

**CITY OF
FRANKLIN**

***GENERAL PURPOSE
FINANCIAL STATEMENTS
(Audited)***

**FOR THE YEAR ENDED
DECEMBER 31, 1999**

SANDRA L. HOWELL, FINANCE DIRECTOR

CITY OF FRANKLIN

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City of Franklin, Ohio

List of Principal Officials

December 31, 1999

<u>OFFICE HELD</u>	<u>NAME OF OFFICIAL</u>
Executive:	
City Manager	James Lucas
Finance Director	Sandra L. Howell
Law Director	Steven Runge
Legislative:	
Mayor	Paul Hillard
Vice Mayor	Greg Sample
Council-At-Large	Todd Hall
	Greg Sample
	Billy Estes
	Scott Lipps
	Wilbur DePew
Judicial:	
Municipal Court Judge	James Ruppert
Municipal Court Clerk	Sherry Mullins
Administrative:	
City Clerk	Jane McGee
Income Tax Administrator	Norma Kennard
Police Chief	Robert Rockwood
Fire Chief	Jim Marcum (acting)
Public Works Director	Howard Lewis
Chief Building Official	Don Woods



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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The Honorable Mayor and
Members of Council
City of Franklin
35 East Fourth Street
Franklin, Ohio 45005

We have reviewed the independent auditor's report of the City of Franklin, Warren County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 1999 through December 31, 1999. 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.



JIM PETRO
Auditor of State

June 28, 2000

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
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WORTHINGTON, OHIO 43085

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the City of Franklin, Warren County, Ohio (the "City") as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Franklin's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Franklin, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 19, 2000 on our consideration of the City of Franklin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
May 19, 2000

**CITY OF FRANKLIN, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,298,497	\$1,215,897	\$2,499	\$309,928
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	22,223	0
Receivables:				
Taxes	1,085,709	120,247	0	0
Accounts	0	0	0	0
Interfund	28,420	1,550	20,268	0
Special Assessments	0	168,854	5,811,177	0
Loans	0	25,919	0	0
Accrued Interest	32,249	0	0	0
Due from Other Funds	59,866	-0	0	0
Due from Other Governments	9,437	24,928	0	0
Materials and Supplies Inventory	18,847	58,803	0	0
Prepaid Items	25,847	3,384	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	0	0	0	0
Cash and Cash Equivalents with Trustee	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$3,558,872	\$1,619,582	\$5,856,167	\$309,928

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$1,704,830	\$138,997	\$0	\$0	\$5,670,648
0	143,267	0	0	143,267
0	0	0	0	22,223
0	0	0	0	1,205,956
522,559	0	0	0	522,559
1,308	0	0	0	51,546
0	0	0	0	5,980,031
0	0	0	0	25,919
0	0	0	0	32,249
0	0	0	0	59,866
0	0	0	0	34,365
18,782	0	0	0	96,432
5,316	0	0	0	34,547
1,063,780	0	0	0	1,063,780
360,773	0	0	0	360,773
8,782,926	0	5,368,883	0	14,151,809
0	0	0	6,167,025	6,167,025
<u>\$12,460,274</u>	<u>\$282,264</u>	<u>\$5,368,883</u>	<u>\$6,167,025</u>	<u>\$35,622,995</u>

(continued)

CITY OF FRANKLIN, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999
 (continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$11,319	\$47,260	\$0	\$0
Contracts Payable	12,322	0	0	18,784
Interfund Payable	12,164	0	27,184	5,243
Accrued Wages and Benefits	132,288	13,677	0	0
Compensated Absences Payable	15,200	4,257	0	0
Due to Other Funds	0	0	0	0
Due to Other Governments	183,209	13,519	0	0
Deferred Revenue	646,010	289,101	5,811,177	0
Undistributed Monies	0	0	0	0
Deposits Held and Due to Others	0	0	0	0
Matured Bonds Payable	0	0	17,376	0
Matured Interest Payable	0	0	2,026	0
Accrued Interest Payable	22,059	0	0	10,163
Notes Payable	471,000	0	0	270,000
Payable from Restricted Assets:				
Mortgage Revenue Bonds Payable	0	0	0	0
Refundable Deposits	0	0	0	0
Accrued Interest Payable	0	0	0	0
Police and Fire Pension Liability	0	0	0	0
Mortgage Revenue Bonds Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0
Total Liabilities	1,505,571	367,814	5,857,763	304,190
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved for Revenue Bond Replacement and Improvement	0	0	0	0
Reserved for Revenue Bond				
Current Debt Service	0	0	0	0
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	592,233	173,558	0	0
Reserved for Inventory	18,847	58,803	0	0
Reserved for Loans	0	25,919	0	0
Unreserved:				
Undesignated (Deficit)	1,442,221	993,488	(1,596)	5,738
Total Fund Equity (Deficit) and Other Credits	2,053,301	1,251,768	(1,596)	5,738
Total Liabilities, Fund Equity and Other Credits	\$3,558,872	\$1,619,582	\$5,856,167	\$309,928

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$298,904	\$4,074	\$0	\$0	\$361,557
71,512	2,679	0	0	105,297
6,955	0	0	0	51,546
22,932	0	0	0	168,897
129,780	0	0	357,908	507,145
0	59,866	0	0	59,866
17,674	161,688	0	100,516	476,606
3,104	0	0	0	6,749,392
0	47,730	0	0	47,730
0	4,083	0	0	4,083
0	0	0	0	17,376
0	0	0	0	2,026
26,230	0	0	0	58,452
210,000	0	0	24,137	975,137
95,000	0	0	0	95,000
60,772	0	0	0	60,772
14,978	0	0	0	14,978
0	0	0	78,399	78,399
3,900,000	0	0	0	3,900,000
0	0	0	133,065	133,065
2,745,678	0	0	0	2,745,678
120,000	0	0	1,275,000	1,395,000
0	0	0	4,198,000	4,198,000
<u>7,723,519</u>	<u>280,120</u>	<u>0</u>	<u>6,167,025</u>	<u>22,206,002</u>
0	0	5,368,883	0	5,368,883
472,596	0	0	0	472,596
903,743	0	0	0	903,743
316,933	0	0	0	316,933
3,043,483	0	0	0	3,043,483
0	0	0	0	765,791
0	0	0	0	77,650
0	0	0	0	25,919
0	2,144	0	0	2,441,995
<u>4,736,755</u>	<u>2,144</u>	<u>5,368,883</u>	<u>0</u>	<u>13,416,993</u>
<u>\$12,460,274</u>	<u>\$282,264</u>	<u>\$5,368,883</u>	<u>\$6,167,025</u>	<u>\$35,622,995</u>

CITY OF FRANKLIN, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service			Capital Projects
Revenues:						
Property and Other Local Taxes	\$260,330	\$98,609	\$0	\$0	\$0	\$358,939
Income Taxes	3,630,564	59,808	0	0	0	3,690,372
Charges for Services	32,985	87,584	0	0	0	120,569
Fines, Licenses and Permits	642,185	15,176	0	0	0	657,361
Intergovernmental	786,421	710,701	0	182,729	0	1,679,851
Special Assessments	0	83,266	351,395	0	0	434,661
Interest	334,225	7,747	0	0	0	341,972
Other	95,998	7,102	362	0	368	103,830
Total Revenues	5,782,708	1,069,993	351,757	182,729	368	7,387,555
Expenditures:						
Current:						
General Government	1,460,278	309	0	0	0	1,460,587
Security of Persons and Property	2,549,468	294,881	0	0	0	2,844,349
Public Health and Welfare	0	1,527	0	0	0	1,527
Transportation	0	581,932	0	0	0	581,932
Community Environment	0	26,882	0	0	0	26,882
Basic Utility Services	57,968	0	0	0	0	57,968
Leisure Time Activities	25,000	304,434	0	0	0	329,434
Capital Outlay	11,814	178,219	0	477,052	0	667,085
Debt Service:						
Principal Retirement	24,501	11,123	303,300	0	0	338,924
Interest and Fiscal Charges	17,987	1,656	338,083	9,112	0	366,838
Total Expenditures	4,147,016	1,400,963	641,383	486,164	0	6,675,526
Excess of Revenues Over (Under) Expenditures	1,635,692	(330,970)	(289,626)	(303,435)	368	712,029
Other Financing Sources (Uses):						
Sale of Fixed Assets	2,036	0	0	0	0	2,036
Operating Transfers - In	123,200	627,762	249,907	229,926	0	1,230,795
Operating Transfers - Out	(1,071,228)	(94,595)	0	0	(1,468)	(1,167,291)
Total Other Financing Sources (Uses)	(945,992)	533,167	249,907	229,926	(1,468)	65,540
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	689,700	202,197	(39,719)	(73,509)	(1,100)	777,569
Fund Balances at Beginning of Year	1,355,645	990,768	38,123	79,247	3,244	2,467,027
Increase in Reserve for Inventory	7,956	58,803	0	0	0	66,759
Fund Balances (Deficit) at End of Year	\$2,053,301	\$1,251,768	(\$1,596)	\$5,738	\$2,144	\$3,311,355

See accompanying notes to the general purpose financial statements

CITY OF FRANKLIN, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Local Taxes	\$ 330,290	\$ 337,127	\$ 6,837
Income Taxes	3,499,196	3,663,463	164,267
Charges for Services	32,500	32,985	485
Fines, Licenses and Permits	583,047	642,856	59,809
Intergovernmental	753,240	822,764	69,524
Special Assessments	0	0	0
Interest	200,790	317,058	116,268
Other	86,200	96,198	9,998
Total Revenues	5,485,263	5,912,451	427,188
Expenditures:			
Current:			
General Government	2,384,696	2,007,364	377,332
Security of Persons and Property	2,994,872	2,807,175	187,697
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	120,000	61,549	58,451
Leisure Time Activities	25,000	25,000	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	5,524,568	4,901,088	623,480
Excess of Revenues Over (Under) Expenditures	(39,305)	1,011,363	1,050,668
Other Financing Sources (Uses):			
Other Financing Sources	0	0	0
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Sale of Fixed Assets	5,000	2,036	(2,964)
Contingency	0	0	0
Operating Transfers - In	127,732	123,200	(4,532)
Operating Transfers - Out	(1,734,662)	(1,270,836)	463,826
Total Other Financing Sources (Uses)	(1,601,930)	(1,145,600)	456,330
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,641,235)	(134,237)	1,506,998
Fund Balances at Beginning of Year	1,609,419	1,609,419	0
Prior Year Encumbrances Appropriated	255,093	255,093	0
Fund Balances (Deficit) at End of Year	\$ 223,277	\$ 1,730,275	\$ 1,506,998

(continued)

CITY OF FRANKLIN, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999
(continued)

	Special Revenue Funds			Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Local Taxes	\$ 98,844	\$ 98,609	\$ (235)	\$ 0	\$ 0	\$ 0
Income Taxes	77,250	59,808	(17,442)	0	0	0
Charges for Services	67,775	87,584	19,809	0	0	0
Fines, Licenses and Permits	10,230	15,176	4,946	0	0	0
Intergovernmental	638,000	693,191	55,191	0	0	0
Special Assessments	81,000	83,266	2,266	351,395	351,395	0
Interest	6,300	7,747	1,447	0	0	0
Other	25,581	31,759	6,178	0	362	362
Total Revenues	1,004,980	1,077,140	72,160	351,395	351,757	362
Expenditures:						
Current:						
General Government	4,500	453	4,047	0	0	0
Security of Persons and Property	435,268	288,871	146,397	0	0	0
Public Health and Welfare	123,977	1,527	122,450	0	0	0
Transportation	914,549	718,484	196,065	0	0	0
Community Environment	111,020	21,230	89,790	0	0	0
Basic Utility Services	0	0	0	0	0	0
Leisure Time Activities	344,375	314,607	29,768	0	0	0
Capital Outlay	200,000	178,219	21,781	0	0	0
Debt Service:						
Principal Retirement	11,123	11,123	0	1,686,000	1,713,300	(27,300)
Interest and Fiscal Charges	1,656	1,656	0	367,000	394,987	(27,987)
Total Expenditures	2,146,468	1,536,170	610,298	2,053,000	2,108,287	(55,287)
Excess of Revenues Over (Under) Expenditures	(1,141,488)	(459,030)	682,458	(1,701,605)	(1,756,530)	(54,925)
Other Financing Sources (Uses):						
Other Financing Sources	0	0	0	0	0	0
Proceeds of Bonds	0	0	0	0	120,000	120,000
Proceeds of Notes	0	0	0	951,000	951,000	0
Sale of Fixed Assets	0	0	0	0	0	0
Contingency	0	0	0	0	0	0
Operating Transfers - In	661,680	627,762	(33,918)	754,800	642,988	(111,812)
Operating Transfers - Out	(100,000)	(94,595)	5,405	0	0	0
Total Other Financing Sources (Uses)	561,680	533,167	(28,513)	1,705,800	1,713,988	8,188
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(579,808)	74,137	653,945	4,195	(42,542)	(46,737)
Fund Balances at Beginning of Year	917,578	917,578	0	15,358	15,358	0
Prior Year Encumbrances Appropriated	49,540	49,540	0	0	0	0
Fund Balances (Deficit) at End of Year	\$ 387,310	\$ 1,041,255	\$ 653,945	\$ 19,553	\$ (27,184)	\$ (46,737)

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,000,000	421,149	(578,851)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	360	368	8
<u>1,000,000</u>	<u>421,149</u>	<u>(578,851)</u>	<u>360</u>	<u>368</u>	<u>8</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,181,800	548,312	633,488	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,181,800</u>	<u>548,312</u>	<u>633,488</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(181,800)</u>	<u>(127,163)</u>	<u>54,637</u>	<u>360</u>	<u>368</u>	<u>8</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
422,600	153,000	(269,600)	0	0	0
0	0	0	(1,500)	(1,468)	32
<u>422,600</u>	<u>153,000</u>	<u>(269,600)</u>	<u>(1,500)</u>	<u>(1,468)</u>	<u>32</u>
240,800	25,837	(214,963)	(1,140)	(1,100)	40
284,091	284,091	0	3,244	3,244	0
0	0	0	0	0	0
<u>\$524,891</u>	<u>\$309,928</u>	<u>(\$214,963)</u>	<u>\$2,104</u>	<u>\$2,144</u>	<u>\$40</u>

*CITY OF FRANKLIN, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999*

	Enterprise
Operating Revenues:	
Charges for Services	\$4,684,115
Other Operating Revenues	2,529
Total Operating Revenues	4,686,644
Operating Expenses:	
Personal Services	665,639
Contractual Services	3,307,951
Materials and Supplies	135,156
Depreciation	373,702
Total Operating Expenses	4,482,448
Operating Income	204,196
Non-Operating Revenues (Expenses):	
Operating Grants	51,363
Loss on the Disposal of Fixed Assets	(876)
Interest and Fiscal Charges	(430,702)
Interest Revenue	16,418
Total Non-Operating Revenues (Expenses)	(363,797)
Loss Before Operating Transfers	(159,601)
Operating Transfers - In	70,445
Operating Transfers - Out	(133,949)
Net Loss	(223,105)
Retained Earnings at Beginning of Year	4,487,264
Retained Earnings at End of Year	\$4,264,159

See accompanying notes to the general purpose financial statements

**CITY OF FRANKLIN, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Enterprise		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$4,598,637	\$4,773,208	\$174,571
Deposits Received	14,000	16,863	2,863
Grants	52,000	51,363	(637)
Other Operating Revenues	18,600	2,529	(16,071)
Total Revenues	4,683,237	4,843,963	160,726
Expenses:			
Personal Services	740,362	662,949	77,413
Contractual Services	3,892,298	3,350,773	541,525
Materials and Supplies	270,132	177,811	92,321
Deposit Refunds	26,100	20,455	5,645
Capital Outlay	496,571	258,674	237,897
Debt Service:			
Principal Retirement	162,000	161,686	314
Interest and Fiscal Charges	411,269	402,961	8,308
Total Expenses	5,998,732	5,035,309	963,423
Excess of Revenues Over (Under) Expenses Before Transfers	(1,315,495)	(191,346)	1,124,149
Operating Transfers - In	102,500	70,445	(32,055)
Operating Transfers - Out	(253,900)	(250,496)	3,404
Excess of Revenues Over (Under) Expenses and Operating Transfers	(1,466,895)	(371,397)	1,095,498
Fund Equity at Beginning of Year	2,873,982	2,873,982	0
Prior Year Encumbrances Appropriated	81,514	81,514	0
Fund Equity at End of Year	\$1,488,601	\$2,584,099	\$1,095,498

See accompanying notes to the general purpose financial statements

**CITY OF FRANKLIN, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 4,773,208
Cash Paid for Employee Services and Benefits	(662,949)
Cash Paid to Suppliers for Goods and Services	(3,516,357)
Utility Deposits Received	16,863
Utility Deposits Returned	(20,455)
Other Operating Revenues	<u>2,529</u>
Net Cash Provided by Operating Activities	<u>592,839</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	51,363
Operating Transfers - In from Other Funds	70,445
Operating Transfers - Out to Other Funds	<u>(133,949)</u>
Net Cash Used for Noncapital Financing Activities	<u>(12,141)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds of General Obligation Notes	210,000
Proceeds of General Obligation Bonds	120,000
Acquisition of Capital Assets	(100,359)
Interest Paid on General Obligation Bonds	(1,076)
Principal Paid on General Obligation Bonds	(4,000)
Interest Paid on General Obligation Notes	(19,407)
Principal Paid on General Obligation Notes	(438,000)
Interest Paid on OWDA Loans	(191,730)
Principal Paid on OWDA Loans	(59,686)
Interest Paid on Mortgage Revenue Bonds	(209,795)
Principal Paid on Mortgage Revenue Bonds	<u>(90,000)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(784,053)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends	<u>16,417</u>
Net Cash Provided by Investing Activities	<u>16,417</u>
Net Decrease in Cash and Cash Equivalents	(186,938)
Cash and Cash Equivalents at Beginning of Year	<u>3,316,321</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,129,383</u>

(continued)

*CITY OF FRANKLIN, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999
 (continued)*

	<u>Enterprise</u>
Reconciliation of Operating Income to	
<u>Net Cash Provided by Operating Activities:</u>	
Operating Income	<u>\$204,196</u>
Adjustments to Reconcile Operating Income	
<u>to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	373,702
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	48,469
Decrease in Due from Other Governments	40,624
Increase in Materials and Supplies Inventories	(13,095)
Increase in Prepaid Items	(5,316)
Decrease in Accounts Payable	(13,793)
Decrease in Contracts Payable	(46,362)
Increase in Accrued Wages and Benefits	1,950
Increase in Compensated Absences Payable	6,261
Decrease in Due to Other Governments	(205)
Decrease in Refundable Deposits	<u>(3,592)</u>
Total Adjustments	<u>388,643</u>
Net Cash Provided by Operating Activities	<u>\$592,839</u>

See accompanying notes to the general purpose financial statements

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CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

THE REPORTING ENTITY

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

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

The Franklin Municipal Building Corporation was created under State statute as a corporation whose only purpose is to provide funding for the construction of the City's administration and service buildings. The City appoints a majority of the governing board and is liable for the debt of the organization. Because this service entirely benefits the City, the Franklin Municipal Building Corporation is presented as a blended component unit of the City and has been included as part of the primary government. The Corporation's sole purpose was to issue the debt and construct the Municipal building for the City. Since that time, there has been no financial activity in the Corporation. The debt service payments are apportioned to the general, water and sewer funds.

The City is associated with two organizations which are defined as joint ventures, four organizations which are defined as jointly governed organizations and one organization which is defined as a group purchasing pool. These organizations are presented in Notes 19 and 20 of the General Purpose Financial Statements. These organizations are:

Joint Ventures:

Joint Recreation Facility
Hazardous Materials Response Team

Jointly Governed Organizations:

Warren County General Health District
Joint Emergency Medical Service
Center for Local Governments
Ohio - Kentucky - Indiana Regional Council of Governments

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

Group Purchasing Pool:
Ohio Municipal League of Ohio Workers' Compensation Group
Rating Plan

The Franklin Municipal Court has been included in the City's financial statements as an agency fund. The clerk of courts has a fiduciary responsibility for the collection and distribution of the court fees and fines.

BASIS OF PRESENTATION - FUND ACCOUNTING

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and fiduciary funds) are accounted for through governmental funds. The following are the City's governmental fund types.

General Fund - This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to the expendable trust or major capital projects) that are legally restricted to expenditure for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and the trust fund).

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

PROPRIETARY FUNDS

The proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered or financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. The City's fiduciary funds include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of the general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City other than those accounted for in proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is used to account for all unmatured general long-term indebtedness of the City that is not a specific liability of the proprietary funds, including special assessment debt for which the City is obligated in some manner.

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types, the expendable trust fund and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income taxes withheld by employers, state-levied locally shared taxes (including gasoline tax), federal and state grants, and investment earnings.

Other revenues, including licenses, permits, special assessments, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable and expenses are recognized at the time liabilities are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The Street Improvement Capital Projects Fund is created for GAAP purposes for repayment of short-term debt issues and is not part of the City's appropriated budget. The primary level of budgetary control is at the object level (personal services and other expenditures) within each department. Budgetary modifications may only be made by resolution of the City Council.

Tax Budget

A tax budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue to be collected is greater or less than the current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level (personal services and other expenditures). The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During the year several supplemental appropriation measures were passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures and encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and are reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

CASH AND CASH EQUIVALENTS

Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The City's Municipal Court has its own checking accounts for collection and distribution of court fines and forfeitures which are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts." The City utilizes financial institutions to service bonded debt as principal and interest payments come due and is presented on the combined balances sheet as "Cash and Cash Equivalents with Fiscal Agents."

During fiscal year 1999, investments were limited to STAR Ohio, a Federal Farm Credit Bank Note, a Federal Home Loan Bank Bond, Federal National Mortgage Association Notes, certificates of deposit, and money market mutual funds. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price. Non-participating investment contracts such as non-negotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

Interest revenue credited to the general fund during fiscal year 1999 amounted to \$334,225, which includes \$212,385 assigned from other funds. The community development and street special revenue funds, and the water enterprise fund also received interest in the amount of \$7,459, \$288, and \$16,418, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash and cash equivalents.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORY OF SUPPLIES

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 costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

RESTRICTED ASSETS

Restricted assets in the enterprise funds represent cash and cash equivalents held by trustee, which have been set aside to satisfy bond indenture requirements for current and future debt payments, and cash and cash equivalents set aside for replacement and improvement of fixed assets originally acquired with bond proceeds. In addition, water and sewer customer deposits are presented as restricted assets.

INTERFUND ASSETS/LIABILITIES

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivables" or "Interfund Payables."

FIXED ASSETS AND DEPRECIATION

General fixed assets (assets used in the general operations of the City) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets are assets used in providing services accounted for in proprietary funds. They are accounted for within the proprietary funds.

All purchased fixed assets are valued at cost when historical records are available and estimated historical cost where no historical records exist. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. An improvement to a fund fixed asset is depreciated over the remaining useful life of the related asset.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, sidewalks, and drainage systems are not capitalized, as these assets are immovable and of value only to the City.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of fund fixed assets is computed using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	5-10 years
Sewer/Water Lines	40 years

COMPENSATED ABSENCES

Vacation benefits 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. 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 the City has identified as probable of receiving payment in the future. 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. This amount is recorded as a fund liability, while the balance of the liability is recorded in the general long-term obligations account group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than thirty-one days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, the police and fire pension liability, and long-term loans are recognized as a liability of the general long-term obligations account group until due.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds. Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bonds	Debt Service Fund and applicable Enterprise Funds
Special Assessment Bonds	Debt Service Fund
Police Pension Liability	Police Pension Fund
Fire Pension Liability	Fire Pension Fund
Compensated Absences and Pension Obligation	Will be paid by the fund from which the employee's salary is paid.
Capital Leases	General Fund (the fund which is utilizing the asset being acquired).
OWDA Loans	Water Fund (the fund which utilized the proceeds of loans).
Long-Term Notes	Street Fund (the fund which utilized the proceeds of the notes).
Mortgage Revenue Bonds	Water Fund (the fund which utilized the proceeds of the bonds).

CAPITALIZATION OF INTEREST

The City's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1999, interest costs incurred on construction projects in proprietary funds were not material.

CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, federal and state grants, other governments, and private sources provided to the City's proprietary funds which are not subject to repayment. There were no changes in contributed capital during the fiscal year.

Because the City had not prepared its financial statements in accordance with generally accepted accounting principles in years prior to 1988, the exact amount of contributed capital at December 31, 1999, cannot be determined. Only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds are classified as retained earnings.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RESERVATIONS OF FUND EQUITY

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, inventory, and loans receivable. Retained earnings are reserved for replacement and improvement and for current debt service for revenue bonds.

ACCOUNTING 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.

INTERGOVERNMENTAL REVENUES

In governmental funds, grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the expenditures are made.

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as operating transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the General Purpose Financial Statements - Overview are captioned "Totals - Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 3 - BUDGET TO GAAP RECONCILIATION

BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance and retained earnings 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, appropriations and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type is 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. For proprietary funds, proceeds from and principal payments on debt, and the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 3 - BUDGET TO GAAP RECONCILIATION (continued)

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$689,700	\$202,197	(\$39,719)	(\$73,509)	(\$1,100)
Adjustments:					
Revenue Accruals	130,447	7,147	0	192,722	0
Expenditure Accruals	(158,308)	39,435	(56,904)	(62,148)	0
Encumbrances	(595,764)	(174,642)	0	0	0
Debt Principal Retirement	0	0	(1,410,000)	0	0
Debt Proceeds	0	0	1,071,000	0	0
Non-Budgeted Funds	0	0	0	45,698	0
Unrecorded Cash	(704)	0	0	0	0
Transfers	(199,608)	0	393,081	(76,926)	0
Budget Basis	<u>(\$134,237)</u>	<u>\$74,137</u>	<u>(\$42,542)</u>	<u>\$25,837</u>	<u>(\$1,100)</u>

Net Loss/Excess of Revenues Under
Expenses and Operating Transfers
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	(\$223,105)
Adjustments:	
Revenue Accruals	54,674
Deposits	(3,592)
Expense Accruals	49,492
Encumbrances	(170,542)
Operating Transfers	(116,547)
Capital Outlay	(100,359)
Debt Principal Retirement	(161,686)
Loss on Disposal of Fixed Assets	876
Unrecorded Cash	(13,969)
Non-Budgeted Activity	(60,341)
Depreciation	373,702
Budget Basis	<u>(\$371,397)</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

STATUTORY COMPLIANCE

The following appropriation accounts had an excess of expenditures plus encumbrances over appropriations for the year ended December 31, 1999:

Fund Type/Fund	Appropriations	Expenditures Plus Encumbrances	Excess
Debt Service Fund:	\$2,053,000	\$2,108,287	\$55,287
Enterprise Fund:			
Trash Fund	513,268	545,322	32,054

FUND DEFICITS

The following funds had fund balance deficits at December 31, 1999:

	Fund Deficit
Debt Service Fund	\$1,596
Capital Projects Fund:	
Street Improvement	209,367

The deficit in the debt service fund resulted from the delinquency of a large special assessment collection. The deficit will be eliminated when the assessment is collected. The deficit in the street improvement fund results from the issuance of short-term bond anticipation notes which are used to finance projects until bonds are issued. The deficit will be eliminated when long-term bonds are issued.

NOTE 5 - DEPOSITS AND INVESTMENTS

POLICIES AND PROCEDURES

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two 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.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bond, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this section are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

DEPOSITS

At year end, the carrying amount of the City's deposits was \$1,701,845 and the bank balance was \$1,721,228. Of the bank balance, \$223,213 was covered by federal deposit insurance. The remainder of the deposits were not insured or collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

INVESTMENTS

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

	<u>Category 3</u>	<u>Fair Value</u>
STAR Ohio	\$0	\$3,101,561
Federal Farm Credit Bank Note	496,475	496,475
Federal Home Loan Bank Bond	498,750	498,750
Federal National Mortgage Association Notes	1,089,261	1,089,261
Money Market Mutual Funds	0	372,799
Total	<u>\$2,084,486</u>	<u>\$5,558,846</u>

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

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$7,260,691	\$0
Investments:		
STAR Ohio	(3,101,561)	3,101,561
Federal Farm Credit Bank Note	(496,475)	496,475
Federal Home Loan Bank Bonds	(498,750)	498,750
Federal National Mortgage Association Notes	(1,089,261)	1,089,261
Money Market Mutual Funds	(372,799)	372,799
GASB Statement No. 3	<u>\$1,701,845</u>	<u>\$5,558,846</u>

NOTE 6 - 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 1999 for real and public utility property taxes represents collections of 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 real property taxes are levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1999 real property taxes are collected in and intended to finance 2000.

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. 1999 public utility property taxes became a lien December 31, 1998, are levied after October 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 1999 was \$2.83 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Category	Assessed Value
Real Property Tax	\$120,126,750
Tangible Personal Property	39,952,347
Public Utility Tangible Personal Property	10,772,760
Totals	<u>\$170,851,857</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 6 - PROPERTY TAXES (continued)

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. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1999 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 7 - 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 1999, the proceeds were allocated to the general fund and street special revenue fund. Income tax revenue for 1999 was \$3,690,372.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, interfund, intergovernmental receivables and shared revenues, special assessments, interest on investments, loans, and utility accounts. All receivables are considered fully collectible.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 8 - RECEIVABLES (continued)

A summary of intergovernmental receivables follows:

	Amount
<u>General Fund</u>	
Local Government Assistance	\$4,547
Estate Tax	4,890
Total General Fund	9,437
<u>Special Revenue Funds</u>	
<u>State Highway</u>	
Gas Tax	1,274
<u>Street Fund</u>	
Auto Registration Tax	7,947
Gas Tax	15,707
Total Special Revenue Funds	24,928
Total All Funds	\$34,365

NOTE 9 - FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 1999 were as follows:

Class	Balance January 1, 1999	Additions	Deletions	Balance December 31, 1999
Land	\$446,692	\$105,471	\$0	\$552,163
Buildings	405,733	122,014	0	527,747
Improvements other than Buildings	415,285	694,419	0	1,109,704
Vehicles, Furniture and Equipment	2,958,728	395,816	175,275	3,179,269
Totals	\$4,226,438	\$1,317,720	\$175,275	\$5,368,883

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 9 - FIXED ASSETS (continued)

Fixed asset balances for enterprise funds as of December 31, 1999 were as follows:

<u>Class</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Land	\$5,153	\$901,497	\$906,650
Buildings	84,417	722,982	807,399
Equipment	377,048	431,653	808,701
Sewer and Water Lines	<u>3,079,940</u>	<u>7,685,471</u>	<u>10,765,411</u>
Total	3,546,558	9,741,603	13,288,161
Less: Accumulated Depreciation	<u>(2,046,553)</u>	<u>(2,458,682)</u>	<u>(4,505,235)</u>
Net Fixed Assets	<u>\$1,500,005</u>	<u>\$7,282,921</u>	<u>\$8,782,926</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City participates in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-8025 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were \$175,049, \$129,664, and \$120,391, respectively. The full amount has been contributed for 1998 and 1997. 76.52 percent has been contributed for 1999 with the remainder being reported within the respective funds and the general long-term obligations account group.

POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple-employer public employee retirement system administered by the Fund's Board of Trustees. The Fund 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. The fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the Fund for the years ended December 31, 1999, 1998, and 1997 were \$175,186, \$155,868, and \$152,512, respectively. The full amount has been contributed for 1998 and 1997. 76.93 percent has been contributed for 1999 with the remainder being reported within the general long-term obligations account group.

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, 1999, the unfunded liability of the City was \$78,399, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

NOTE 11 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 4.62 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of death or retirement, every employee will be paid for a maximum of 150 days of sick leave hours. Those employees that leave City employment for reasons other than death or retirement will be paid 50 percent of accumulated sick leave up to a maximum of 150 days.

The total obligation for compensated absences for the City as a whole as of December 31, 1999, was \$507,145.

HEALTH CARE BENEFITS

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

DEFERRED COMPENSATION

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

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 12 - POST EMPLOYMENT BENEFITS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

The Public Employees Retirement System of Ohio (PERS) provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1999.

For 1999, benefits are funded on a pay-as-you-go basis. The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$78,632.

POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals, and that health care cost paid from the funds of the Police and Firemen's Disability and Pension Fund 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 is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 (the latest information available), was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$82,585 for police and \$11,411 for fire. The Fund's total health care expenses for the year ended December 31, 1998, were \$78,596,790, which was net of member contributions of \$5,331,515.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous years, the City has entered into capital leases for vehicles and equipment. By the terms of each agreement, ownership of the equipment is transferred to the City by the end of the 3-5 year lease terms. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds. The equipment, machinery and vehicles acquired by lease have been capitalized in the general fixed assets account group in the amount of \$251,927 which equals the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 1999 totaled \$24,501.

The following is a schedule of the future long-term minimum lease payments required for capital leases reported in the General Long-Term Obligations Account Group and the present value of the minimum lease payments as of December 31, 1999.

Year Ending December 31,	General Long-Term Obligations
2000	\$28,513
2001	25,503
2002	25,503
2003	25,503
2004	25,503
2005	25,503
Subtotal	156,028
Less: Amount Representing Interest	(22,963)
Present Value of Minimum Lease Payments	\$133,065

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. During 1999, the City contracted with The Personal Services Company for vehicle, property and general liability insurance. Hartford Steam Boiler Company covers boiler and machinery, while police and professional liability are protected by the City Insurance Company.

Boiler and machinery hold a \$1,000 deductible. Vehicle deductible levels vary with vehicles while property and general liability deductibles range from \$250-\$1,000. The City carries a \$1,000 deductible for both police and professional liability insurance. A local claims agent, Simpkins Insurance, is contracted by the City and reviews all claims.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 14 - RISK MANAGEMENT (continued)

Coverage provided by the insurance agency follows:

Public Official Liability	\$1,000,000
Police Professional Liability	1,000,000
EDP Equipment Policy	103,773
Boiler and Machinery	800,000
Public Employees Blanket Bond	25,000
Comprehensive General Liability	
Each Occurrence	1,000,000
General Aggregate	3,000,000

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 participates in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (see Note 20).

NOTE 15 - LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 1999 were as follows:

Types/Issues	Balance December 31, 1998	Increase	Decrease	Balance December 31, 1999
Enterprise Fund Obligations				
4.5% - 1969 Service Building General Obligation Bonds	\$4,000	\$0	\$4,000	\$0
OWDA Loans	2,805,364	0	59,686	2,745,678
Mortgage Revenue Bonds	4,085,000	0	90,000	3,995,000
General Obligation Eastgate Sewer Extension Bonds	0	120,000	0	120,000
Compensated Absences	123,519	6,261	0	129,780
TOTAL - All Enterprise Fund Obligations	\$7,017,883	\$126,261	\$153,686	\$6,990,458

(continued)

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Type/Issues	Balance December 31, 1998	Increase	Decrease	Balance December 31, 1999
General Long-Term Obligations				
<u>Special Assessment Bonds</u>				
6.375% - 1979 State Route 123 Sewer	\$4,000	\$0	\$4,000	\$0
6.375% - 1979 Eastgate Sewer	25,000	0	25,000	0
6.85% - 1991 Franklin Commerce Improvement	1,095,000	0	55,000	1,040,000
8.78% - 1985 Streetscape	40,000	0	5,000	35,000
7.125% - 1989 Shady Glenn	106,000	0	8,000	98,000
4.95% - 1994 Sidewalk Improvements	3,300	0	3,300	0
6.00% - 1995 Miller Stub Street	72,000	0	3,000	69,000
5.75% - 1995 Shotwell Drive	208,000	0	7,000	201,000
5.80% - 1997 Franklin Commerce Center	550,000	0	15,000	535,000
5.00% - 1998 Scholl Road	500,000	0	15,000	485,000
5.00% - 1998 Fourth Street Improvement	325,000	0	10,000	315,000
5.00% - 1998 Schumaker-Franklin	1,300,000	0	30,000	1,270,000
5.00% - 1998 Deardoff Phase II	155,000	0	5,000	150,000
TOTAL-Special Assessment Bonds	\$4,383,300	\$0	\$185,300	\$4,198,000

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 15 - LONG -TERM OBLIGATIONS (continued)

Type/Issues	Balance December 31, 1998	Increase	Decrease	Balance December 31, 1999
<u>General Obligation Bonds (Unvoted)</u>				
4.25% - 6.10% 1994 Road Extension	\$1,385,000	\$0	\$110,000	\$1,275,000
4.5% - 1969 Service Building	8,000	0	8,000	0
TOTAL-General Obligation Bonds	1,393,000	0	118,000	1,275,000
<u>Other Long-Term Obligations</u>				
4.70% - 1994 Street Sweeper Note	35,260	0	11,123	24,137
Compensated Absences	307,481	50,427	0	357,908
Police and Fire Pension	79,337	0	938	78,399
Pension Obligation	93,424	100,516	93,424	100,516
Capital Leases Payable	157,566	0	24,501	133,065
TOTAL-Other Long-Term Obligations	673,068	150,943	129,986	694,025
TOTAL- All General Long- Term Obligations	6,449,368	150,943	433,286	6,167,025
TOTAL - All Types	\$13,467,251	\$277,204	\$586,972	\$13,157,483

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

The unvoted general obligation bond issues for the Service Building and Road Extension will be paid from property taxes. The general obligation bonds in the enterprise funds will be repaid from operating revenues.

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

<u>Redemption Dates</u>	<u>Premium - % of Par Value</u>
September 1, 2004 through August 31, 2005	102%
September 1, 2005 through August 31, 2006	101%
September 1, 2006 and thereafter	100%

The Street Sweeper Note is a long-term loan because the loan is similar to a serial bond where annual payments are made each year and there is no roll over of principal from year to year. The Street Sweeper Note will be paid from the street fund with no specifically identifiable revenue source.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The Ohio Water Development Authority loans are for the construction of water mains. The loans will be paid from water fund operating revenues. The interest rate on the loans is 6.70%.

The Mortgage Revenue Bonds will be paid from water fund operating revenues. The bonds will mature in the year 2016. The interest rate on the bonds range from 4.00% to 5.80%.

The Eastgate Sewer Extension Bonds will be paid from sewer fund operating revenues. The bonds will mature in the year 2019. The interest rate on the bonds is 5.7%.

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.

As of December 31, 1999, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,899,308. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 1999 are:

Year	Special Assessments Bonds	General Obligation Bonds	Police and Fire Pension	General Obligation Revenue Bonds	General Obligation Notes	Mortgage Revenue Bonds	OWDA Loans	Total
2000	\$405,760	\$189,190	\$4,300	\$13,284	\$12,780	\$319,403	\$255,348	\$1,200,065
2001	406,864	187,980	4,300	11,655	12,766	310,032	255,348	1,188,945
2002	407,300	191,380	4,300	11,270	0	315,803	255,348	1,185,401
2003	406,079	184,100	4,300	10,985	0	311,003	255,348	1,171,815
2004	410,262	186,690	4,300	10,700	0	316,102	255,348	1,183,402
2005-09	2,056,892	738,780	21,490	49,125	0	1,587,343	1,276,740	5,730,370
2010-14	1,674,288	0	21,490	43,100	0	1,585,163	1,276,740	4,600,781
2015-35	771,055	0	87,915	53,265	0	2,319,163	903,683	4,135,081
Total	\$6,538,500	\$1,678,120	\$152,395	\$203,384	\$25,546	\$7,064,012	\$4,733,903	\$20,395,860

REVENUE HOUSING BONDS

The City served as the issuer of \$7,420,000 in revenue housing bonds in 1997. The proceeds were loaned to Emerald Edge/Warren, Limited Partnership to finance the acquisition, construction and equipping of a multifamily residential rental housing facility. The housing revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the City. Neither is the full faith and credit or taxing power of the City pledged to make repayment. As of December 31, 1999, the outstanding principal balance was \$7,100,000.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 1999 follows:

Fund Type	Balance December 31, 1998	Increase	Decrease	Balance December 31, 1999
General	\$646,000	\$471,000	\$646,000	\$471,000
Capital Projects	334,000	270,000	334,000	270,000
Enterprise	438,000	210,000	438,000	210,000
Total	\$1,418,000	\$951,000	\$1,418,000	\$951,000

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

Issue	Principal Outstanding	Annualized Rate
Fire Rescue Vehicle	\$109,000	6.00%
Fire Equipment Bond	362,000	6.00
Street Improvement	200,000	6.00
Deardoff Road Improvement	70,000	4.45
Water Line Improvement	145,000	6.00
Water System Improvements	65,000	4.45
Total	\$951,000	

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

NOTE 17 - INTERFUND RECEIVABLES AND PAYABLES

Interfund asset and liability balances at December 31, 1999 were as follows:

DUE FROM/TO OTHER FUNDS

	Receivable	Payable
General Fund	\$59,866	\$0
Municipal Court Agency Fund	0	59,866
	\$59,866	\$59,866

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 17 - INTERFUND RECEIVABLES AND PAYABLES (continued)

INTERFUND RECEIVABLES/PAYABLES

	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$28,420</u>	<u>\$12,164</u>
Special Revenue Fund		
Street	<u>1,550</u>	<u>0</u>
Debt Service Fund	<u>20,268</u>	<u>27,184</u>
Capital Projects Funds		
Capital Improvement	0	1,084
Issue Two	<u>0</u>	<u>4,159</u>
Total Capital Projects Funds	<u>0</u>	<u>5,243</u>
Enterprise Funds		
Sewer	0	3,014
Water	<u>1,308</u>	<u>3,941</u>
Total Enterprise Funds	<u>1,308</u>	<u>6,955</u>
Total All Funds	<u>\$51,546</u>	<u>\$51,546</u>

NOTE 18 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of sewer, water and trash services. Key financial information as of and for the year ended December 31, 1999 for each enterprise fund is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Trash</u>	<u>Total</u>
Operating Revenues	\$2,137,794	\$2,129,119	\$419,731	\$4,686,644
Operating Expenses less Depreciation Expense	2,189,120	1,374,631	544,995	4,108,746
Depreciation Expense	109,408	264,294	0	373,702
Operating Income (Loss)	(160,734)	490,194	(125,264)	204,196
Operating Grants	51,363	0	0	51,363
Other Non-Operating Revenues and Expenses	3,498	(418,658)	0	(415,160)
Income (Loss) before Operating Transfers	(105,873)	71,536	(125,264)	(159,601)
Net Operating Transfers	(27,046)	(106,903)	70,445	(63,504)

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 18 - SEGMENT INFORMATION (continued)

	Sewer	Water	Trash	Total
Net Loss	(\$132,919)	(\$35,367)	(\$54,819)	(\$223,105)
Fixed Asset Additions	35,804	64,555	0	100,359
Net Working Capital	679,141	753,199	91,497	1,523,837
Total Assets	2,736,407	9,631,456	92,411	12,460,274
Bonds and Other Long-Term Liabilities Payable from Revenues	160,071	6,663,740	0	6,823,811
Total Equity	2,232,922	2,412,336	91,497	4,736,755
Encumbrances at 12/31/99	9,494	161,048	0	170,542

NOTE 19 - JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS

The City participates in a joint venture with Franklin Township pertaining to a Joint Recreation Facility. The joint venture was formed for the purpose of constructing and operating a swimming pool for the citizens of the City and Township. The recreation facility is governed by a Board of Trustees consisting of ten members, five appointed by each entity. The funding for the operations of the pool is charges for services, with the remainder of the budget being financed equally by the City and Township. There is no explicit and measurable equity interest in the Joint Recreation Facility. The City has an ongoing financial responsibility because the continued existence of the joint venture depends on the City's contribution, which totaled \$25,000 in 1999. 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 City also participates in a joint venture with the City of Lebanon, and Franklin and Clearcreek Townships pertaining to a Hazardous Materials Response Team (HAZMAT). The joint venture was formed for the purpose of providing protection and assistance for hazardous waste spills. The team is governed by a Board of Trustees consisting of four members, one appointed by each entity.

This Board established hazardous materials incident response guidelines to provide for response procedures in the event of an incident. In the event of a hazardous material incident within any local government that is a member of this organization, the other members will respond to render assistance. The funding for the operation of the response team is through contributions from each entity. In addition, the persons or company responsible for any hazardous materials emergency is required by state law to reimburse the team any costs associated with clean up. There is no explicit and measurable equity interest in HAZMAT. The City has an ongoing financial responsibility because the continued existence of the joint venture depends on the City's contribution. The City did not contribute during 1999. The City of Franklin is the fiscal agent. The financial statements of HAZMAT can be obtained from Sandra Howell, Finance Director, City of Franklin, 35 East Fourth Street, Franklin, Ohio, 45005.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

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

The following is a summary of the financial information for both joint ventures for the year ended December 31, 1999 prepared on the basis of cash receipts and disbursements:

	<u>Joint Recreation</u>	<u>Hazardous Materials</u>
Operating Revenues	\$112,566	\$0
Operating Expenditures	<u>99,201</u>	<u>975</u>
Excess of Operating Revenues Over (Under) Expenditures	13,365	(975)
Fund Balance Beginning of Year	<u>16,110</u>	<u>22,326</u>
Fund Balance End of Year	<u><u>\$29,475</u></u>	<u><u>\$21,351</u></u>

The Joint Recreation facility jointly owns fixed assets valued at \$248,313. HAZMAT jointly owns fixed assets valued at \$41,730.

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 \$10,677 during 1999 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 Center for Local Governments (the Center), a jointly governed organization, was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Board of Trustees consists of eight members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. Information can be obtained from the Center by writing the Center for Local Governments, 4144 Crossgate Drive, Cincinnati, Ohio 45236.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

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

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

OKI contracts periodically for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county and municipal corporation, one individual selected by each county planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI.

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

NOTE 20 - GROUP PURCHASING POOL

For 1999, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (Plan), a group purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access less experience for three years following the last year of participation.

CITY OF FRANKLIN, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 21 - CONTINGENT LIABILITIES

LITIGATION

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

FEDERAL AND STATE GRANTS

For the period January 1, 1999 to December 31, 1999 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.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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

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

We have audited the general purpose financial statements of the City of Franklin as of and for the year ended December 31, 1999, and have issued our report thereon dated May 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Franklin general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-83046004-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Franklin in a separate letter dated May 19, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Franklin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, that does not require inclusion in this report, that we have reported to the management of the City of Franklin in a separate letter dated May 19, 2000.

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
May 19, 2000

**CITY OF FRANKLIN
WARREN COUNTY, OHIO
DECEMBER 31, 1999**

SCHEDULE OF FINDINGS

**I. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	1999-83046004-001
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Ohio Revised Code Section 5705.41 (B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that for the year ended December 31, 1999 the City has expenditures plus encumbrances exceeding appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>DEBT SERVICE FUND:</u>	\$2,053,000	\$2,108,287	\$55,287
<u>ENTERPRISE FUND:</u>			
Trash Collection	513,268	545,322	32,054

Disclosure is presented at the fund level rather than at the object level (personal services and other) due to the practicality of determining these values.

With expenditures exceeding appropriations, the City is unlawfully expending monies that have not been appropriated.

We recommend that the City comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF FRANKLIN

WARREN COUNTY

CLERK'S CERTIFICATION

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

By *Susan Babbitt*

Date: JULY 18, 2000