(299,128)	291,418	(291,418)
Economic Development	30,476	(26,624)	88,113	(85,397)
Basic Utility Services	57,355	(57,355)	91,914	(91,914)
Transportation	2,277,692	(1,619,588)	2,177,960	(1,386,218)
Interest and Fiscal Charges	645,007	(645,007)	632,945	(632,945)
Total Expenses	\$11,439,435	(\$9,042,925)	\$11,234,690	(\$9,216,269)

When looking at the sources of income to support governmental activities, it should be noted that charges for services and sales are only 6.43 percent of revenue. Revenues provided by sources other than City residents in the form of operating and capital grants and contributions comprise another 7.93 percent. The remaining revenues are primarily generated locally through property and income taxes. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed.

Business-Type Activities

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

The Water Fund collects the fees charged for the sale of water. Those fees are then used to maintain lines for delivery, to treat water for further consumption, to maintain its treatment facility and storage towers and for the payment of debt incurred for improvements.

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 Stormwater Utility Fund was established to provide a funding mechanism to support OPEA mandates associated with stormwater management. Each residence is billed a flat fee each month. For all other nonresidential properties, the fee is computed based on total impervious surfaces of the property divided by the average impervious area of an equivalent residential unit.

THE 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 \$12,149,162 and expenditures of \$10,846,662. The General Fund's balance increased by \$190,952 primarily due to an increase in income taxes related to increased economic activity in the City.

The Fire Levy Fund's balance increased by \$238,520 due primarily to transfers in from the General Fund for operating the fire department and a new grant received during the year.

The Debt Service Fund's balance increased by \$777,897 due primarily to transfers in from the General Fund for scheduled debt service payments.

General Fund Budgeting Highlights

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

Original and final General Fund budgeted revenues were \$7,134,400. The City filed one tax budget and used this as their original and final budget. This difference reflects the City's estimate of anticipated increases in income tax revenues during the year. The City's final actual revenues were \$13,561,390 at year-end, which represented a 90 percent increase over final budgeted revenues. The difference between the final actual revenue and the final budgeted revenues was due to the actual increases in income tax revenues. The City had one company make an estimated payment of more than four million dollars in December 2006.

Original General Fund appropriations were \$6,208,198. Final appropriations were \$6,471,598. This represented a minimal increase of 4 percent due to the City's diligent monitoring of the budget limits throughout the year. The City's final actual expenditures were \$5,954,760 at year-end, which represented an 8 percent decrease from final budgeted expenditures. This is attributable to savings in all of the General Fund departments for 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$18,964,095	\$18,964,095	\$982,864	\$982,864	\$19,946,959	\$19,946,959
Construction in Progress	148,311	0	564,483	0	712,794	0
Land Improvements	435,959	487,417	10,337	10,983	446,296	498,400
Buildings	5,676,561	5,813,944	60,626	62,080	5,737,187	5,876,024
Equipment	477,002	463,997	39,292	47,655	516,294	511,652
Vehicles	658,678	710,278	77,299	20,115	735,977	730,393
Infrastructure	23,240,444	24,213,834	19,316,703	19,954,460	42,557,147	44,168,294
Totals	<u>\$49,601,050</u>	<u>\$50,653,565</u>	<u>\$21,051,604</u>	<u>\$21,078,157</u>	<u>\$70,652,654</u>	<u>\$71,731,722</u>

Capital assets decreased by \$1,079,068, which was due to current depreciation, offset by the purchase of new vehicles and equipment well as the improvement of roads within the City.

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

Debt

At December 31, 2006, the City of Franklin had \$21,318,284 in debt outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Special Assessment Bonds	\$3,303,000	\$3,557,000	\$0	\$0	\$3,303,000	\$3,557,000
General Obligation Bonds	7,489,768	7,803,872	0	0	7,489,768	7,803,872
Bond Anticipation Notes	878,000	685,000	1,245,000	1,245,000	2,123,000	1,930,000
Short Term Notes	77,000	320,000	0	39,500	77,000	359,500
OWDA Loan	0	0	2,156,781	2,252,061	2,156,781	2,252,061
Mortgage Revenue Bonds	0	0	6,168,735	3,385,000	6,168,735	3,385,000
	<u>\$11,747,768</u>	<u>\$12,365,872</u>	<u>\$9,570,516</u>	<u>\$6,921,561</u>	<u>\$21,318,284</u>	<u>\$19,287,433</u>

Special assessment bonds will be paid with special assessment revenue. All general obligation bond issues will be paid through the Debt Service Fund with transfers from the Capital Improvements Capital Improvement, Issue II and Municipal Building Capital Projects Funds. 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 \$17,401,871 as of December 31, 2006. The more restrictive unvoted legal debt margin was \$5,086,694 as of the same date. See Notes 15 and 16 of the notes to the basic financial statements for more detailed information.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF FRANKLIN, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Governmental Activities	Business-Type Activities	Totals
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,167,302	\$4,575,663	\$14,742,965
Accrued Interest Receivable	32,207	0	32,207
Accounts Receivable, Net	229,978	827,823	1,057,801
Intergovernmental Receivable	639,072	0	639,072
Materials and Supplies Inventory	130,759	26,736	157,495
Income Taxes Receivable	1,456,191	0	1,456,191
Property and Other Local Taxes Receivable	1,526,654	0	1,526,654
Internal Balances	(205,250)	205,250	0
Special Assessments Receivable	2,915,316	0	2,915,316
Cash and Cash Equivalents with Trustee	0	641,862	641,862
Deferred Charges	23,545	220,388	243,933
Nondepreciable Capital Assets	19,112,406	1,547,347	20,659,753
Depreciable Capital Assets, Net	30,488,644	19,504,257	49,992,901
Total Assets	66,516,824	27,549,326	94,066,150
Liabilities			
Accounts Payable	77,555	11,665	89,220
Accrued Wages and Benefits	154,395	19,660	174,055
Intergovernmental Payable	312,883	49,607	362,490
Contracts Payable	129,778	281,630	411,408
Accrued Interest Payable	96,171	167,027	263,198
Deferred Revenue	5,935,373	0	5,935,373
Notes Payable	77,000	0	77,000
Refundable Deposits	0	92,723	92,723
Long-Term Liabilities:			
Due Within One Year	810,415	460,304	1,270,719
Due in More Than One Year	11,619,262	9,327,374	20,946,636
Total Liabilities	19,212,832	10,409,990	29,622,822
Net Assets			
Invested in Capital Assets, Net of Related Debt	37,961,827	14,506,779	52,468,606
Restricted for:			
Debt Service	2,824,993	587,392	3,412,385
Capital Outlay	381,125	0	381,125
Fire Protection	1,007,644	0	1,007,644
Transportation	481,120	0	481,120
Other Purposes	459,472	0	459,472
Revenue Bonds Replacement and Improvement	0	295,220	295,220
Unrestricted	4,187,811	1,749,945	5,937,756
Total Net Assets	\$47,303,992	\$17,139,336	\$64,443,328

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,591,951	\$739,222	\$256,466	\$0
Security of Persons and Property:				
Police	3,465,323	56,570	44,174	0
Fire	1,680,757	119,531	359,282	0
Other	326,956	88,199	0	0
Public Health and Welfare	64,790	68,352	2,758	0
Leisure Time Activities	299,128	0	0	0
Economic Development	30,476	0	3,852	0
Basic Utility Services	57,355	0	0	0
Transportation	2,277,692	863	582,019	75,222
Interest and Fiscal Charges	645,007		0	0
Total Governmental Activities	11,439,435	1,072,737	1,248,551	75,222
Business-Type Activities:				
Water	2,193,130	2,571,541	0	0
Sewer	2,414,728	2,267,333	0	0
Trash	574,010	591,737	0	0
Stormwater Utility	712,710	448,074	0	0
Total Business-Type Activities	5,894,578	5,878,685	0	0
Total Activities	\$17,334,013	\$6,951,422	\$1,248,551	\$75,222

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

Unrestricted Investment Earnings

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense)Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$1,596,263)	\$0	(\$1,596,263)
(3,364,579)	0	(3,364,579)
(1,201,944)	0	(1,201,944)
(238,757)	0	(238,757)
6,320	0	6,320
(299,128)	0	(299,128)
(26,624)	0	(26,624)
(57,355)	0	(57,355)
(1,619,588)	0	(1,619,588)
(645,007)	0	(645,007)
<u>(9,042,925)</u>	<u>0</u>	<u>(9,042,925)</u>
0	378,411	378,411
0	(147,395)	(147,395)
0	17,727	17,727
0	<u>(264,636)</u>	<u>(264,636)</u>
<u>0</u>	<u>(15,893)</u>	<u>(15,893)</u>
<u>(9,042,925)</u>	<u>(15,893)</u>	<u>(9,058,818)</u>
631,920	0	631,920
642,487	0	642,487
168,733	0	168,733
7,115,266	0	7,115,266
469,626	0	469,626
338,330	24,489	362,819
379,305	6,053	385,358
<u>(114,366)</u>	<u>114,366</u>	<u>0</u>
<u>9,631,301</u>	<u>144,908</u>	<u>9,776,209</u>
588,376	129,015	717,391
<u>46,715,616</u>	<u>17,010,321</u>	<u>63,725,937</u>
<u>\$47,303,992</u>	<u>\$17,139,336</u>	<u>\$64,443,328</u>

CITY OF FRANKLIN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Fire Levy</u>	<u>Debt Service</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$7,740,500	\$1,123,403	\$36,519
Materials and Supplies Inventory	20,325	0	0
Intergovernmental Receivable	287,920	22,555	0
Income Taxes Receivable	1,456,191	0	0
Property and Other Local Taxes Receivable	597,174	735,451	0
Accounts Receivable	229,978	0	0
Interfund Receivable	400,668	61,003	559,964
Special Assessments Receivable	0	0	2,830,075
Accrued Interest Receivable	32,207	0	0
Total Assets	<u>\$10,764,963</u>	<u>\$1,942,412</u>	<u>\$3,426,558</u>
Liabilities:			
Accounts Payable	\$30,880	\$7,615	\$0
Accrued Wages and Benefits	74,818	71,712	0
Contracts Payable	0	0	0
Intergovernmental Payable	143,178	47,260	0
Accrued Interest Payable	0	519	0
Interfund Payable	556,125	0	421,945
Deferred Revenue	6,331,344	757,137	2,830,075
Notes Payable	0	20,000	0
Total Liabilities	<u>7,136,345</u>	<u>904,243</u>	<u>3,252,020</u>
Fund Balances:			
Reserved:			
Reserved for Encumbrances	145,333	21,613	0
Unreserved, Undesignated, Reported in:			
General Fund	3,483,285	0	0
Special Revenue Funds	0	1,016,556	0
Debt Service Funds	0	0	174,538
Capital Projects Funds	0	0	0
Total Fund Balances	<u>3,628,618</u>	<u>1,038,169</u>	<u>174,538</u>
Total Liabilities and Fund Balances	<u>\$10,764,963</u>	<u>\$1,942,412</u>	<u>\$3,426,558</u>

See accompanying notes to the basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$1,266,880	\$10,167,302
110,434	130,759
328,597	639,072
0	1,456,191
194,029	1,526,654
0	229,978
12,184	1,033,819
85,241	2,915,316
0	32,207
<u>\$1,997,365</u>	<u>\$18,131,298</u>
\$39,060	\$77,555
7,865	154,395
129,778	129,778
122,445	312,883
481	1,000
260,999	1,239,069
507,125	10,425,681
57,000	77,000
<u>1,124,753</u>	<u>12,417,361</u>
65,352	232,298
0	3,483,285
741,840	1,758,396
0	174,538
65,420	65,420
<u>872,612</u>	<u>5,713,937</u>
<u>\$1,997,365</u>	<u>\$18,131,298</u>

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**CITY OF FRANKLIN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006**

Total Governmental Fund Balances \$5,713,937

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	18,964,095	
Infrastructure	57,254,582	
Other capital assets	11,957,023	
Accumulated depreciation	(38,574,650)	
Total capital assets		49,601,050

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

Property and Other Local Taxes	134,973	
Special Assessments	2,915,316	
Charges for Services	246,528	
Shared Taxes and Local Government Revenue Assistance	478,400	
Income Taxes	686,543	
Interest	28,548	
		4,490,308

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

23,545

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	(95,171)	
Discount on bonds	15,232	
Notes	(878,000)	
Bonds	(10,808,000)	
Police Pension	(70,981)	
Compensated absences	(687,928)	
Total liabilities		(12,524,848)

Net Assets of Governmental Activities

\$47,303,992

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, 2006

	<u>General</u>	<u>Fire Levy</u>	<u>Debt Service</u>
Revenues:			
Property and Other Local Taxes	\$605,117	\$605,445	\$0
Income Taxes	6,958,137	0	0
Special Assessments	0	0	258,131
Charges for Services	134,085	6,310	0
Fines, Licenses and Permits	624,257	0	0
Intergovernmental	538,980	354,345	0
Interest	328,429	0	222,225
Contributions and Donations	0	0	0
Other	78,666	7,761	174
Total Revenues	<u>9,267,671</u>	<u>973,861</u>	<u>480,530</u>
Expenditures:			
Current:			
General Government	2,495,147	0	0
Security of Persons and Property:			
Police	2,988,459	0	0
Fire	0	1,325,869	0
Other	226,187	0	0
Public Health and Welfare	0	0	0
Leisure Time Activities	25,000	0	0
Economic Development	0	0	0
Transportation	0	0	0
Capital Outlay	0	280,069	0
Debt Service:			
Principal Retirement	252,285	0	313,000
Interest and Fiscal Charges	263,098	13,574	298,533
Current Refunding	0	20,000	0
Total Expenditures	<u>6,250,176</u>	<u>1,639,512</u>	<u>611,533</u>
Excess of Revenues Over (Under)			
Expenditures	<u>3,017,495</u>	<u>(665,651)</u>	<u>(131,003)</u>
Other Financing Sources (Uses):			
Refunding Notes Issued	0	0	665,000
Current Refunding	0	0	(665,000)
Transfers In	0	960,000	908,900
Transfers Out	(2,826,543)	(55,829)	0
Total Other Financing Sources (Uses)	<u>(2,826,543)</u>	<u>904,171</u>	<u>908,900</u>
Net Change in Fund Balances	190,952	238,520	777,897
Fund Balances (Deficit) at Beginning of Year	<u>3,437,666</u>	<u>799,649</u>	<u>(603,359)</u>
Fund Balances at End of Year	<u>\$3,628,618</u>	<u>\$1,038,169</u>	<u>\$174,538</u>

See accompanying notes to the basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$160,412	\$1,370,974
0	6,958,137
86,397	344,528
97,641	238,036
48,342	672,599
733,099	1,626,424
405	551,059
199,519	199,519
101,285	187,886
<u>1,427,100</u>	<u>12,149,162</u>
26,815	2,521,962
322,891	3,311,350
97,188	1,423,057
103,643	329,830
64,790	64,790
219,662	244,662
30,476	30,476
696,812	696,812
738,056	1,018,125
4,975	570,260
40,133	615,338
0	20,000
<u>2,345,441</u>	<u>10,846,662</u>
<u>(918,341)</u>	<u>1,302,500</u>
213,000	878,000
0	(665,000)
967,920	2,836,820
<u>(68,814)</u>	<u>(2,951,186)</u>
<u>1,112,106</u>	<u>98,634</u>
193,765	1,401,134
<u>678,847</u>	<u>4,312,803</u>
<u>\$872,612</u>	<u>\$5,713,937</u>

CITY OF FRANKLIN, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$1,401,134

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	1,018,125	
Current Year Depreciation	<u>(2,058,342)</u>	(1,040,217)

When capital assets are disposed of, the cost of the capital assets is removed from the capital asset account in the statement of net assets resulting in a loss on sale of Capital assets in the statement of activities.

Loss on Disposal of Capital Assets		(12,298)
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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	72,166	
Special Assessments	(245,616)	
Charges for Services	55,090	
Shared Taxes and Local Government Revenue Assistance	(55,655)	
Income Taxes	157,129	
Interest	<u>9,901</u>	(6,985)

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	569,000	
Note principal retirement	685,000	
Police pension principal retirement	<u>1,260</u>	
Total long-term debt repayment		1,255,260

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

Amortization of Bond Discounts	(896)	
Amortization of Bond Issuance Costs	<u>(1,385)</u>	(2,281)

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.

(878,000)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the statement of activities is the result of the following:

Increase in Accrued Interest		(27,388)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Compensated Absences		<u>(100,849)</u>
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Change in Net Assets of Governmental Activities		<u>\$588,376</u>
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See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and Other Local Taxes	\$592,928	\$592,928	\$601,422	\$8,494
Income Taxes	4,946,319	4,946,319	11,299,496	6,353,177
Charges for Services	131,600	131,600	134,085	2,485
Fines, Licenses, and Permits	617,450	617,450	620,404	2,954
Intergovernmental	566,477	566,477	566,477	0
Interest	200,000	200,000	259,880	59,880
Other	79,626	79,626	79,626	0
Total Revenues	7,134,400	7,134,400	13,561,390	6,426,990
Expenditures:				
Current:				
General Government	2,753,602	2,865,892	2,508,657	357,235
Security of Persons and Property:				
Police Law Enforcement	3,184,776	3,335,886	3,174,790	161,096
Building Inspection	269,820	269,820	246,313	23,507
Leisure Time Activities	0	0	25,000	(25,000)
Total Expenditures	6,208,198	6,471,598	5,954,760	516,838
Excess of Revenues Over Expenditures	926,202	662,802	7,606,630	6,943,828
Other Financing Uses:				
Transfers Out	(1,773,128)	(2,593,081)	(2,826,543)	(233,462)
Net Change in Fund Balance	(846,926)	(1,930,279)	4,780,087	6,710,366
Fund Balance at Beginning of Year	2,963,843	2,963,843	2,963,843	0
Prior Year Encumbrances Appropriated	10,585	10,585	10,585	0
Fund Balance at End of Year	\$2,127,502	\$1,044,149	\$7,754,515	\$6,710,366

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, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and Other Local Taxes	\$580,091	\$580,091	\$605,445	\$25,354
Charges for Services	0	0	6,310	6,310
Intergovernmental	61,104	61,104	79,175	18,071
Other	9,560	9,560	7,761	(1,799)
Total Revenues	650,755	650,755	698,691	47,936
Expenditures:				
Current:				
Security of Persons and Property:				
Fire	2,135,573	1,560,062	1,273,154	286,908
Capital Outlay	2,500	544,442	366,103	178,339
Total Expenditures	2,138,073	2,104,504	1,639,257	465,247
Excess of Revenues Over (Under) Expenditures	(1,487,318)	(1,453,749)	(940,566)	513,183
Other Financing Sources (Uses):				
Transfers In	959,245	959,245	960,000	755
Transfers Out	0	0	(151,329)	(151,329)
Total Other Financing Sources (Uses)	959,245	959,245	808,671	(150,574)
Net Change in Fund Balance	(528,073)	(494,504)	(131,895)	362,609
Fund Balance at Beginning of Year	917,222	917,222	917,222	0
Prior Year Encumbrances Appropriated	36,620	36,620	36,620	0
Fund Balance at End of Year	\$425,769	\$459,338	\$821,947	\$362,609

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2006

	Water	Sewer	Trash	Stormwater Utility	Total
Assets:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$227,376	\$450,184	\$133,591	\$621,569	\$1,432,720
Cash and Cash Equivalents with Trustee	379,474	0	0	0	379,474
Materials and Supplies Inventory	26,736	0	0	0	26,736
Accounts Receivable, Net	292,692	428,664	48,043	58,424	827,823
Interfund Receivable	0	0	0	389,500	389,500
Restricted Assets:					
Cash and Cash Equivalents	2,755,000	0	0	0	2,755,000
Total Current Assets	3,681,278	878,848	181,634	1,069,493	5,811,253
Noncurrent Assets:					
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	341,585	46,358	0	0	387,943
Cash and Cash Equivalents with Trustee	262,388	0	0	0	262,388
Deferred Charges	220,388	0	0	0	220,388
Nondepreciable Capital Assets	982,864	0	0	564,483	1,547,347
Depreciable Capital Assets, Net	4,196,576	4,370,255	0	10,937,426	19,504,257
Total Noncurrent Assets	6,003,801	4,416,613	0	11,501,909	21,922,323
Total Assets	9,685,079	5,295,461	181,634	12,571,402	27,733,576
Liabilities:					
Current Liabilities:					
Accounts Payable	5,196	356	1,633	4,480	11,665
Accrued Wages and Benefits	5,186	12,684	1,790	0	19,660
Contracts Payable	0	139,068	0	142,562	281,630
Intergovernmental Payable	19,253	22,725	3,405	4,224	49,607
Accrued Interest Payable	130,700	0	0	36,327	167,027
Interfund Payable	178,581	1,508	0	4,161	184,250
OWDA Loans Payable	49,231	0	0	0	49,231
Compensated Absences Payable	34,875	32,827	0	18,371	86,073
Revenue Bonds Payable	325,000	0	0	0	325,000
Total Current Liabilities	748,022	209,168	6,828	210,125	1,174,143
Long Term Liabilities:					
Compensated Absences Payable	63,431	64,585	0	3,073	131,089
Notes Payable	0	0	0	1,245,000	1,245,000
Revenue Bonds Payable	5,843,735	0	0	0	5,843,735
OWDA Loans Payable	2,107,550	0	0	0	2,107,550
Refundable Deposits	46,365	46,358	0	0	92,723
Total Long Term Liabilities	8,061,081	110,943	0	1,248,073	9,420,097
Total Liabilities	8,809,103	320,111	6,828	1,458,198	10,594,240
Net Assets:					
Invested in Capital Assets, Net of Related Debt (Deficit)	(265,185)	4,370,055	0	10,401,909	14,506,779
Restricted for:					
Debt Service	587,392	0	0	0	587,392
Revenue Bonds					
Replacement and Improvement	295,220	0	0	0	295,220
Unrestricted	258,549	605,295	174,806	711,295	1,749,945
Total Net Assets	\$875,976	\$4,975,350	\$174,806	\$11,113,204	\$17,139,336

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, 2006

	Water	Sewer	Trash	Stormwater Utility	Total
Operating Revenues:					
Charges for Services	\$2,571,541	\$2,267,333	\$591,737	\$448,074	\$5,878,685
Other	0	3,036	0	0	3,036
Total Operating Revenues	2,571,541	2,270,369	591,737	448,074	5,881,721
Operating Expenses:					
Personal Services	463,664	434,425	58,590	227,922	1,184,601
Contractual Services	904,643	1,705,936	507,199	61,325	3,179,103
Supplies and Materials	135,911	57,736	8,221	4,549	206,417
Depreciation	146,185	148,065	0	375,209	669,459
Other	4,587	68,566	0	0	73,153
Total Operating Expenses	1,654,990	2,414,728	574,010	669,005	5,312,733
Operating Income (Loss)	916,551	(144,359)	17,727	(220,931)	568,988
Non-Operating Revenues/(Expenses)					
Interest	24,489	0	0	0	24,489
Other Non-Operating Revenues	2,634	0	122	261	3,017
Interest and Fiscal Charges	(538,140)	0	0	(43,705)	(581,845)
Total Non-Operating Revenues (Expenses)	(511,017)	0	122	(43,444)	(554,339)
Income (Loss) Before Transfers	405,534	(144,359)	17,849	(264,375)	14,649
Transfers In	5,301	205,301	0	0	210,602
Transfers Out	(45,000)	(45,000)	(6,150)	(86)	(96,236)
Change in Net Assets	365,835	15,942	11,699	(264,461)	129,015
Net Assets at Beginning of Year	510,141	4,959,408	163,107	11,377,665	17,010,321
Net Assets at End of Year	\$875,976	\$4,975,350	\$174,806	\$11,113,204	\$17,139,336

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Water	Sewer	Trash	Stormwater Utility	Totals
<u>Increase (Decrease) in Cash and Cash Equivalents</u>					
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$2,573,900	\$2,306,269	\$583,988	\$430,817	\$5,894,974
Cash Paid for Employee Services and Benefits	(449,682)	(404,061)	(54,837)	(202,254)	(1,110,834)
Cash Paid to Suppliers for Goods and Services	(1,066,563)	(1,929,216)	(515,712)	(82,341)	(3,593,832)
Utility Deposits Received	22,210	22,203	0	0	44,413
Utility Deposits Returned	0	(19,550)	0	0	(19,550)
Other Operating Revenues	0	3,036	122	0	3,158
Other Non-Operating Revenues	2,634	89,928	0	261	92,823
Net Cash Provided by Operating Activities	1,082,499	68,609	13,561	146,483	1,311,152
<u>Cash Flows from Noncapital Financing Activities:</u>					
Operating Transfers - In From Other Funds	5,301	205,301	0	0	210,602
Repayment of Short Term Loan to Another Fund	0	0	0	750,000	750,000
Operating Transfers - Out To Other Funds	(45,000)	(45,000)	(6,150)	(86)	(96,236)
Net Cash Provided by (Used for) Noncapital Financing Activities	(39,699)	160,301	(6,150)	749,914	864,366
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Premium on Refunding Bonds Issued	61,619	0	0	0	61,619
Proceeds of Mortgage Revenue Refunding Bonds	6,140,000	0	0	0	6,140,000
Acquisition of Capital Assets	0	0	0	(503,126)	(503,126)
Interest Paid on Bond Anticipation Notes	0	0	0	(31,022)	(31,022)
Principal Paid on Bond Anticipation Notes	0	0	0	(1,284,500)	(1,284,500)
Interest Paid on OWDA Loans	(155,634)	0	0	0	(155,634)
Principal Paid on OWDA Loans	(95,280)	0	0	0	(95,280)
Interest Paid on Mortgage Revenue Bonds	(337,810)	0	0	0	(337,810)
Principal Paid on Mortgage Revenue Bonds	(3,385,000)	0	0	0	(3,385,000)
Bond Issuance Cost on Mortgage Revenue Bonds	(222,570)	0	0	0	(222,570)
Proceeds of Bond Anticipation Notes	0	0	0	1,245,000	1,245,000
Net Cash Provided by (Used for) Capital and Related Financing Activities	2,005,325	0	0	(573,648)	1,431,677
<u>Cash Flows from Investing Activities:</u>					
Interest and Dividends	24,489	0	0	0	24,489
Net Cash Provided By Investing Activities	24,489	0	0	0	24,489
Net Increase (Decrease) in Cash and Cash Equivalents	3,072,614	228,910	7,411	322,749	3,631,684
Cash and Cash Equivalents at Beginning of Year	893,209	267,632	126,180	298,820	1,585,841
Cash and Cash Equivalents at End of Year	\$3,965,823	\$496,542	\$133,591	\$621,569	\$5,217,525

(continued)

CITY OF FRANKLIN, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
(continued)

	Water	Sewer	Trash	Stormwater Utility	Totals
Reconciliation of Operating Income (Loss) to <u>Net Cash Provided by Operating Activities:</u>					
Operating Income (Loss)	<u>\$916,551</u>	<u>(\$144,359)</u>	<u>\$17,727</u>	<u>(\$220,931)</u>	<u>\$568,988</u>
Adjustments to Reconcile Operating Income (Loss) to <u>Net Cash Provided by Operating Activities:</u>					
Depreciation Expense	146,185	148,065	0	375,209	669,459
Other Non-Operating Revenues	2,634	0	122	261	3,017
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	2,359	38,936	(7,749)	(17,257)	16,289
Increase (Decrease) in Accounts Payable	(1,872)	(4,185)	73	(19,249)	(25,233)
Increase (Decrease) in Contracts Payable	0	(2,865)	(365)	2,782	(448)
Increase in Accrued Wages and Benefits	204	2,158	1,510	0	3,872
Increase in Compensated Absences Payable	13,347	23,024	0	21,444	57,815
Increase in Due to Other Governments	431	5,182	2,243	4,224	12,080
Increase in Refundable Deposits Payable	2,660	2,653	0	0	5,313
Total Adjustments	<u>165,948</u>	<u>212,968</u>	<u>(4,166)</u>	<u>367,414</u>	<u>742,164</u>
Net Cash Provided by Operating Activities	<u>\$1,082,499</u>	<u>\$68,609</u>	<u>\$13,561</u>	<u>\$146,483</u>	<u>\$1,311,152</u>

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2006

Assets:

Equity in Pooled Cash and Cash Equivalents	\$27,298
Cash in Segregated Accounts	55,142
Intergovernmental Receivable	<u>2,872</u>

Total Assets \$85,312

Liabilities:

Intergovernmental Payable	\$27,667
Undistributed Monies	53,806
Deposits Held and Due to Others	<u>3,839</u>

Total Liabilities \$85,312

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

THE REPORTING ENTITY

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

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

The Franklin Municipal Building Corporation was created under State statute as a corporation whose only purpose is to provide funding for the construction of the City's administration and service buildings. The City appoints a majority of the governing board and is liable for the debt of the organization. Because this service entirely benefits the City, the Franklin Municipal Building Corporation is presented as a blended component unit of the City and has been included as part of the primary government. There was no financial activity in the Corporation in 2006.

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 18 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)

Miami Valley Regional Planning Commission

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

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, 2006

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 expenditures related to the fire department.

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

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.

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

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 five 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 of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

FUND FINANCIAL STATEMENTS

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

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

BASIS OF ACCOUNTING

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

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, 2006, but were levied to finance 2007 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, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS AND BUDGETARY ACCOUNTING

All funds, except agency funds, are legally required to be budgeted and appropriated. During 2006, the FEMA Special Revenue Fund had no cash activity and therefore no budgetary statement is presented. 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 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 reported as the final budgeted amounts represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

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

CASH AND CASH EQUIVALENTS

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

During the year, investments were limited to nonnegotiable and negotiable certificates of deposit, STAROhio, Federal Home Loan Bank Bonds, Federal Farm Credit Banks Bonds, Federal Home Loan Mortgage Corporation Medium Term Notes, Federal National Mortgage Association Medium Term 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. Mutual funds are reported at fair value, which is determined by the mutual fund's current share price.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2006. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2006.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General fund during 2006 amounted to \$328,429 which includes \$177,040 assigned from other funds.

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

MATERIALS AND SUPPLIES INVENTORY

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

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

BOND DISCOUNTS, PREMIUMS/ISSUANCE COSTS

On the government-wide financial statements (and in the enterprise funds), bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line (bonds outstanding) method, which approximates the effective interest method. Bond premiums/discounts are presented as additions/reductions to the face amount of bonds payable. Issuance costs are amortized on a straight-line basis over the term of the bonds and are reported as deferred charges.

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

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.

INTERNAL ACTIVITY

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

NET ASSETS

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The government wide statement of net assets reports \$6,036,966 of restricted net assets, of which none are restricted by enabling legislation.

OPERATING REVENUES AND EXPENSES

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

ESTIMATES

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2006, the City has implemented *GASB Statement No. 44, “Economic Condition Reporting: The Statistical Section”*, an amendment of NCGA Statement 1 and *GASB Statement No. 47, “Accounting for Termination Benefits.”*

GASB Statement No. 44 defines the requirements for the statistical tables in the Comprehensive Annual Financial Report.

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the City’s financial statements for 2006.

Restatement of Prior Year Net Assets

During 2006 it was found that special assessments receivable was understated. The understatement had the following effect on net assets of the City

	Governmental Activities
Net Assets, December 31, 2005 as Reported	\$46,207,446
Restatement of Special Assessments Receivable	508,170
Net Assets, December 31, 2005 as Restated	\$46,715,616

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis	\$190,952	\$238,520
Revenue Accruals	(157,645)	522
Prepaid Income Tax	4,550,000	0
Expenditure Accruals	447,590	26,019
Encumbrances	(152,174)	(25,764)
Net Decrease in Fair Value of Investments - 2006	26,856	0
Net Decrease in Fair Value of Investments - 2005	(61,297)	0
Unrecorded Cash	(64,195)	(275,692)
Transfers	0	(95,500)
Budget Basis	<u>\$4,780,087</u>	<u>(\$131,895)</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS

POLICIES AND PROCEDURES

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bond, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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,

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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. Investments may only be made through specified dealers and institutions.

INVESTMENTS

As of December 31, 2006, the City had the following investments:

Investment Type	Fair Value/ Cost	Investment Maturities (in Years)		
		Less Than 1	1-2	2-5
Negotiable Certificate of Deposit	\$89,747	\$89,747	\$0	\$0
STAROhio	221,021	221,021	0	0
Federal Home Loan Bank Bonds	1,215,716	695,595	520,121	0
Federal Farm Credit Banks Bonds	106,562	0	0	106,562
Federal Home Loan Mortgage Corporation Medium Term Notes	788,377	495,190	244,217	48,970
Federal National Mortgage Association Medium Term Notes	265,846	246,015	19,831	0
Smith Barney Government Money Market Mutual Fund	53,677	53,677	0	0
Leggs Mason Partners Short/Intermediate US Government Mutual Fund	1,036,008	1,036,008	0	0
Morgan Stanley Money Market Mutual Fund	13,558	0	0	0
Total Investments	\$3,790,512	\$2,837,253	\$784,169	\$155,532

INTEREST RATE RISK

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

CREDIT RISK

The negotiable certificate of deposit is in a denomination of less than \$100,000, and is insured by the Federal Deposit Insurance Corporation. It is, therefore, not subject to credit risk. STAROhio carries a rating of AAAM by Standard & Poor's. The Federal Home Loan Bank Bonds, Federal Farm Credit Banks Bonds, Federal Home Loan Mortgage Corporation Medium Term Notes, Federal National Mortgage Association Medium Term Notes, and Leggs Mason Partners Short/Intermediate US Government Mutual Fund carry a rating of Aaa by Moody's. The Morgan Stanley Money Market Mutual Fund and the Smith Barney Government Money Market Mutual Fund have not been rated. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no additional policy regarding credit risk.

CONCENTRATION OF CREDIT RISK

The City places no limit on the amount it may invest in any one issuer. The City's investments in the Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Medium Term Notes, Federal National Mortgage Association Medium Term Notes, and Legg Mason Partners Short/Intermediate US Government Fund represent 32.1 percent, 20.8 percent, 7.0 percent, and 27.3 percent respectively, of the City's total investments.

NOTE 6 - COMPLIANCE AND ACCOUNTABILITY

COMPLIANCE

The City had appropriations in excess of estimated receipts plus available balances in the Debt Service Fund, Water, Sewer, and Stormwater Utility Enterprise Funds, Community Development & Improvement and Police and Fire Pension Nonmajor Special Revenue Funds and the Issue II and Capital Improvement Nonmajor Capital Project Funds in the amounts of \$1,919,115, \$6,186,301, \$61,155, \$706,867, \$219,840, \$33,792, \$619,078, and \$29,198, respectively.

The City will monitor budgetary control more closely to ensure that all adjustments are filed with the County Auditor.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 6 – COMPLIANCE AND ACCOUNTABILITY (continued)

The following accounts had an excess of expenditures over final appropriations for the year-ended December 31, 2006:

Fund Type/Fund/Department/Object	Final Appropriations	Expenditures	Excess
General Fund			
General Government			
Clerk and Council			
Personal Services	\$69,083	\$69,328	(\$245)
Planning Commission			
Personal Services	0	850	(850)
Buildings and Grounds			
Other	105,260	105,286	(26)
Security of Persons and Property			
Police			
Personal Services	2,487,052	2,570,823	(83,771)
Building Inspection			
Personal Services	198,365	200,006	(1,641)
Leisure Time Activities			
Other	0	25,000	(25,000)
Transfers Out	2,593,081	2,826,543	(233,462)
Special Revenue Funds			
Fire Levy Fund			
Transfers Out	0	151,329	(151,329)
Transportation Fund			
Street Maintenance and Repair			
Other	162,924	237,514	(74,590)
State Highway Maintenance			
Other	34,000	44,087	(10,087)
Court Fund			
Public Health and Welfare			
Other	27,624	64,790	(37,166)
Municipal Buildings Fund			
Capital Outlay			
Other	0	13,000	(13,000)
Debt Service Fund			
Debt Service			
Interest and Fiscal Charges	647,853	647,937	(84)
Enterprise Funds			
Water Fund			
Bond Issuance Costs	116,620	222,570	(105,950)
Transfers Out	0	326,497	(326,497)
Sewer Fund			
Transfers Out	0	45,000	(45,000)
Stormwater Utility Fund			
Personal Services	113,209	202,254	(89,045)

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 6 – COMPLIANCE AND ACCOUNTABILITY (continued)

The following funds had final appropriations in excess of final estimated resources plus available balances for the year-ended December 31, 2006:

Fund	Estimated Resources and Balances	Appropriations	Excess
Special Revenue Funds:			
Debt Service	\$1,587,238	\$3,506,353	(\$1,919,115)
Community Development & Improvement	30,766	250,606	(219,840)
Police and Fire Pension	386,156	419,948	(33,792)
Capital Projects Funds:			
Issue II	2,749,458	3,368,536	(619,078)
Capital Improvement	244,764	273,962	(29,198)
Enterprise Funds:			
Water	2,841,568	9,027,869	(6,186,301)
Sewer	2,757,632	2,818,787	(61,155)
Stormwater Utility	698,820	1,405,687	(706,867)

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

ACCOUNTABILITY

At year-end, the Police and Fire Pension Nonmajor Special Revenue Fund and the Issue II Nonmajor Capital Projects Fund had deficit fund balances of \$33,204 and \$300,905, respectively. These deficits are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund provides transfers to cover deficit balances; however, this is only done when cash is needed rather than when accruals occur.

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 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 7 - PROPERTY TAXES (continued)

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. In prior years, tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2006, was \$3.95 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$201,872,660
Personal Property	31,337,213
Public Utility Personal Property	13,093,660
Totals	\$246,303,533

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.

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, 2006 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 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 2006, the proceeds were allocated to the General Fund.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 9 - RECEIVABLES

Receivables at December 31, 2006 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 \$2,654,767. The City has \$69,744 in delinquent special assessments at December 31, 2006.

A summary of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Local Government Assistance	\$238,697
Estate Tax	10,217
Homestead, Rollback and Exemption	47,234
10,000 Personal Property Tax Exemption	1,719
Charges for Services	16,550
Gas Tax	149,264
Motor Vehicle Tax	83,570
Permissive Motor Vehicle Tax	12,388
Buildings Standards Fee	2,872
Commercial Vehicle Tax	38,183
Ohio Public Works Commission	38,378
Total Governmental Activities	<u><u>\$639,072</u></u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance At December 31, 2005	Additions	Deletions	Balance At December 31, 2006
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$18,964,095	\$0	\$0	\$18,964,095
Construction in Progress	0	148,311	0	148,311
Total Capital Assets, Not Being Depreciated	<u>18,964,095</u>	<u>148,311</u>	<u>0</u>	<u>19,112,406</u>
Depreciable Capital Assets:				
Land Improvements	1,268,173	0	0	1,268,173
Buildings	6,869,171	0	0	6,869,171
Equipment	878,313	190,956	(20,375)	1,048,894
Vehicles	2,556,360	156,874	(90,760)	2,622,474
Infrastructure	56,732,598	521,984	0	57,254,582
Total Depreciable Capital Assets	<u>68,304,615</u>	<u>869,814</u>	<u>(111,135)</u>	<u>69,063,294</u>
Total Capital Assets At Historical Cost	<u>87,268,710</u>	<u>1,018,125</u>	<u>(111,135)</u>	<u>88,175,700</u>
Less Accumulated Depreciation:				
Land Improvements	(780,756)	(51,458)	0	(832,214)
Buildings	(1,055,227)	(137,383)	0	(1,192,610)
Equipment	(414,316)	(169,011)	11,435	(571,892)
Vehicles	(1,846,082)	(205,116)	87,402	(1,963,796)
Infrastructure	(32,518,764)	(1,495,374)	0	(34,014,138)
Total Accumulated Depreciation	<u>(36,615,145)</u>	<u>(2,058,342) *</u>	<u>98,837</u>	<u>(38,574,650)</u>
Depreciable Capital Assets, Net	<u>31,689,470</u>	<u>(1,188,528)</u>	<u>(12,298)</u>	<u>30,488,644</u>
Governmental Activities Capital Assets, Net	<u>\$50,653,565</u>	<u>(\$1,040,217)</u>	<u>(\$12,298)</u>	<u>\$49,601,050</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 10 - CAPITAL ASSETS (continued)

	Balance At December 31, 2005	Additions	Deletions	Balance At December 31, 2006
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$982,864	\$0	\$0	\$982,864
Construction in Progress	0	564,483	0	564,483
Total Capital Assets, Not Being Depreciated	<u>982,864</u>	<u>564,483</u>	<u>0</u>	<u>1,547,347</u>
Depreciable Capital Assets:				
Land Improvements	12,921	0	0	12,921
Buildings	72,700	0	0	72,700
Equipment	134,272	0	0	134,272
Vehicles	272,421	78,423	(6,510)	344,334
Infrastructure	32,301,571	0	0	32,301,571
Total Depreciable Capital Assets	<u>32,793,885</u>	<u>78,423</u>	<u>(6,510)</u>	<u>32,865,798</u>
Total Capital Assets At Historical Cost	<u>33,776,749</u>	<u>642,906</u>	<u>(6,510)</u>	<u>34,413,145</u>
Less Accumulated Depreciation:				
Land Improvements	(1,938)	(646)	0	(2,584)
Buildings	(10,620)	(1,454)	0	(12,074)
Equipment	(86,617)	(8,363)	0	(94,980)
Vehicles	(252,306)	(21,239)	6,510	(267,035)
Infrastructure	(12,347,111)	(637,757)	0	(12,984,868)
Total Accumulated Depreciation	<u>(12,698,592)</u>	<u>(669,459)</u>	<u>6,510</u>	<u>(13,361,541)</u>
Depreciable Capital Assets, Net	<u>20,095,293</u>	<u>(591,036)</u>	<u>0</u>	<u>19,504,257</u>
Business-Type Activities Capital Assets, Net	<u>\$21,078,157</u>	<u>(\$26,553)</u>	<u>\$0</u>	<u>\$21,051,604</u>

* Depreciation expense was charged to governmental programs as follows:

General Government	\$46,310
Security of Persons and Property:	
Police	67,312
Fire	223,576
Other	1,923
Leisure Time Activities	52,198
Basic Utility Services	57,355
Transportation	<u>1,609,668</u>
Total Depreciation Expense	<u>\$2,058,342</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

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 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 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. The City's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.43 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, 2006, 2005, and 2004 were \$253,133, \$227,417 and \$215,156 respectively; 83.24 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$1,096 made by the City and \$720 made by the plan members.

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.

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 OP&F for 2006, 2005, and 2004 were \$243,210, \$151,248, and \$127,202. The full amount has been contributed for 2005 and 2004. 71.02 percent for police officers and 78.31 percent for firefighters have been contributed for 2006.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 12 – 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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 local government employer contribution rate was 9.2 percent of covered payroll (12.43 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 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 costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$123,815. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

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 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 11.75 percent of covered payroll and the total firefighter employer contribution rate is 16.25 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors 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 2006 that were used to fund postemployment benefits were \$113,878 for police and \$33,650 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

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, 2006, the unfunded liability of the City was \$70,981, 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 13 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

City employees earn sick leave at a rate of 4.62 hours per 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 were hired before June 7, 2005 and leave City employment for reasons other than death or retirement will be paid 50 percent of accumulated sick leave up to a maximum of 75 days (600 hours). Employees hired on or after June 7, 2005 will be paid 25 percent of accumulated sick leave up to a maximum payment of 240 hours.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 13 - OTHER EMPLOYEE BENEFITS (continued)

Accumulated Unpaid Compensatory Time

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

HEALTH CARE BENEFITS

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

DEFERRED COMPENSATION

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

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

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 14 - RISK MANAGEMENT (continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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

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

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.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 15 - LONG -TERM OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2006 follows:

Types/Issues	Balance January 1, 2006	Increases	Decreases	Balance December 31, 2006	Due Within One Year
<u>Special Assessment Bonds with Governmental Commitment</u>					
6.85% - 1991 Franklin Commerce Improvement - \$1,340,000	\$630,000	\$0	\$85,000	\$545,000	\$95,000
7.125% - 1989 Shady Glenn - \$170,000	45,000	0	9,000	36,000	9,000
6.00% - 1995 Miller Stub Street - \$78,513	50,000	0	4,000	46,000	4,000
5.75% - 1995 Shotwell Drive - \$227,000	147,000	0	11,000	136,000	12,000
5.80% - 1997 Franklin Commerce Center - \$577,400	405,000	0	25,000	380,000	30,000
5.00% - 1998 Scholl Road - \$514,177	380,000	0	20,000	360,000	25,000
5.00% - 1998 Fourth Street Improvement - \$337,705	250,000	0	15,000	235,000	15,000
5.00% - 1998 Schumaker-Franklin - \$1,322,708	1,005,000	0	60,000	945,000	60,000
5.00% - 1998 Deardoff Phase II - \$158,410	120,000	0	5,000	115,000	5,000
5.70% - 1999 Eastlawn Sewer Line Extension - \$119,779	90,000	0	5,000	85,000	5,000
5.125% - 2001 Shotwell Drive Phase III - \$490,000	435,000	0	15,000	420,000	20,000
TOTAL-Special Assessment Bonds	\$3,557,000	\$0	\$254,000	\$3,303,000	\$280,000

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Types/Issues	Balance January 1, 2006	Increases	Decreases	Balance December 31, 2006	Due Within One Year
<u>General Obligation Bonds</u>					
<u>(Unvoted)</u>					
4.25% - 6.10% 1994 Road Extension - \$1,730,000	\$490,000	\$0	\$155,000	\$335,000	\$165,000
4.625% - 5.125% 2001 Street Improvement - \$920,000	810,000	0	30,000	780,000	35,000
3.00% - 5.25% 2002 Public Works Facility - \$4,625,000	4,475,000	0	50,000	4,425,000	50,000
4.00% - 5.00% 2003 Various Purpose - \$960,000	890,000	0	35,000	855,000	35,000
1.50% - 4.65% 2003 Administrative and Court Facility Improvements - \$1,260,000 Discount on Debt Issue	1,155,000 (16,128)	0 0	45,000 (896)	1,110,000 (15,232)	50,000 0
TOTAL-General Obligation Bonds	7,803,872	0	314,104	7,489,768	335,000
<u>Other Long-Term Obligations</u>					
2.83% - 2005 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$600,000	405,000	0	405,000	0	0
2.73% - 2005 Road Improvement Bond Anticipation Notes \$280,000	280,000	0	280,000	0	0
3.75% - 2006 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$550,000	0	385,000	0	385,000	0
4.05% - 2006 Road Improvement Bond Anticipation Notes \$280,000	0	280,000	0	280,000	0
3.75% - 2006 Road Improvement and Street Sweeper Bond Anticipation Notes \$270,000	0	213,000	0	213,000	0
Compensated Absences	587,079	359,884	259,035	687,928	194,102
2.50% - Police and Fire Pension	72,241	0	1,260	70,981	1,313
TOTAL-Other Long-Term Obligations	1,344,320	1,237,884	945,295	1,636,909	195,415
TOTAL- All General Long-Term Obligations	\$12,705,192	\$1,237,884	\$1,513,399	\$12,429,677	\$810,415

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

On November 1, 1994, the City issued \$1,730,000 in General Obligation Bonds for the purpose of making road improvements. The bonds will be paid from the Capital Improvement Capital Projects fund.

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

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

On October 1, 2001, the City issued \$920,000 in General Obligation Bonds for the purpose of retiring Bond Anticipation Notes that were issued for making improvements to Second Street. The bonds will be paid from the 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, 2006

NOTE 15 - LONG -TERM OBLIGATIONS (continued)

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

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

On April 25, 2005, the City issued a \$600,000 Bond Anticipation Note for the purpose of purchasing fire equipment and conducting a stormwater drainage study. \$455,000 was related to the purchase of fire equipment, a governmental activity, and \$145,000 was related to the stormwater drainage study, a business-type activity. On April 26, 2006, the City paid \$50,000 toward the fire equipment portion of the note and reissued the note for \$550,000. \$405,000 of the new note was for the fire equipment purchase and \$145,000 was for stormwater drainage study. On March 6, 2007, the City paid \$20,000 toward the fire equipment portion of the note and refinanced the remaining \$530,000. Therefore, the \$405,000 fire equipment portion of the \$550,000 liability outstanding at December 31, 2006 will be split with \$385,000 presented as a long-term liability and \$20,000 presented as a fund liability in the fund financial statements. The \$145,000 stormwater drainage study portion is presented as a long-term liability of the business-type activities.

On July 21, 2005, the City issued a \$280,000 Bond Anticipation Note for the purpose of making road improvements. On July 19, 2006, the City reissued the entire \$280,000 into a new note. On March 6, 2007, the City refinanced the entire \$280,000 into a new note. Therefore, the \$280,000 liability outstanding at December 31, 2006 is presented as a long-term liability.

On October 13, 2005, the City issued \$270,000 Bond Anticipation Note for the purpose making road improvements and acquiring a street sweeper. \$213,000 was related to the road improvements and \$57,000 was related to street sweeper. Both are governmental activities. On October 11, 2006, the City reissued the entire note for \$270,000. On March 6, 2007, the City paid \$57,000 toward the street sweeper portion of the note and refinanced the remaining \$213,000. Therefore, the \$270,000 liability outstanding at December 31, 2006 will be split with \$213,000 presented as a long-term liability and \$57,000 presented as a fund liability in the fund financial statements.

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

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

Changes in the long-term obligations reported in the business-type activities of the City during 2006 were as follows:

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Types/Issues	Balance January 1, 2006	Increases	Decreases	Balance December 31, 2006	Due Within One Year
6.70% OWDA Loans - \$2,947,907	\$2,252,061	\$0	\$95,280	\$2,156,781	\$49,231
4.00% - 5.80% Mortgage Revenue Bonds - \$4,215,000	3,385,000	0	3,385,000	0	0
4.000% - 4.125% - Mortgage Revenue Refunding Bonds - \$6,140,000	0	6,140,000	0	6,140,000	325,000
Unamortized Gain	0	(32,600)	(320)	(32,280)	0
Premium on Debt Issue	0	61,619	604	61,015	0
2.83% - 2005 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$600,000	145,000	0	145,000	0	0
2.73% - 2005 Stormwater Drainage Improvement Project Bond Anticipation Notes - \$1,139,500	1,100,000	0	1,100,000	0	0
3.75% - 2006 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$550,000	0	145,000	0	145,000	0
3.65% - 2006 Stormwater Drainage Improvement Project Bond Anticipation Notes - \$1,100,000	0	1,100,000	0	1,100,000	0
Compensated Absences	159,347	95,037	37,222	217,162	86,073
TOTAL - Business Type-Activities	\$7,041,408	\$7,509,056	\$4,762,786	\$9,787,678	\$460,304

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

During 2006, the City refunded and paid off the Mortgage Revenue Bonds on the callable date of December 1, 2006. The Refunded Mortgage Revenue bonds are for the improvements to the City's water system and purchase of water treatment plant. Bonds will be paid from Water fund operating revenues. The refunding resulted in a difference of \$410,758 between the net carrying amount of the old debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the 2006 refunding bonds using the straight line method. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$297,418. As of December 31, 2006, \$2,755,000 of the bond proceeds are unspent and are reported as Restricted Assets: Cash and Cash Equivalents due to the fact they are being held for the purchase of the water treatment plant from Earth Tech.

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.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$17,401,871 with an unvoted debt margin of \$5,086,694.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2006 are:

Governmental Activities				
Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2007	\$335,000	\$359,048	\$280,000	\$183,778
2008	340,000	342,790	290,000	167,292
2009	270,000	325,939	312,000	150,212
2010	285,000	315,155	333,000	131,818
2011	300,000	303,301	345,000	112,191
2012-2016	1,700,000	1,310,854	1,328,000	325,913
2017-2021	2,195,000	869,075	415,000	43,038
2022-2026	1,750,000	340,964	0	0
2027	330,000	17,326	0	0
Totals	\$7,505,000	\$4,184,452	\$3,303,000	\$1,114,242

Business-Type Activities				
Year	Mortgage Revenue Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2007	\$325,000	\$267,794	\$49,231	\$76,226
2008	355,000	234,194	105,266	145,648
2009	365,000	219,992	112,539	138,374
2010	380,000	205,392	120,316	130,598
2011	395,000	190,194	128,630	122,284
2012-2016	2,240,000	699,770	789,412	465,157
2017-2021	1,805,000	245,472	851,387	152,028
2022	275,000	11,000	0	0
	\$6,140,000	\$2,073,808	\$2,156,781	\$1,230,315

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. The outstanding balance at December 31, 2006 on the revenue housing bonds is \$6,190,000.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year-ended December 31, 2006 follows:

Fund Type	Balance January 1, 2006	Increase	Decrease	Balance December 31, 2006
<u>Governmental</u>				
Special Revenue				
3.25% - 2005 Street Sweeper				
Bond Anticipation Notes \$57,000	\$57,000	\$0	\$57,000	\$0
2.83% - 2005 Consolidated Fire				
Equipment and Stormwater Study				
Bond Anticipation Notes \$600,000	50,000	0	50,000	0
3.75% - 2006 Street Sweeper				
Bond Anticipation Notes \$57,000	0	57,000	0	57,000
3.75% - 2006 Consolidated Fire				
Equipment and Stormwater Study				
Bond Anticipation Notes \$550,000	0	20,000	0	20,000
Total Special Revenue	<u>107,000</u>	<u>77,000</u>	<u>107,000</u>	<u>77,000</u>
Capital Projects				
3.25% - 2005 Road Improvement				
Bond Anticipation Notes \$213,000	213,000	0	213,000	0
Total Governmental Funds	<u>\$320,000</u>	<u>\$77,000</u>	<u>\$320,000</u>	<u>\$77,000</u>
<u>Business-Type Activities</u>				
2.73% - 2005				
Stormwater Drainage Improvement				
Project Bond Anticipation				
Notes - \$1,139,500	<u>\$39,500</u>	<u>\$0</u>	<u>\$39,500</u>	<u>\$0</u>

The activity related to the long-term obligations of the business-type activities are discussed in Note 15.

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 17 - INTERFUND ACTIVITY

INTERFUND RECEIVABLE/PAYABLE

Interfund balances at December 31, 2006, consist of the following individual fund receivables and payables:

		Receivable					Total
		General	Fire Levy	Debt Service	Nonmajor Governmental	Stormwater Utility	
Payable	General	\$0	\$28,558	\$515,383	\$12,184	\$0	\$556,125
	Debt Service Fund	0	32,445	0	0	389,500	421,945
	Nonmajor Governmental	225,366	0	35,633	0	0	260,999
	Water	175,302	0	3,279	0	0	178,581
	Sewer	0	0	1,508	0	0	1,508
	Storm Water Utility	0	0	4,161	0	0	4,161
	Total	\$400,668	\$61,003	\$559,964	\$12,184	\$389,500	\$1,423,319

The amount due to the General Fund from the Water Fund relates to note issuance costs paid by the General Fund on behalf of the Water Fund. The amount due to the Fire Levy Fund from the General Fund is related to misposted homestead and rollback receipts. The amount due to the All Other Governmental Funds from the General Fund is related to misposted special assessments and homestead and rollback receipts. The amount due to the Stormwater Utility Fund from the Debt Service Fund is related to misposted proceeds of bond anticipation notes. The amount due to the Debt Service Fund from the General fund is for scheduled principal and interest payments. 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.

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 Funds	Water	Sewer	Trash Collection	
Transfers to	Fire Levy	\$960,000	\$0	\$0	\$0	\$0	\$0	\$960,000
	Debt Service	694,171	55,829	68,814	45,000	45,000	0	908,900
	Nonmajor Governmental Funds	961,770	0	0	0	0	6,150	967,920
	Water	5,301	0	0	0	0	0	5,301
	Sewer	205,301	0	0	0	0	0	205,301
	Total	\$2,826,543	\$55,829	\$68,814	\$45,000	\$45,000	\$6,150	\$86

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 17 - INTERFUND ACTIVITY (continued)

Transfers from the General, Water and Sewer Funds to the Debt Service Fund were made for scheduled debt service payments, including the amounts transferred from the Water and Sewer Funds for their portion of payments on the municipal building general obligation bonds. Transfers from the General Fund to the Nonmajor Governmental Funds included amounts transferred for the construction of capital assets, upkeep of park facilities and grants made to local businesses for improvements in the downtown area. The transfer from the General Fund to the Sewer Fund was for legal expenses. The transfer from the General Fund to the Fire Levy Fund was for operating monies for the fire department, and the transfer from the Fire Levy Fund to the Nonmajor Governmental Funds was for payment of employer contributions to the Ohio Police and Fire Pension Fund.

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

JOINT VENTURE

The City participates in a joint venture with Franklin Township pertaining to a Joint Recreation Facility. The joint venture was formed for the purpose of constructing and operating a swimming pool for the citizens of the City and Township. The recreation facility is governed by a Board of Trustees consisting of ten members, five appointed by each entity. The funding for the operations of the pool is charges for services, with the remainder of the budget being financed equally by the City and Township. There is no explicit and measurable equity interest in the Joint Recreation Facility. The City has an ongoing financial responsibility because the continued existence of the joint venture depends on the City's contribution, which totaled \$25,000 in 2006. 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, 2006 prepared on the basis of cash receipts and disbursements:

	Joint Recreation Facility
Operating Revenues	\$116,579
Operating Expenditures	128,578
Excess of Operating Revenues	
Over Expenditures	(11,999)
Fund Balance Beginning of Year	14,744
Fund Balance at End of Year	\$2,745

SHARED RISK POOL

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

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

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.

JOINTLY GOVERNED ORGANIZATIONS

The Warren County General Health District (the District), a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, including the City, oversees the operation of the District. The City contributed \$6,413 during 2006 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.

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, and various cities residing within these counties, including the City of Franklin. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The City contributed \$1,140 for the operation of the Commission during 2006. Financial information may be obtained by writing to 40 West Fourth Street, Dayton, Ohio 45402.

NOTE 19 - CONTINGENT LIABILITIES

LITIGATION

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 19 - CONTINGENT LIABILITIES (continued)

FEDERAL AND STATE GRANTS

For the period January 1, 2006, to December 31, 2006, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 20 - SUBSEQUENT EVENTS

On January 24, 2007, the City purchased the water treatment plan from Earth Tech in the amount of \$2,454,380 through revenue water bond monies.

On March 5, 2007, the Consolidated Road Improvement and Street Sweeper Bond Anticipation Note, Stormwater Drainage Improvement Bond Anticipation Note, Consolidated Fire and Equipment and Stormwater Study Bond Anticipation Note, and Road Improvement Bond Anticipation Note were reissued and consolidated. The new note will mature on March 6, 2008.

Combining Financial Statements and Individual Fund Schedules

CITY OF FRANKLIN, OHIO

NONMAJOR FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

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

NONMAJOR SPECIAL REVENUE FUNDS

Transportation

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

Court

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

FEMA

To account for reimbursable grants from the federal government for police officers sent to New Orleans due to the aftermath of hurricane Katrina and for repairs and expenses incurred by the City during the 2004 Ohio winter ice storm. The City did not anticipate any activity in this fund, and none occurred. Therefore, no budgetary statement is presented.

Recreation

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

Community Development & Improvement

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

Street Lighting

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

U.S. Filter

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

Police and Fire Pension

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

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.

(continued)

CITY OF FRANKLIN, OHIO

NONMAJOR FUND DESCRIPTIONS
(continued)

CAPITAL PROJECTS FUNDS

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

NONMAJOR CAPITAL PROJECTS FUNDS

Municipal Buildings

To account for capital outlay expenditures related to the 2003 improvements to the City Municipal Building, and payment of principal and interest on bonds issued to finance those improvements.

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

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	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	\$898,755	\$368,125	\$1,266,880
Materials and Supplies Inventory	110,434	0	110,434
Intergovernmental Receivable	290,219	38,378	328,597
Property and Other Local Taxes Receivable	194,029	0	194,029
Interfund Receivable	12,184	0	12,184
Special Assessments Receivable	85,241	0	85,241
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$1,590,862</u>	<u>\$406,503</u>	<u>\$1,997,365</u>
Liabilities:			
Accounts Payable	\$30,140	\$8,920	\$39,060
Accrued Wages and Benefits	7,865	0	7,865
Contracts Payable	24,781	104,997	129,778
Intergovernmental Payable	122,445	0	122,445
Accrued Interest Payable	481	0	481
Interfund Payable	35,633	225,366	260,999
Deferred Revenue	507,125	0	507,125
Notes Payable	57,000	0	57,000
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>785,470</u>	<u>339,283</u>	<u>1,124,753</u>
Fund Balances:			
Reserved for Encumbrances	63,552	1,800	65,352
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	741,840	0	741,840
Capital Projects Funds	0	65,420	65,420
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>805,392</u>	<u>67,220</u>	<u>872,612</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$1,590,862</u>	<u>\$406,503</u>	<u>\$1,997,365</u>

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Property and Other Local Taxes	\$160,412	\$0	\$160,412
Special Assessments	86,397	0	86,397
Charges for Services	97,641	0	97,641
Fines, Licenses and Permits	48,342	0	48,342
Intergovernmental	657,877	75,222	733,099
Interest	405	0	405
Contributions and Donations	0	199,519	199,519
Other	68,028	33,257	101,285
Total Revenues	1,119,102	307,998	1,427,100
Expenditures:			
Current:			
General Government	26,815	0	26,815
Security of Persons and Property:			
Police	322,891	0	322,891
Fire	97,188	0	97,188
Other	103,643	0	103,643
Public Health and Welfare	64,790	0	64,790
Leisure Time Activities	219,662	0	219,662
Economic Development	30,476	0	30,476
Transportation	696,812	0	696,812
Capital Outlay	95,189	642,867	738,056
Debt Service:			
Principal Retirement	4,975	0	4,975
Interest and Fiscal Charges	36,447	3,686	40,133
Total Expenditures	1,698,888	646,553	2,345,441
Excess of Revenues Under Expenditures	(579,786)	(338,555)	(918,341)
Other Financing Sources (Uses):			
Refunding Notes Issued	0	213,000	213,000
Transfers In	760,445	207,475	967,920
Transfers Out	(59,000)	(9,814)	(68,814)
Total Other Financing Sources (Uses)	701,445	410,661	1,112,106
Net Change in Fund Balances	121,659	72,106	193,765
Fund Balances (Deficit) at Beginning of Year	683,733	(4,886)	678,847
Fund Balances at End of Year	\$805,392	\$67,220	\$872,612

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2006

	<u>Transportation</u>	<u>Court</u>	<u>FEMA</u>	<u>Recreation</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$278,655	\$254,703	\$4,780	\$122,838
Materials and Supplies Inventory	108,877	0	0	1,557
Intergovernmental Receivable	283,406	0	0	0
Property and Other Local Taxes Receivable	0	0	0	0
Interfund Receivable	1,550	0	0	0
Special Assessments Receivable	0	0	0	0
Total Assets	\$672,488	\$254,703	\$4,780	\$124,395
Liabilities:				
Accounts Payable	\$8,701	\$21,306	\$0	\$133
Accrued Wages and Benefits	5,905	0	0	1,960
Contracts Payable	0	0	0	0
Intergovernmental Payable	17,972	5,665	0	7,179
Accrued Interest Payable	481	0	0	0
Interfund Payable	35,633	0	0	0
Deferred Revenue	221,261	0	0	0
Notes Payable	57,000	0	0	0
Total Liabilities	346,953	26,971	0	9,272
Fund Balances:				
Reserved for Encumbrances	38,505	25,047	0	0
Unreserved, Undesignated (Deficit)	287,030	202,685	4,780	115,123
Total Fund Balances (Deficit)	325,535	227,732	4,780	115,123
Total Liabilities and Fund Balances	\$672,488	\$254,703	\$4,780	\$124,395

Community Development & Improvement	Street Lighting	U.S. Filter	Police and Fire Pension	Firemen's Indemnity	Total Nonmajor Special Revenue Funds
\$54,038	\$60,210	\$59,051	\$49,519	\$14,961	\$898,755
0	0	0	0	0	110,434
0	0	1,213	5,600	0	290,219
0	0	34,551	159,478	0	194,029
0	0	1,908	8,726	0	12,184
0	85,241	0	0	0	85,241
<u>\$54,038</u>	<u>\$145,451</u>	<u>\$96,723</u>	<u>\$223,323</u>	<u>\$14,961</u>	<u>\$1,590,862</u>
\$0	\$0	\$0	\$0	\$0	\$30,140
0	0	0	0	0	7,865
24,781	0	0	0	0	24,781
0	0	0	91,629	0	122,445
0	0	0	0	0	481
0	0	0	0	0	35,633
0	85,241	35,725	164,898	0	507,125
0	0	0	0	0	57,000
<u>24,781</u>	<u>85,241</u>	<u>35,725</u>	<u>256,527</u>	<u>0</u>	<u>785,470</u>
0	0	0	0	0	63,552
<u>29,257</u>	<u>60,210</u>	<u>60,998</u>	<u>(33,204)</u>	<u>14,961</u>	<u>741,840</u>
<u>29,257</u>	<u>60,210</u>	<u>60,998</u>	<u>(33,204)</u>	<u>14,961</u>	<u>805,392</u>
<u>\$54,038</u>	<u>\$145,451</u>	<u>\$96,723</u>	<u>\$223,323</u>	<u>\$14,961</u>	<u>\$1,590,862</u>

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Transportation	Court	FEMA	Recreation
Revenues:				
Property and Other Local Taxes	\$0	\$0	\$0	\$0
Special Assessments	0	0	0	0
Charges for Services	863	96,778	0	0
Fines and Forfeitures	0	48,342	0	0
Intergovernmental	630,976	5,856	0	0
Interest	405	0	0	0
Other	55,069	115	0	10,053
Total Revenues	687,313	151,091	0	10,053
Expenditures:				
Current:				
General Government	0	26,815	0	0
Security of Persons and Property:				
Police	0	51,550	0	0
Fire	0	0	0	0
Other	0	0	0	0
Public Health and Welfare	0	64,790	0	0
Leisure Time Activities	0	0	0	219,662
Economic Development	0	0	0	0
Transportation	696,812	0	0	0
Capital Outlay	0	25,161	0	0
Debt Service:				
Principal Retirement	3,715	0	0	0
Interest and Fiscal Charges	33,407	0	0	0
Total Expenditures	733,934	168,316	0	219,662
Excess of Revenues Over (Under) Expenditures	(46,621)	(17,225)	0	(209,609)
Other Financing Sources (Uses):				
Transfers In	26,028	0	0	324,381
Transfers Out	(59,000)	0	0	0
Total Other Financing Sources (Uses)	(32,972)	0	0	324,381
Net Change in Fund Balances	(79,593)	(17,225)	0	114,772
Fund Balances (Deficit) at Beginning of Year	405,128	244,957	4,780	351
Fund Balances (Deficit) at End of Year	\$325,535	\$227,732	\$4,780	\$115,123

Community Development & Improvement	Street Lighting	U.S. Filter	Police and Fire Pension	Firemen's Indemnity	Total Nonmajor Special Revenue Funds
\$0	\$0	\$28,567	\$131,845	\$0	\$160,412
0	86,397	0	0	0	86,397
0	0	0	0	0	97,641
0	0	0	0	0	48,342
0	0	3,749	17,296	0	657,877
0	0	0	0	0	405
2,791	0	0	0	0	68,028
<u>2,791</u>	<u>86,397</u>	<u>32,316</u>	<u>149,141</u>	<u>0</u>	<u>1,119,102</u>
0	0	0	0	0	26,815
0	0	0	271,341	0	322,891
0	0	0	97,188	0	97,188
0	103,643	0	0	0	103,643
0	0	0	0	0	64,790
0	0	0	0	0	219,662
24,075	0	6,401	0	0	30,476
0	0	0	0	0	696,812
70,028	0	0	0	0	95,189
0	0	0	1,260	0	4,975
0	0	0	3,040	0	36,447
<u>94,103</u>	<u>103,643</u>	<u>6,401</u>	<u>372,829</u>	<u>0</u>	<u>1,698,888</u>
<u>(91,312)</u>	<u>(17,246)</u>	<u>25,915</u>	<u>(223,688)</u>	<u>0</u>	<u>(579,786)</u>
119,803	0	0	290,233	0	760,445
0	0	0	0	0	(59,000)
<u>119,803</u>	<u>0</u>	<u>0</u>	<u>290,233</u>	<u>0</u>	<u>701,445</u>
28,491	(17,246)	25,915	66,545	0	121,659
766	77,456	35,083	(99,749)	14,961	683,733
<u>\$29,257</u>	<u>\$60,210</u>	<u>\$60,998</u>	<u>(\$33,204)</u>	<u>\$14,961</u>	<u>\$805,392</u>

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2006

	<u>Issue II</u>	<u>Capital Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$0	\$368,125	\$368,125
Intergovernmental Receivable	38,378	0	38,378
Total Assets	<u>\$38,378</u>	<u>\$368,125</u>	<u>\$406,503</u>
Liabilities:			
Accounts Payable	\$8,920	\$0	\$8,920
Contracts Payable	104,997	0	104,997
Interfund Payable	225,366	0	225,366
Total Liabilities	<u>339,283</u>	<u>0</u>	<u>339,283</u>
Fund Balances:			
Reserved for Encumbrances	1,800	0	1,800
Unreserved, Undesignated (Deficit)	(302,705)	368,125	65,420
Total Fund Balances (Deficit)	<u>(300,905)</u>	<u>368,125</u>	<u>67,220</u>
Total Liabilities and Fund Balances	<u>\$38,378</u>	<u>\$368,125</u>	<u>\$406,503</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, 2006

	Municipal Buildings	Issue II	Capital Improvement	Total Nonmajor Capital Projects Funds
Revenues:				
Intergovernmental	\$0	\$75,222	\$0	\$75,222
Contributions and Donations	0	0	199,519	199,519
Other	0	33,257	0	33,257
Total Revenues	0	108,479	199,519	307,998
Expenditures:				
Capital Outlay	13,000	402,384	227,483	642,867
Debt Service:				
Interest and Fiscal Charges	0	3,686	0	3,686
Total Expenditures	13,000	406,070	227,483	646,553
Excess of Revenues Under Expenditures	(13,000)	(297,591)	(27,964)	(338,555)
Other Financing Sources (Uses):				
Refunding Notes Issued	0	213,000	0	213,000
Transfers In	0	6,150	201,325	207,475
Transfers Out	(9,814)	0	0	(9,814)
Total Other Financing Sources (Uses)	(9,814)	219,150	201,325	410,661
Net Change in Fund Balances	(22,814)	(78,441)	173,361	72,106
Fund Balances (Deficit) at Beginning of Year	22,814	(222,464)	194,764	(4,886)
Fund Balances (Deficit) at End of Year	\$0	(\$300,905)	\$368,125	\$67,220

AGENCY FUNDS

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

Municipal Court

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

Joint 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.

Corwin Tax

To account for the collection and distribution of income tax revenues for the Village of Corwin within Warren County.

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2006

	<u>Municipal Court</u>	<u>Joint Recreation</u>	<u>Building Standards Fee</u>	<u>Corwin Tax</u>	<u>Total</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$0	\$2,745	\$0	\$24,553	\$27,298
Cash in Segregated Accounts	55,142	0	0	0	55,142
Intergovernmental Receivable	<u>0</u>	<u>0</u>	<u>2,872</u>	<u>0</u>	<u>2,872</u>
Total Assets	<u><u>\$55,142</u></u>	<u><u>\$2,745</u></u>	<u><u>\$2,872</u></u>	<u><u>\$24,553</u></u>	<u><u>\$85,312</u></u>
Liabilities:					
Intergovernmental Payable	\$24,795	\$0	\$2,872	\$0	\$27,667
Undistributed Monies	26,508	2,745	0	24,553	53,806
Deposits Held and Due to Others	<u>3,839</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,839</u>
Total Liabilities	<u><u>\$55,142</u></u>	<u><u>\$2,745</u></u>	<u><u>\$2,872</u></u>	<u><u>\$24,553</u></u>	<u><u>\$85,312</u></u>

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Balance 1/1/06	Additions	Reductions	Balance 12/31/06
MUNICIPAL COURT				
Assets:				
Cash in Segregated Accounts	\$36,792	\$55,142	\$36,792	\$55,142
Liabilities:				
Intergovernmental Payable	\$22,985	\$24,795	\$22,985	\$24,795
Undistributed Monies	6,035	26,508	6,035	26,508
Deposits Held and Due to Others	7,772	3,839	7,772	3,839
Total Liabilities	\$36,792	\$55,142	\$36,792	\$55,142
JOINT EMERGENCY MEDICAL SERVICES (JEMS)				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$754	\$0	\$754	\$0
Liabilities:				
Intergovernmental Payable	\$754	\$0	\$754	\$0
JOINT RECREATION				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$14,744	\$116,579	\$128,578	\$2,745
Liabilities:				
Undistributed Monies	\$14,744	\$116,579	\$128,578	\$2,745
BUILDING STANDARDS FEE				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,578	\$3,745	\$5,323	\$0
Intergovernmental Receivable	0	2,872	0	2,872
Total Assets	\$1,578	\$6,617	\$5,323	\$2,872
Liabilities:				
Intergovernmental Payable	\$0	\$2,872	\$0	\$2,872
Undistributed Monies	1,578	3,745	5,323	0
Total Liabilities	\$1,578	\$6,617	\$5,323	\$2,872
CORWIN TAX				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,497	\$44,899	\$22,843	\$24,553
Liabilities:				
Undistributed Monies	\$2,497	\$44,899	\$22,843	\$24,553
TOTAL - ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$19,573	\$165,223	\$157,498	\$27,298
Cash in Segregated Accounts	36,792	55,142	36,792	55,142
Intergovernmental Receivable	0	2,872	0	2,872
Total Assets	\$56,365	\$223,237	\$194,290	\$85,312
Liabilities:				
Intergovernmental Payable	\$23,739	\$27,667	\$23,739	\$27,667
Undistributed Monies	24,854	191,731	162,779	53,806
Deposits Held and Due to Others	7,772	3,839	7,772	3,839
Total Liabilities	\$56,365	\$223,237	\$194,290	\$85,312

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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property and Other Local Taxes	\$592,928	\$601,422	\$8,494
Income Taxes	4,946,319	11,299,496	6,353,177
Charges for Services	131,600	134,085	2,485
Fines, Licenses, and Permits	617,450	620,404	2,954
Intergovernmental	566,477	566,477	0
Interest	200,000	259,880	59,880
Other	79,626	79,626	0
Total Revenues	7,134,400	13,561,390	6,426,990
Expenditures:			
Current:			
General Government			
Legislative and Executive			
Clerk and Council			
Personal Services	69,083	69,328	(245)
Other	93,300	62,953	30,347
Total Clerk and Council	162,383	132,281	30,102
Municipal Court			
Personal Services	556,795	531,133	25,662
Other	133,724	73,459	60,265
Total Municipal Court	690,519	604,592	85,927
Mayor's and Administrative Office			
Personal Services	335,133	320,807	14,326
Other	37,382	28,522	8,860
Total Mayor's and Administrative Office	372,515	349,329	23,186
Clerk Treasurer			
Personal Services	154,736	152,820	1,916
Other	29,170	29,170	0
Total Clerk Treasurer	183,906	181,990	1,916
Income Tax Administration			
Personal Services	173,592	164,857	8,735
Other	296,201	290,229	5,972
Total Income Tax Administration	469,793	455,086	14,707
Solicitor			
Personal Services	138,535	130,032	8,503
Other	110,000	98,357	11,643
Total Solicitor	248,535	228,389	20,146
Civil Service Commission			
Other	18,000	17,405	595

(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, 2006
(continued)

	Final Budget	Actual	Variance With Final Budget
Planning Commission			
Personal Services	\$0	\$850	(\$850)
Other	23,200	12,292	10,908
Total Planning Commission	23,200	13,142	10,058
Building and Grounds			
Personal Services	54,052	51,128	2,924
Other	105,260	105,286	(26)
Total Building and Grounds	159,312	156,414	2,898
Special Appropriations			
Other	270,280	253,778	16,502
Engineering			
Other	125,000	116,251	8,749
Judicial System			
Probation			
Personal Services	137,224	0	137,224
Other	5,225	0	5,225
Total Judicial System	142,449	0	142,449
Total General Government	2,865,892	2,508,657	357,235
Security of Persons and Property			
Police Law Enforcement			
Personal Services	2,487,052	2,570,823	(83,771)
Other	848,834	603,967	244,867
Total Police Law Enforcement	3,335,886	3,174,790	161,096
Building Inspection			
Personal Services	198,365	200,006	(1,641)
Other	71,455	46,307	25,148
Total Building Inspection	269,820	246,313	23,507
Total Security of Persons and Property	3,605,706	3,421,103	184,603
Leisure Time Activities			
Other	0	25,000	(25,000)

(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, 2006
(continued)

	Final Budget	Actual	Variance With Final Budget
Total Expenditures	\$6,471,598	\$5,954,760	\$516,838
Excess of Revenues Over Expenditures	662,802	7,606,630	6,943,828
Other Financing Uses:			
Transfers Out	(2,593,081)	(2,826,543)	(233,462)
Net Change in Fund Balance	(1,930,279)	4,780,087	6,710,366
Fund Balance at Beginning of Year	2,963,843	2,963,843	0
Prior Year Encumbrances Appropriated	10,585	10,585	0
Fund Balance at End of Year	<u>\$1,044,149</u>	<u>\$7,754,515</u>	<u>\$6,710,366</u>

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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property and Other Local Taxes	\$580,091	\$605,445	\$25,354
Charges for Services	0	6,310	6,310
Intergovernmental	61,104	79,175	18,071
Other	9,560	7,761	(1,799)
Total Revenues	<u>650,755</u>	<u>698,691</u>	<u>47,936</u>
Expenditures:			
Current:			
Security of Persons and Property			
Fire			
Personal Services	1,160,372	1,026,244	134,128
Other	399,690	246,910	152,780
Total Fire	<u>1,560,062</u>	<u>1,273,154</u>	<u>286,908</u>
Capital Outlay			
Other	544,442	366,103	178,339
Total Expenditures	<u>2,104,504</u>	<u>1,639,257</u>	<u>465,247</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,453,749)</u>	<u>(940,566)</u>	<u>513,183</u>
Other Financing Sources (Uses):			
Transfers In	959,245	960,000	755
Transfers Out	0	(151,329)	(151,329)
Total Other Financing Sources (Uses)	<u>959,245</u>	<u>808,671</u>	<u>(150,574)</u>
Net Change in Fund Balance	(494,504)	(131,895)	362,609
Fund Balance at Beginning of Year	917,222	917,222	0
Prior Year Encumbrances Appropriated	36,620	36,620	0
Fund Balance at End of Year	<u><u>\$459,338</u></u>	<u><u>\$821,947</u></u>	<u><u>\$362,609</u></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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Special Assessments	\$450,000	\$480,356	\$30,356
Other	0	174	174
Total Revenues	<u>450,000</u>	<u>480,530</u>	<u>30,530</u>
Expenditures:			
Debt Service:			
Principal Retirement	2,858,500	2,858,500	0
Interest and Fiscal Charges	647,853	647,937	(84)
Total Expenditures	<u>3,506,353</u>	<u>3,506,437</u>	<u>(84)</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,056,353)</u>	<u>(3,025,907)</u>	<u>30,446</u>
Other Financing Sources:			
Transfers In	324,608	331,072	6,464
Bond Anticipation Notes Issued	282,236	2,200,000	1,917,764
Total Other Financing Sources	<u>606,844</u>	<u>2,531,072</u>	<u>1,924,228</u>
Net Change in Fund Balance	(2,449,509)	(494,835)	1,954,674
Fund Balance at Beginning of Year	<u>530,394</u>	<u>530,394</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>(\$1,919,115)</u></u>	<u><u>\$35,559</u></u>	<u><u>\$1,954,674</u></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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$2,264,000	\$2,573,900	\$309,900
Deposits Received	21,000	22,210	1,210
Interest	15,000	0	(15,000)
Other	0	2,634	2,634
Refunding Bonds Issued	0	6,140,000	6,140,000
Premium on Debt Issued	0	61,619	61,619
Accrued Interest Received on Debt Issuance	0	5,493	5,493
Total Revenues	2,300,000	8,805,856	6,505,856
Expenses:			
Personal Services	533,494	449,682	83,812
Contractual Services	970,638	864,505	106,133
Materials and Supplies	140,963	138,888	2,075
Other	36,861	4,587	32,274
Deposit Refunds	27,001	19,550	7,451
Capital Outlay	2,774,934	2,479,641	295,293
Debt Service:			
Principal Retirement	3,625,138	3,480,280	144,858
Interest and Fiscal Charges	802,220	483,175	319,045
Bond Issuance Cost	116,620	222,570	(105,950)
Total Expenses	9,027,869	8,142,878	884,991
Excess of Revenues Over (Under) Expenses	(6,727,869)	662,978	7,390,847
Transfers In	0	5,301	5,301
Transfers Out	0	(326,497)	(326,497)
Net Change in Fund Equity	(6,727,869)	341,782	7,069,651
Fund Equity at Beginning of Year	523,129	523,129	0
Prior Year Encumbrances Appropriated	18,439	18,439	0
Fund Equity (Deficit) at End of Year	(\$6,186,301)	\$883,350	\$7,069,651

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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$2,264,000	\$2,306,269	\$42,269
Deposits Received	21,000	22,203	1,203
Interest	15,000	0	(15,000)
Other	0	92,964	92,964
Total Revenues	<u>2,300,000</u>	<u>2,421,436</u>	<u>121,436</u>
Expenses:			
Personal Services	486,740	404,061	82,679
Contractual Services	2,063,389	1,800,089	263,300
Materials and Supplies	59,623	42,895	16,728
Other	168,767	68,566	100,201
Deposit Refunds	22,001	19,550	2,451
Capital Outlay	18,267	17,791	476
Total Expenses	<u>2,818,787</u>	<u>2,352,952</u>	<u>465,835</u>
Excess of Revenues Over (Under) Expenses	(518,787)	68,484	587,271
Transfers In	190,000	205,301	15,301
Transfers Out	0	(45,000)	(45,000)
Net Change in Fund Equity	(328,787)	228,785	557,572
Fund Equity at Beginning of Year	265,854	265,854	0
Prior Year Encumbrances Appropriated	1,778	1,778	0
Fund Equity (Deficit) at End of Year	<u><u>(\$61,155)</u></u>	<u><u>\$496,417</u></u>	<u><u>\$557,572</u></u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
TRASH FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$560,000	\$583,988	\$23,988
Other	0	122	122
Total Revenues	<u>560,000</u>	<u>584,110</u>	<u>24,110</u>
Expenses:			
Personal Services	59,210	54,837	4,373
Contractual Services	525,134	507,564	17,570
Materials and Supplies	8,550	8,148	402
Total Expenses	<u>592,894</u>	<u>570,549</u>	<u>22,345</u>
Excess of Revenues Over (Under) Expenses	(32,894)	13,561	46,455
Transfers Out	<u>(6,150)</u>	<u>(6,150)</u>	<u>0</u>
Net Change in Fund Equity	(39,044)	7,411	46,455
Fund Equity at Beginning of Year	<u>126,180</u>	<u>126,180</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$87,136</u></u>	<u><u>\$133,591</u></u>	<u><u>\$46,455</u></u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
STORMWATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$400,000	\$430,817	\$30,817
Other	0	261	261
Total Revenues	<u>400,000</u>	<u>431,078</u>	<u>31,078</u>
Expenses:			
Personal Services	113,209	202,254	(89,045)
Contractual Services	89,000	77,792	11,208
Materials and Supplies	6,270	4,549	1,721
Other	96,850	0	96,850
Capital Outlay	1,029,750	973,800	55,950
Total Expenses	<u>1,335,079</u>	<u>1,258,395</u>	<u>76,684</u>
Excess of Revenues Over (Under) Expenses	(935,079)	(827,317)	107,762
Transfers In	0	750,000	750,000
Transfers Out	(70,608)	(70,608)	0
Net Change in Fund Equity	(1,005,687)	(147,925)	857,762
Fund Equity at Beginning of Year	<u>298,820</u>	<u>298,820</u>	<u>0</u>
Fund Equity (Deficit) at End of Year	<u><u>(\$706,867)</u></u>	<u><u>\$150,895</u></u>	<u><u>\$857,762</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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$0	\$863	\$863
Intergovernmental	780,500	614,945	(165,555)
Interest	0	405	405
Other	49,500	55,069	5,569
Total Revenues	830,000	671,282	(158,718)
Expenditures:			
Current:			
Transportation			
Street Maintenance and Repair			
Personal Services	402,130	375,095	27,035
Other	162,924	237,514	(74,590)
Total Street Maintenance and Repair	565,054	612,609	(47,555)
Snow and Ice Removal			
Personal Services	25,600	1,627	23,973
Other	25,515	3,430	22,085
Total Snow and Ice Removal	51,115	5,057	46,058
Street Cleaning			
Other	14,650	14,383	267
Traffic Controls and Marking			
Other	56,150	43,681	12,469
State Highway Maintenance			
Other	34,000	44,087	(10,087)
Total Transportation	720,969	719,817	1,152
Capital Outlay			
Other	38,139	38,139	0
Total Expenditures	759,108	757,956	1,152
Excess of Revenues Over (Under) Expenditures	70,892	(86,674)	(157,566)
Other Financing Sources (Uses):			
Transfers In	0	26,028	26,028
Transfers Out	(59,000)	(59,000)	0
Total Other Financing Sources (Uses)	(59,000)	(32,972)	26,028
Net Change in Fund Balance	11,892	(119,646)	(131,538)
Fund Balance at Beginning of Year	244,963	244,963	0
Prior Year Encumbrances Appropriated	114,832	114,832	0
Fund Balance at End of Year	\$371,687	\$240,149	(\$131,538)

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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$137,000	\$100,315	(\$36,685)
Fines, Licenses, and Permits	18,500	43,657	25,157
Intergovernmental	5,000	5,856	856
Other	0	115	115
Total Revenues	160,500	149,943	(10,557)
Expenditures:			
Current:			
General Government			
Legislative and Executive			
Municipal Court			
Other	159,000	59,454	99,546
Security of Persons and Property			
Police Law Enforcement			
Other	53,514	46,085	7,429
Public Health and Welfare			
Other	27,624	64,790	(37,166)
Capital Outlay			
Other	122,446	26,208	96,238
Total Expenditures	362,584	196,537	166,047
Net Change in Fund Balance	(202,084)	(46,594)	155,490
Fund Balance at Beginning of Year	241,620	241,620	0
Prior Year Encumbrances Appropriated	29,945	29,945	0
Fund Balance at End of Year	\$69,481	\$224,971	\$155,490

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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other	\$270,000	\$10,053	(\$259,947)
Expenditures:			
Current:			
Leisure Time Activities			
Recreation Program			
Personal Services	190,309	159,081	31,228
Other	98,768	62,732	36,036
Total Expenditures	289,077	221,813	67,264
Excess of Revenues Under Expenditures	(19,077)	(211,760)	(192,683)
Other Financing Sources:			
Transfers In	322,000	324,381	2,381
Net Change in Fund Balance	302,923	112,621	(190,302)
Fund Balance at Beginning of Year	216	216	0
Prior Year Encumbrances Appropriated	10,000	10,000	0
Fund Balance at End of Year	\$313,139	\$122,837	(\$190,302)

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
COMMUNITY DEVELOPMENT & IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other	\$10,000	\$2,791	(\$7,209)
Expenditures:			
Current:			
Economic Development			
Other	250,606	69,322	181,284
Excess of Revenues Over (Under) Expenditures	(240,606)	(66,531)	174,075
Other Financing Sources:			
Transfers In	20,000	119,803	99,803
Net Change in Fund Balance	(220,606)	53,272	273,878
Fund Balance at Beginning of Year	766	766	0
Fund Balance (Deficit) at End of Year	(\$219,840)	\$54,038	\$273,878

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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Special Assessments	\$86,240	\$86,397	\$157
Expenditures:			
Current:			
Security of Persons and Property			
Street Lighting			
Other	105,000	103,643	1,357
Net Change in Fund Balance	(18,760)	(17,246)	1,514
Fund Balance at Beginning of Year	77,453	77,453	0
Fund Balance at End of Year	<u>\$58,693</u>	<u>\$60,207</u>	<u>\$1,514</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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property Taxes	\$31,000	\$28,567	(\$2,433)
Intergovernmental	0	3,772	3,772
Total Revenues	31,000	32,339	1,339
Expenditures:			
Current:			
Economic Development			
Other	25,000	6,401	18,599
Net Change in Fund Balance	6,000	25,938	19,938
Fund Balance at Beginning of Year	33,113	33,113	0
Fund Balance at End of Year	\$39,113	\$59,051	\$19,938

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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property Taxes	\$102,767	\$131,845	\$29,078
Intergovernmental	0	17,404	17,404
Total Revenues	<u>102,767</u>	<u>149,249</u>	<u>46,482</u>
Expenditures:			
Current:			
Security of Persons and Property			
Police Law Enforcement			
Other	304,664	296,796	7,868
Fire Department			
Other	110,984	102,023	8,961
Total Security of Persons and Property	<u>415,648</u>	<u>398,819</u>	<u>16,829</u>
Debt Service:			
Principal Retirement	1,260	1,260	0
Interest and Fiscal Charges	3,040	3,040	0
Total Debt Service	<u>4,300</u>	<u>4,300</u>	<u>0</u>
Total Expenditures	<u>419,948</u>	<u>403,119</u>	<u>16,829</u>
Excess of Revenues Over (Under) Expenditures	(317,181)	(253,870)	63,311
Other Financing Sources:			
Transfers In	270,233	290,233	20,000
Net Change in Fund Balance	(46,948)	36,363	83,311
Fund Balance at Beginning of Year	<u>13,156</u>	<u>13,156</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>(\$33,792)</u></u>	<u><u>\$49,519</u></u>	<u><u>\$83,311</u></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, 2006

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

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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:	\$0	\$0	\$0
Expenditures:			
Capital Outlay			
Other	0	13,000	(13,000)
Excess of Revenues Over (Under) Expenditures	0	(13,000)	(13,000)
Other Financing Uses:			
Transfers Out	(9,814)	(9,814)	0
Net Change in Fund Balance	(9,814)	(22,814)	(13,000)
Fund Balance at Beginning of Year	9,814	9,814	0
Prior Year Encumbrances Appropriated	13,000	13,000	0
Fund Balance at End of Year	<u>\$13,000</u>	<u>\$0</u>	<u>(\$13,000)</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, 2006

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Intergovernmental	\$2,749,458	\$36,844	(\$2,712,614)
Other	0	33,257	33,257
	<hr/>	<hr/>	<hr/>
Total Revenues	2,749,458	70,101	(2,679,357)
Expenditures:			
Capital Outlay			
Other	3,368,536	297,267	3,071,269
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(619,078)	(227,166)	391,912
Fund Balance at Beginning of Year	0	0	0
	<hr/>	<hr/>	<hr/>
Fund Balance (Deficit) at End of Year	<u>(\$619,078)</u>	<u>(\$227,166)</u>	<u>\$391,912</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, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Contributions and Donations	\$0	\$199,519	\$199,519
Expenditures:			
Capital Outlay			
Other	<u>273,962</u>	<u>227,483</u>	<u>46,479</u>
Excess of Revenues Over (Under) Expenditures	(273,962)	(27,964)	245,998
Other Financing Sources:			
Transfers In	<u>50,000</u>	<u>201,325</u>	<u>151,325</u>
Net Change in Fund Balance	(223,962)	173,361	397,323
Fund Balance at Beginning of Year	<u>194,764</u>	<u>194,764</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>(\$29,198)</u></u>	<u><u>\$368,125</u></u>	<u><u>\$397,323</u></u>

Statistical Section

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STATISTICAL TABLES

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

<u>CONTENTS</u>	<u>PAGES</u>
Financial Trends	100-107
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	108-109
These schedules contain information to help the reader assess the City's most significant local revenue source, the income tax.	
Debt Capacity	110-116
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	117-118
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating information	120-125
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

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

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

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

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

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

(continued)

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

	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Property and Other Taxes Levied for:				
General Purposes	\$541,118	\$619,574	\$627,814	\$631,920
Fire	658,349	620,817	650,127	642,487
Other Purposes	208,825	224,964	188,120	168,733
Municipal Income Taxes Levied	5,084,420	4,450,348	5,138,832	7,115,266
Grants and Entitlements not Restricted to Specific Programs	586,202	617,246	606,232	469,626
Unrestricted Investment Earnings	239,132	209,863	137,003	338,330
Other	115,073	174,149	692,525	379,305
Transfers	23,150	(11,868,901)	90,448	(114,366)
<i>Total Governmental Activities</i>	<u>7,456,269</u>	<u>(4,951,940)</u>	<u>8,131,101</u>	<u>9,631,301</u>
Business-Type Activities:				
Unrestricted Investment Earnings	0	1,099	43,120	24,489
Miscellaneous	9,479	120,869	1,114	6,053
Transfers	(23,150)	11,868,901	(90,448)	114,366
<i>Total Business-Type Activities</i>	<u>(13,671)</u>	<u>11,990,869</u>	<u>(46,214)</u>	<u>144,908</u>
<i>Total Primary Government General Revenues and Other Changes in Net Assets</i>	<u>7,442,598</u>	<u>7,038,929</u>	<u>8,084,887</u>	<u>9,776,209</u>
Change in Net Assets				
Governmental Activities	313,219	(13,655,179)	(1,085,168)	588,376
Business-Type Activities	(62,841)	11,641,733	(61,486)	129,015
Prior Year Restatement of Net Assets	<u>453,460</u>	<u>(5,070,164)</u>	<u>508,170</u>	<u>0</u>
<i>Total Primary Government Changes in Net Assets</i>	<u>\$703,838</u>	<u>(\$7,083,610)</u>	<u>(\$638,484)</u>	<u>\$717,391</u>

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

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

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund					
Reserved	\$217,360	\$263,472	\$611,080	\$394,946	\$121,963
Unreserved	<u>1,125,312</u>	<u>1,092,173</u>	<u>1,445,104</u>	<u>1,977,250</u>	<u>2,260,470</u>
Total General Fund	<u>1,342,672</u>	<u>1,355,645</u>	<u>2,056,184</u>	<u>2,372,196</u>	<u>2,382,433</u>
All Other Governmental Funds					
Reserved	327,590	99,741	258,280	82,231	109,981
Unreserved, Undesignated (Deficit)					
Reported in:					
Special Revenue Funds	774,534	891,027	993,488	857,791	1,197,286
Debt Service Funds	89,137	38,123	(1,596)	67,265	67,011
Capital Projects Funds	<u>(621,082)</u>	<u>79,247</u>	<u>5,738</u>	<u>(742,842)</u>	<u>(2,196,802)</u>
Total All Other Governmental Funds	<u>570,179</u>	<u>1,108,138</u>	<u>1,255,910</u>	<u>264,445</u>	<u>(822,524)</u>
Total Governmental Funds	<u>\$1,912,851</u>	<u>\$2,463,783</u>	<u>\$3,312,094</u>	<u>\$2,636,641</u>	<u>\$1,559,909</u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$138,332	\$82,602	\$143,769	\$5,386	\$145,333
<u>2,730,502</u>	<u>3,115,075</u>	<u>2,477,149</u>	<u>3,432,280</u>	<u>3,483,285</u>
<u>2,868,834</u>	<u>3,197,677</u>	<u>2,620,918</u>	<u>3,437,666</u>	<u>3,628,618</u>
153,397	45,906	28,494	167,084	86,965
1,083,976	1,042,151	1,282,641	1,329,298	1,758,396
(124,650)	(129,011)	(107,942)	(603,359)	174,538
<u>(66,201)</u>	<u>612,292</u>	<u>130,756</u>	<u>(17,886)</u>	<u>65,420</u>
<u>1,046,522</u>	<u>1,571,338</u>	<u>1,333,949</u>	<u>875,137</u>	<u>2,085,319</u>
<u>\$3,915,356</u>	<u>\$4,769,015</u>	<u>\$3,954,867</u>	<u>\$4,312,803</u>	<u>\$5,713,937</u>

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

	1997	1998	1999	2000	2001
Revenues:					
Property and Other Local Taxes	\$371,698	\$458,753	\$358,939	\$506,263	\$553,312
Income Taxes	3,285,209	3,754,920	3,690,372	3,893,976	4,185,384
Special Assessments	153,642	482,390	434,661	476,745	491,293
Charges for Services	91,211	128,794	120,569	139,306	123,252
Fines, Licenses and Permits	484,631	547,866	657,361	700,802	698,088
Intergovernmental	1,480,104	1,920,560	1,679,851	2,205,779	2,137,645
Interest	373,667	320,122	341,972	373,495	264,572
Contributions and Donations	0	0	0	0	0
Other	110,080	418,760	103,462	88,638	392,324
Total Revenues	6,350,242	8,032,165	7,387,187	8,385,004	8,845,870
Expenditures:					
Current:					
General Government	1,319,037	1,573,030	1,463,470	1,845,467	1,916,202
Security of Persons and Property	2,381,306	3,239,618	2,771,824	3,141,767	3,481,882
Public Health and Welfare	21,524	36,220	1,527	13,868	18,503
Leisure Time Activities	121,441	207,465	329,434	275,370	232,485
Economic Development	251,058	216,868	26,882	204,321	141,755
Basic Utility Services	111,789	75,019	57,968	86,758	96,090
Transportation	400,385	772,064	581,932	846,718	618,165
Capital Outlay	1,570,375	695,151	667,085	1,942,353	4,072,598
Debt Service:					
Principal Retirement	262,027	317,040	338,924	314,875	332,780
Interest and Fiscal Charges	386,825	408,993	366,838	389,136	422,142
Issuance Costs	0	0	0	0	0
Current Refunding	0	0	0	0	0
Total Expenditures	6,825,767	7,541,468	6,605,884	9,060,633	11,332,602
Excess of Revenues Over (Under) Expenditures	(475,525)	490,697	781,303	(675,629)	(2,486,732)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	2,419	10,098	2,036	176	0
Transfers - In	1,606,163	1,567,547	1,230,795	970,529	1,359,729
General Obligation Bonds Issued	2,333,000	0	0	0	1,410,000
Bond Anticipation Notes Issued	0	0	0	0	0
Refunding Notes Issued	0	0	0	0	0
Inception of Capital Lease	10,733	0	0	0	0
Current Refunding	0	0	0	0	0
Discount on Debt Issued	0	0	0	0	0
Transfers - Out	(1,443,664)	(1,517,410)	(1,165,823)	(970,529)	(1,359,729)
Total Other Financing Sources (Uses)	2,508,651	60,235	67,008	176	1,410,000
Net Change in Fund Balances	\$2,033,126	\$550,932	\$848,311	(\$675,453)	(\$1,076,732)
Debt Service as a Percentage of Noncapital Expenditures (2)	12.3%	10.6%	11.9%	9.9%	10.4%

2002	2003	2004	2005	2006
\$586,426	\$1,411,659	\$1,465,413	\$1,466,764	\$1,370,974
4,308,743	4,868,815	4,589,690	5,181,967	6,958,137
470,678	511,435	506,734	524,451	344,528
163,242	234,489	233,138	279,341	238,036
888,535	639,624	613,952	540,103	672,599
1,724,847	2,121,051	1,719,383	1,598,288	1,626,424
175,233	260,068	192,540	174,674	551,059
0	0	0	0	199,519
223,913	244,623	276,808	1,097,570	187,886
<u>8,541,617</u>	<u>10,291,764</u>	<u>9,597,658</u>	<u>10,863,158</u>	<u>12,149,162</u>
1,945,897	2,195,294	2,383,552	3,151,782	2,521,962
3,569,686	4,191,975	4,548,636	4,493,448	5,064,237
9,241	56,199	41,799	27,626	64,790
230,120	269,344	275,678	234,362	244,662
287,215	72,448	59,266	88,113	30,476
90,078	183,400	27,742	34,559	0
773,026	678,954	887,728	707,360	696,812
3,210,715	3,634,022	1,181,176	582,822	1,018,125
376,349	663,267	1,528,929	589,479	570,260
562,843	620,727	666,419	636,119	615,338
0	29,092	0	0	0
0	0	0	50,000	20,000
<u>11,055,170</u>	<u>12,594,722</u>	<u>11,600,925</u>	<u>10,595,670</u>	<u>10,846,662</u>
<u>(2,513,553)</u>	<u>(2,302,958)</u>	<u>(2,003,267)</u>	<u>267,488</u>	<u>1,302,500</u>
0	0	0	0	0
1,207,785	2,372,571	2,855,439	1,675,230	2,836,820
4,625,000	2,220,000	0	0	0
200,000	865,000	1,093,000	0	0
0	0	0	685,000	878,000
0	0	0	0	0
0	0	0	(685,000)	(665,000)
0	(18,825)	0	0	0
<u>(1,163,785)</u>	<u>(2,282,129)</u>	<u>(2,759,320)</u>	<u>(1,584,782)</u>	<u>(2,951,186)</u>
<u>4,869,000</u>	<u>3,156,617</u>	<u>1,189,119</u>	<u>90,448</u>	<u>98,634</u>
<u>\$2,355,447</u>	<u>\$853,659</u>	<u>(\$814,148)</u>	<u>\$357,936</u>	<u>\$1,401,134</u>
12.0%	14.7%	21.1%	12.7%	12.3%

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

Year	Individual					Business Accounts		Total	
	Withholding	Percentage of Total	Non-Withholding	Percentage of Total	Total Individual	Percentage of Total	Business Accounts		Percentage of Total
1997	\$2,525,738	77%	N/A	N/A	2,525,738	100%	N/A	N/A	\$2,525,738
1998	2,680,321	71	390,659	11%	3,070,980	82	683,940	18%	3,754,920
1999	2,734,089	74	449,039	12	3,183,128	86	507,244	14	3,690,372
2000	2,983,462	77	453,087	11	3,436,549	88	457,427	12	3,893,976
2001	3,175,466	76	504,836	12	3,680,302	88	505,082	12	4,185,384
2002	3,208,589	74	475,936	12	3,684,525	86	624,218	14	4,308,743
2003	3,459,715	68	504,189	10	3,963,904	78	1,120,516	22	5,084,420
2004	3,346,509	75	497,533	11	3,844,042	86	606,306	14	4,450,348
2005	3,295,412	64	479,347	9	3,774,759	73	1,364,073	27	5,138,832
2006	2,218,157	31	293,539	5	2,511,696	36	4,603,570	64	7,115,266

Source: City Income Tax Department

(1) 2003 through 2006 are on an Accrual Basis and 1997 through 2002 are on a Modified Accrual Basis

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

(2) The division between the individual non-withholding and business categories for 1997 was not available.

City of Franklin, Ohio
Principal Income Taxpayers - Withholding Accounts
2006 and 1997

<u>Range of Withholding Amount</u>	<u>2006</u>		<u>1997</u>	
	Number of Withholding Accounts	Percentage of Total Withholding Revenue	Number of Withholding Accounts	Percentage of Total Withholding Revenue
\$100,001 - 300,000	6	26.60%	3	15.00%
\$55,001 - 100,000	<u>5</u>	<u>10.50</u>	<u>4</u>	<u>12.10</u>
Total	11	37.10	7	27.10
All Others	1,415	<u>62.90</u>	985	<u>72.90</u>
Total Withholding Accounts		<u>100.00%</u>		<u>100.00%</u>

Source: City Income Tax Department

City of Franklin, Ohio
 Computation of All Direct and Overlapping Governmental Activities Debt
 December 31, 2006

Jurisdiction	Debt Outstanding	Percentage Applicable to the City of Franklin (1)	Amount Applicable to the City of Franklin
Direct			
City of Franklin			
General Obligation Bonds	7,489,768	100.00%	7,489,768
Special Assessment Bonds	3,303,000	100.00	3,303,000
Police Pension	70,981	100.00	70,981
Bond Anticipation Notes	955,000	100.00	955,000
Total Direct Debt	<u>19,308,517</u>		<u>19,308,517</u>
Overlapping Subdivisions			
Warren County			
General Obligation Bonds	5,502,002	4.20	231,084
Special Assessment Bonds	13,841,411	4.20	581,339
OPWC Loan	228,347	4.20	9,591
ODOT Loan	1,000,000	4.20	42,000
State 166 Loan	6,917,700	4.20	290,543
Capital Leases	22,952	4.20	964
Franklin City School District			
General Obligation Bonds	3,989,988	55.60	2,218,433
Carlisle Local School District			
Energy Conservation Loan	2,778	0.18	5
Energy Conservation Improvement Installment Note	519,743	0.18	936
Capital Leases	402,972	0.18	725
Warren County Vocational School District			
Capital Leases	194,715	6.39	12,442
Miami Valley Joint Vocational School			
General Obligation Bonds	3,325,000	0.18	212,468
Total Overlapping Debt	<u>35,947,608</u>		<u>3,373,955</u>
Grand Total	<u>\$43,437,376</u>		<u>\$22,682,472</u>

Source: Warren County Auditor and Fiscal Officers of Subdivisions

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

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

Collection Year	General Obligation Bonded Debt (3)	Estimated Actual Value of Taxable Property (2)	Population (1)	Ratio of General Obligation Bonded Debt to Estimated Actual Value	General Obligation Bonded Debt Per Capita
1997	\$1,505,998	\$450,002,760	11,034	0.33%	\$136.49
1998	1,392,998	483,323,734	11,034	0.29%	126.25
1999	1,275,000	515,270,447	11,034	0.25%	115.55
2000	1,160,000	660,194,658	11,396	0.18%	101.79
2001	1,960,000	662,076,389	11,760	0.30%	166.67
2002	6,430,000	696,469,116	11,924	0.92%	539.25
2003	8,407,080	734,918,260	12,130	1.14%	693.08
2004	8,112,976	771,962,020	12,285	1.05%	660.40
2005	7,803,872	719,769,939	12,410	1.08%	628.84
2006	7,489,768	717,007,040	12,457	1.04%	601.25

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

(2) Source: Warren County Auditor

(3) Includes all general obligation debt financed with general governmental resources

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

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

Year	Governmental Activities					Business-Type Activities			
	General Obligation Bonds	Special Assessment Bonds	Notes Payable	Capital Leases	Police Pension Liability	General Obligation Bonds	Mortgage Revenue Bonds	OWDA Loans	Notes Payable
1997	\$1,505,998	\$4,551,070	\$818,623	\$196,115	\$80,236	\$8,000	\$4,170,000	\$2,861,197	\$325,000
1998	1,392,998	4,383,270	1,015,260	170,238	79,337	4,000	4,085,000	2,805,364	438,000
1999	1,275,000	4,318,000	765,137	133,065	78,399	0	3,995,000	2,745,678	210,000
2000	1,160,000	4,149,000	1,999,478	110,935	77,421	0	3,900,000	2,643,911	100,000
2001	1,960,000	4,459,000	2,686,000	89,928	76,401	0	3,810,000	2,610,940	50,000
2002	6,430,000	4,258,000	1,485,600	69,579	75,337	0	3,710,000	2,540,442	0
2003	8,407,080	4,042,000	1,098,900	48,043	74,606	0	3,610,000	2,464,834	0
2004	8,112,976	3,810,000	663,900	568,272	73,448	0	3,500,000	2,384,256	543,000
2005	7,803,872	3,557,000	1,005,000	0	72,241	0	3,385,000	2,252,061	1,284,500
2006	7,489,768	3,303,000	955,000	0	70,981	0	6,168,735	2,156,781	1,245,000

Note: Population and Personal Income data are presented on page 117.

Total Outstanding Debt	Population	Personal Income	Ratio of Debt to Personal Income	Debt Per Capita
\$14,516,239	11,034	\$186,165,648	0.01%	\$1,316
14,373,467	11,034	191,892,294	7.49	1,303
13,520,279	11,034	197,618,940	6.84	1,225
14,140,745	11,396	210,016,884	6.73	1,241
15,742,269	11,760	222,828,480	7.06	1,339
18,568,958	11,924	232,124,508	8.00	1,557
19,745,463	12,130	242,430,180	8.15	1,628
19,655,852	12,285	251,903,925	7.81	1,600
19,359,674	12,410	260,907,840	7.43	1,560
21,389,265	12,457	272,322,477	7.82	1,717

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

	1997	1998	1999	2000
Total Assessed Property Value	<u>\$150,431,349</u>	<u>\$161,336,775</u>	<u>\$170,851,857</u>	<u>\$213,083,444</u>
Overall Legal Debt Limit (10 ½ % of Assessed Valuation)	<u>15,795,292</u>	<u>16,940,361</u>	<u>17,939,445</u>	<u>22,373,762</u>
Debt Outstanding:				
General Obligation Bonds	\$1,513,998	\$1,396,998	\$1,275,000	\$1,160,000
Mortgage Revenue Bonds	4,170,000	4,085,000	3,995,000	3,900,000
Special Assessment Bonds	4,551,070	4,383,270	4,318,000	4,149,000
Bond Anticipation Notes	1,143,623	1,453,260	975,137	2,099,478
OWDA Loans	<u>2,861,197</u>	<u>2,805,364</u>	<u>2,745,678</u>	<u>2,643,911</u>
Total Gross Indebtedness	14,239,888	14,123,892	13,308,815	13,952,389
Less:				
General Obligation Bonds	(8,000)	(4,000)	0	0
Mortgage Revenue Bonds	(4,170,000)	(4,085,000)	(3,995,000)	(3,900,000)
Special Assessment Bonds	(4,551,070)	(4,383,270)	(4,318,000)	(4,149,000)
Bond Anticipation Notes	(325,000)	0	(210,000)	(100,000)
OWDA Loans	(2,861,197)	(2,805,364)	(2,745,678)	(2,643,911)
General Obligation Bond Retirement Fund Balance	<u>(37,138)</u>	<u>0</u>	<u>0</u>	<u>(51,150)</u>
Total Net Debt Applicable to Debt Limit	<u>2,287,483</u>	<u>2,846,258</u>	<u>2,040,137</u>	<u>3,108,328</u>
Legal Debt Margin Within 10 ½ % Limitations	<u>\$13,507,809</u>	<u>\$14,094,103</u>	<u>\$15,899,308</u>	<u>\$19,265,434</u>
Legal Debt Margin as a Percentage of the Debt Limit	85.52%	83.20%	88.63%	86.11%
Unvoted Debt Limitation (5 ½ % of Assessed Valuation)	<u>\$8,273,724</u>	<u>\$8,873,523</u>	<u>\$9,396,852</u>	<u>\$11,719,589</u>
Total Gross Indebtedness	14,239,888	14,123,892	13,308,815	13,952,389
Less:				
General Obligation Bonds	(8,000)	(4,000)	0	0
Mortgage Revenue Bonds	(4,170,000)	(4,085,000)	(3,995,000)	(3,900,000)
Special Assessment Bonds	(4,551,070)	(4,383,270)	(4,318,000)	(4,149,000)
Bond Anticipation Notes	(325,000)	0	(210,000)	(100,000)
OWDA Loans	(2,861,197)	(2,805,364)	(2,745,678)	(2,643,911)
General Obligation Bond Retirement Fund Balance	<u>(37,138)</u>	<u>0</u>	<u>0</u>	<u>(51,150)</u>
Net Debt Within 5 ½ % Limitations	<u>2,287,483</u>	<u>2,846,258</u>	<u>2,040,137</u>	<u>3,108,328</u>
Unvoted Legal Debt Margin Within 5 ½ % Limitations	<u>\$5,986,241</u>	<u>\$6,027,265</u>	<u>\$7,356,715</u>	<u>\$8,611,261</u>
Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation	72.35%	67.92%	78.29%	73.48%

Source: City Financial Records

2001	2002	2003	2004	2005	2006
<u>\$214,155,190</u>	<u>\$226,444,640</u>	<u>\$240,632,700</u>	<u>\$253,954,030</u>	<u>\$240,026,372</u>	<u>\$246,303,533</u>
<u>22,486,295</u>	<u>23,776,687</u>	<u>25,266,434</u>	<u>26,665,173</u>	<u>42,963,265</u>	<u>25,861,871</u>
\$1,960,000	\$6,430,000	\$8,407,080	\$8,130,000	\$7,820,000	\$7,505,000
3,810,000	3,710,000	3,610,000	3,500,000	3,385,000	6,140,000
4,459,000	4,258,000	4,042,000	3,810,000	3,557,000	3,303,000
2,736,000	1,485,600	1,098,900	1,206,900	2,289,500	2,200,000
<u>2,610,940</u>	<u>2,540,442</u>	<u>2,464,834</u>	<u>2,384,256</u>	<u>2,252,061</u>	<u>2,156,781</u>
15,575,940	18,424,042	19,622,814	19,031,156	19,303,561	21,304,781
0	0	0	0	0	0
(3,810,000)	(3,710,000)	(3,610,000)	(3,500,000)	(3,385,000)	(6,140,000)
(4,459,000)	(4,258,000)	(4,042,000)	(3,810,000)	(3,557,000)	(3,303,000)
(50,000)	0	0	0	0	(1,245,000)
(2,610,940)	(2,540,442)	(2,464,834)	(2,384,256)	(2,252,061)	(2,156,781)
<u>(62,531)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>4,583,469</u>	<u>7,915,600</u>	<u>9,505,980</u>	<u>9,336,900</u>	<u>10,109,500</u>	<u>8,460,000</u>
<u>\$17,902,826</u>	<u>\$15,861,087</u>	<u>\$15,760,454</u>	<u>\$17,328,273</u>	<u>\$32,853,765</u>	<u>\$17,401,871</u>
79.62%	66.71%	62.38%	64.98%	76.47%	67.29%
<u>\$11,778,535</u>	<u>\$12,454,455</u>	<u>\$13,234,799</u>	<u>\$13,967,472</u>	<u>\$22,504,567</u>	<u>\$13,546,694</u>
15,575,940	18,424,042	19,622,814	19,031,156	19,303,561	21,304,781
0	0	0	0	0	0
(3,810,000)	(3,710,000)	(3,610,000)	(3,500,000)	(3,385,000)	(6,140,000)
(4,459,000)	(4,258,000)	(4,042,000)	(3,810,000)	(3,557,000)	(3,303,000)
(50,000)	0	0	0	0	(1,245,000)
(2,610,940)	(2,540,442)	(2,464,834)	(2,384,256)	(2,252,061)	(2,156,781)
<u>(62,531)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>4,583,469</u>	<u>7,915,600</u>	<u>9,505,980</u>	<u>9,336,900</u>	<u>10,109,500</u>	<u>8,460,000</u>
<u>\$7,195,066</u>	<u>\$4,538,855</u>	<u>\$3,728,819</u>	<u>\$4,630,572</u>	<u>\$12,395,067</u>	<u>\$5,086,694</u>
61.09%	36.44%	28.17%	33.15%	55.08%	37.55%

City of Franklin, Ohio
Pledged Revenue Coverage
Water System Mortgage Revenue Bonds
Last Ten Years

Year	Water Service Charges and Interest	Direct Operating Expenses (1)	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
1997	\$1,443,971	\$797,484	\$646,487	\$45,000	\$200,370	2.63
1998	2,473,634	1,496,659	976,975	85,000	219,267	3.21
1999	2,129,119	1,374,631	754,488	90,000	209,795	2.52
2000	1,932,016	1,546,655	385,361	95,000	224,404	1.21
2001	1,765,279	1,370,517	394,762	90,000	220,033	1.27
2002	1,989,942	1,430,133	559,809	100,000	215,803	1.77
2003	1,861,656	1,429,768	431,888	100,000	211,033	1.39
2004	1,981,390	1,594,548	386,842	110,000	206,101	1.22
2005	2,295,691	1,188,049	1,107,642	115,000	200,603	3.51
2006	\$2,571,541	\$1,508,805	\$1,062,736	\$125,000	\$194,738	3.32

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

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

<u>Year</u>	<u>Population (1)</u>	<u>Total Personal Income (2)</u>	<u>Per Capita Income (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5) Warren County</u>
1997	11,034	\$186,165,648	\$16,872	3,129	3.2%
1998	11,034	191,892,294	17,391	3,129	3.3
1999	11,034	197,618,940	17,910	3,106	3.3
2000	11,396	210,016,884	18,429	3,129	3.0
2001	11,760	222,828,480	18,948	3,125	3.3
2002	11,924	232,124,508	19,467	3,101	4.0
2003	12,130	242,430,180	19,986	3,097	4.4
2004	12,285	251,903,925	20,505	2,992	4.3
2005	12,410	260,907,840	21,024	2,838	4.2
2006	12,457	272,322,477	21,861	2,927	4.9

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

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

2006

Employer	Number of Employees	Rank	Percentage of Total Employment
Franklin Board of Education	493	1	3.87%
Adesa	468	2	3.67
Dayton Newspapers	436	3	3.42
Burrows	429	4	3.36
Faurecia	406	5	3.18
Ample Industries	305	6	2.39
Frisch Ohio	235	7	1.84
Atlas Roofing	210	8	1.82
City of Franklin	206	9	1.65
CHS Miami Valley	182	10	1.43
Total	3,370		26.63
All Other Employers	9,357		73.37
Total Employment within the City	12,727		100.00%

1997

Employer	Number of Employees	Rank	Percentage of Total Employment
Newark Group, Inc.	823	1	6.73%
Franklin Board of Education	537	2	4.39
General Engine	401	3	3.28
Faurecia	401	4	3.28
Adesa	316	5	2.59
Burrows	256	6	2.09
CHS Miami Valley	243	7	1.99
R L Drake Holding	224	8	1.83
Atlas Roofing	213	9	1.74
Unifirst	206	10	1.69
Total	3,620		29.62
All Other Employers	8,600		70.38
Total Employment within the City	12,220		100.00%

Source: City of Franklin Tax Department

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

Function/Program	1997		1998		1999		2000		2001		2002	
	Full-Time	All	Full-Time	All	Full-Time	All	Full-Time	All	Full-Time	All	Full-Time	All
General Government	16	30	16	30	16	30	16	30	17	31	17	31
Security of Persons and Property	35	90	35	90	37	92	39	90	41	93	41	94
Leisure Time Activities	2	51	2	51	2	52	2	52	2	52	2	52
Economic Development	0	0	0	0	1	1	1	1	1	1	0	0
Basic Utility Services	15	17	15	17	15	19	16	19	16	21	16	22
<i>Total Number of Employees</i>	<u>68</u>	<u>188</u>	<u>68</u>	<u>188</u>	<u>71</u>	<u>194</u>	<u>74</u>	<u>192</u>	<u>77</u>	<u>198</u>	<u>76</u>	<u>199</u>

Source: City Payroll Records

2003		2004		2005		2006	
Full-Time	All	Full-Time	All	Full-Time	All	Full-Time	All
18	32	18	32	20	34	20	34
42	95	41	94	40	95	43	96
2	52	2	52	2	52	2	52
0	0	0	0	0	0	0	0
16	22	16	22	16	24	16	24
<u>78</u>	<u>201</u>	<u>77</u>	<u>200</u>	<u>78</u>	<u>205</u>	<u>81</u>	<u>206</u>

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

Function/Program	1997	1998	1999	2000	2001	2002	2003
General Government:							
Government Center	1	1	1	1	1	1	1
Security of Persons and Property:							
Number of Police Stations	1	1	1	1	1	1	1
Number of Fire/EMS Stations	1	1	1	1	1	1	1
Leisure Time Activities:							
Number of Parks	6	6	6	6	6	6	6
Number of Swimming Pools	1	1	1	1	1	1	1
Number of Libraries	1	1	1	1	1	1	1
Basic Utility Services:							
Miles of Water Mains	51	51	51	51	64	64	44
Miles of Sanitary Sewers	49.76	49.76	49.76	49.76	55.00	55.00	44.00
Transportation:							
Miles of Streets	62.84	62.84	62.84	62.84	72.70	110.00	110.00
Number of Street Lights	867	867	867	867	867	867	913

Source: City capital asset records

<u>2004</u>	<u>2005</u>	<u>2006</u>
1	1	1
1	1	1
1	1	1
6	6	6
1	1	1
1	1	1
48	48	48
44.00	44.00	44.00
110.00	110.00	110.00
929	929	929

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

Function/Program	1997	1998	1999	2000	2001
General Government:					
Active Income Tax Accounts	7,316	7,796	8,207	8,201	8,287
Individual	5,375	5,698	5,902	5,874	5,832
Business	949	1,028	1,123	1,121	1,182
Withholding	992	1,070	1,182	1,206	1,273
Clerk of Courts:					
Traffic Court Cases	4,821	6,224	7,478	8,604	9,188
Civil Court Cases	576	633	570	573	602
Small Claims Court Cases	93	86	97	83	85
Security of Persons and Property:					
Police calls	16,644	16,932	18,952	19,495	20,766
Physical Arrests	591	579	825	962	785
Citations	N/A	N/A	N/A	2,243	2,164

Source: Department reports

2002	2003	2004	2005	2006
8,232	8,294	8,772	9,470	8,972
5,861	5,874	6,266	6,888	6,432
1,125	1,174	1,205	1,240	1,173
1,246	1,246	1,301	1,342	1,367
11,320	8,179	7,726	7,461	7,356
674	830	804	779	643
91	93	71	62	55
22,076	23,631	24,358	24,031	24,893
872	878	737	696	794
2,681	1,998	2,949	2,487	2,235

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Mary Taylor, CPA
Auditor of State

CITY OF FRANKLIN

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2008**