

**CITY OF FRANKLIN
WARREN COUNTY**

SUPPLEMENTAL REPORT

DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the City of Franklin, Warren County, prepared by Julian and Grube, Inc., for the audit period January 1, 2005 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 9, 2006

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CITY OF FRANKLIN

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Mayor and Members of Council
City of Franklin
1 Ben Franklin Way
Franklin, Ohio 45005

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Ohio, which collectively comprise the City of Franklin, Ohio's basic financial statements as of and for the year ended December 31, 2005, and have issued our report thereon dated August 8, 2006. As disclosed in Note 3 to the basic financial statements, the City has restated fund balances and net assets at January 1, 2005 due to errors and omissions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

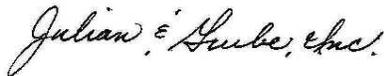
In planning and performing our audit, we considered the City of Franklin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated August 8, 2006.

Mayor and Members of Council
City of Franklin

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Franklin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-COF-001, 2005-COF-002 and 2005-COF-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City of Franklin in a separate letter dated August 8, 2006.

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.



Julian & Grube, Inc.
August 8, 2006

**CITY OF FRANKLIN
WARREN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2005-COF-001

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

<u>Fund Type/Fund/Department/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
General Government			
Clerk and Council			
Personal Services	\$ 70,111	\$ 70,236	\$ (125)
Planning Commission			
Personal Services	900	1,050	(150)
Enterprise Fund			
Stormwater Utility Fund			
Contractual Services	124,009	145,485	(21,476)

With expenditures exceeding appropriations, the City is spending monies that have not been appropriated by City Council. This may result in unnecessary spending.

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

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

**CITY OF FRANKLIN
WARREN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2005-COF-002

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

It was noted during the audit that for the year ended December 31, 2005, 58% of the expenditures tested, the invoice was dated prior to the purchase order by the Finance Director, thus causing those expenditures not to be certified in a timely manner.

Without timely certification, the City increases the risk that purchases may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The City should consider using "Then" and "Now" certificates where applicable.

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

**CITY OF FRANKLIN
WARREN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2005-COF-003

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

	Excess
<u>Major Fund:</u>	
Debt Service	\$ 565,250
 <u>NonMajor Funds:</u>	
FEMA	29,829
Recreation	64
Community Development and Improvement	71,452
Police and Fire Pension	157,549
Issue II	148,855

With appropriations exceeding estimated resources, the City is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the City comply with the Ohio Revised Code by filing a certificate of available sources at year end and amended certificates throughout the year, if applicable. We further recommend that the City Council do not approve appropriations in excess of these structured revenues.

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

**CITY OF FRANKLIN
WARREN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-COF-001	It was noted during the audit that the following fund appropriation accounts had an excess of expenditures over appropriations in noncompliance with Ohio Revised Code Section 5705.41(B):	No	Repeated as Finding 2005-COF-001.
2004-COF-002	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Repeated as Finding 2005-COF-002.
2004-COF-003	Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.	No	Repeated as Finding 2005-COF-003.

City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2005

Issued by:
Office of the Finance Director
Joseph Homan
Finance Director

Introductory Section

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City of Franklin, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2005

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CITY OF FRANKLIN

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

August 8, 2006

Citizens of Franklin
Mayor and Members of City Council

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Franklin. This report, for the year ended December 31, 2005, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the City of Franklin (the "City"). The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the City, specifically with the City Finance Director's office.

State law requires that every general-purpose local government file its financial statements with the Auditor of State of Ohio and publish their availability within five months of the close of each year. This report is published to fulfill that requirement for the year ended December 31, 2005.

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

The accounting firm of Julian & Grube, Inc. has issued an unqualified ("clean") opinion on the City of Franklin's financial statements for the year ended December 31, 2005. The Independent Auditor's Report is located at the front of the financial section of this report.

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

This CAFR is divided into three sections as follows:

1. The Introductory Section contains a title page, the table of contents, this letter of transmittal, a list of principal officials, an organizational chart of the City and a GFOA Certificate of Achievement.
2. The Financial Section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements and the Required Supplemental Information.
3. The Statistical Section presents social and economic data and financial trend information, and demonstrates the fiscal capacity of the City.

FORMATION OF THE CITY

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

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

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

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

PROFILE OF THE GOVERNMENT AND REPORTING ENTITY

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

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

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

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

The Joint Recreation Facility was determined to be a joint venture. The Public Entities Pool of Ohio is a shared risk pool in which the City participates. The Warren County General Health District, the Joint Emergency Medical Service and the Miami Valley Regional Planning Commission were determined to be jointly governed organizations (See Note 19).

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

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

MAJOR INTIATIVE

The City of Franklin will be repurchasing the water treatment plant in 2006 for approximately \$2.6 million from the current owner and operator, Earthtech Inc. At the same time the City of Franklin will be refinancing the 1996 series Waterworks Bonds at the approximate value of \$3.5 million. Over the life of this new debt, the City will save approximately \$3.2 million in interest and rental payments. Earthtech Inc. will still operate the plant.

The City of Franklin will be replacing the Franklin Business Park Water Tower in 2006. The current water tower, with a capacity of 500,000 gallons, will be replaced with a 1,000,000 gallon tank. The new tank will allow for the development of the three surrounding business parks and maintain the water pressure in the surrounding residential areas as well. The water tower will cost approximately \$2.5 million, with \$1 million of the funding being State Issue II Grant funds and the rest funded through revenue bonds.

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

LOCAL ECONOMY

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

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

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

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

In addition to industrial growth in 2005, the City also witnessed significant commercial growth. Wal-Mart received approval to build a facility on E. 2nd Street near I-75. This building, which will open in the beginning of 2007, has sparked other commercial activity – W.W. Grainger, Fifth-Third Bank, Walgreens, and McDonalds received approval to build new facilities on E. 2nd Street as well.

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

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

FINANCIAL PLANNING AND POLICIES

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

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

OTHER INFORMATION

Independent Audit

An audit team from Julian & Grube, Inc has performed this year's audit. The results of the audit are presented in the Independent Auditor's Report.

Awards

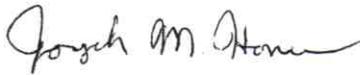
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Franklin for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,



Joseph Homan
Finance Director



James Lukas
City Manager

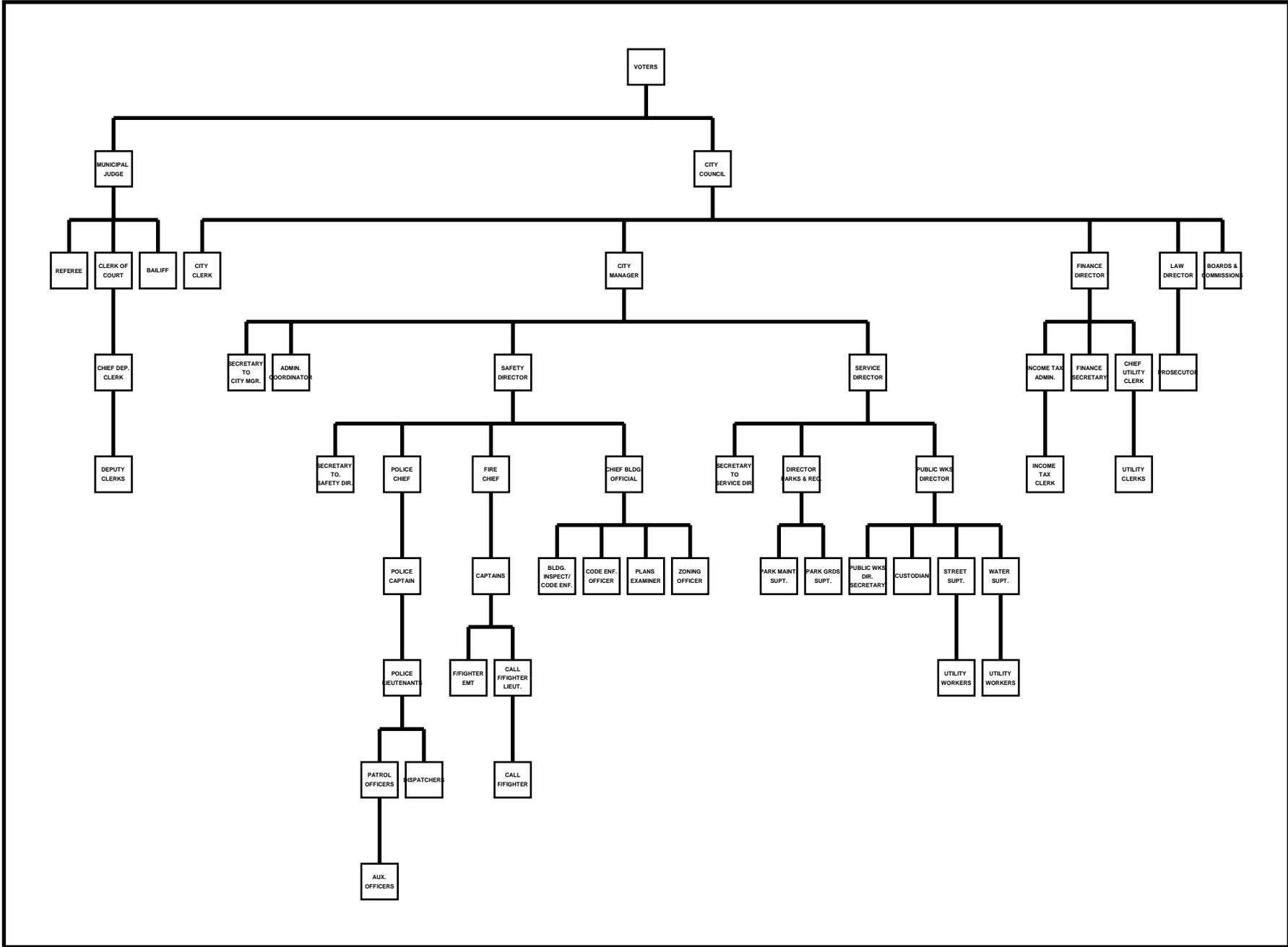
City of Franklin, Ohio

List of Principal Officials

December 31, 2005

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

CITY of FRANKLIN 2005 Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Franklin,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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



Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

Financial Section



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditors' Report

Mayor and Members of Council
City of Franklin
1 Ben Franklin Way
Franklin, Ohio 45005

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Warren County, Ohio, (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As disclosed in Note 3 to the basic financial statements, the City has restated fund balances and net assets at January 1, 2005 due to errors and omissions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Warren County, Ohio, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and special revenue fire levy fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
City of Franklin

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



Julian & Grube, Inc.
August 8, 2006

City of Franklin, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2005
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the City of Franklin's financial performance provides an overview of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the transmittal letter, the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The City's total net assets decreased \$1,146,654. Expenses of governmental activities exceeded revenues by \$1,085,168. Net assets of business-type activities decreased by \$61,486.
- General revenues of governmental activities accounted for \$8,040,653 or 80 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$2,018,421 or 20 percent of total governmental revenues of \$10,059,074.
- The City had \$11,234,690 in expenses related to governmental activities; only \$2,018,421 of these expenses were offset by program specific charges for services and sales, and grants and contributions.
- Enterprise funds reflected a total operating income of \$418,869. The Water and Trash Funds reflected an operating income of \$961,457 and \$25,590, respectively, while the Sewer and Stormwater Utility Funds reflected an operating loss of \$445,526 and \$122,652, respectively.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the City's major funds begins on page 7. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City of Franklin's major funds are the General, Fire Levy, Debt Service, Water, Sewer, Trash and Stormwater Utility Funds.

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

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

THE CITY AS A WHOLE

As stated previously, the statement of net assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004 Restated	2005	2004 Restated	2005	2004 Restated
Assets:						
Current and Other Assets	\$10,837,797	\$11,502,876	\$3,416,100	\$2,475,944	\$14,253,897	\$13,978,820
Nondepreciable Capital Assets	18,964,095	18,977,952	982,864	3,327,570	19,946,959	22,305,522
Depreciable Capital Assets, Net	31,689,470	32,908,186	20,095,293	18,410,242	51,784,763	51,318,428
Total Assets	61,491,362	63,389,014	24,494,257	24,213,756	85,985,619	87,602,770
Liabilities:						
Current and Other Liabilities	2,578,724	2,801,725	442,528	958,388	3,021,252	3,760,113
Long-Term Liabilities:						
Due Within One Year	705,085	1,428,095	208,143	240,020	913,228	1,668,115
Due in More Than One Year	12,000,107	11,866,580	6,833,265	5,943,541	18,833,372	17,810,121
Total Liabilities	15,283,916	16,096,400	7,483,936	7,141,949	22,767,852	23,238,349
Net Assets:						
Invested in Capital Assets, Net of Related Debt	38,402,623	38,852,305	15,441,096	15,853,556	53,843,719	54,705,861
Restricted	3,746,182	4,714,146	577,535	560,051	4,323,717	5,274,197
Unrestricted	4,058,641	3,726,163	991,690	658,200	5,050,331	4,384,363
Total Net Assets	\$46,207,446	\$47,292,614	\$17,010,321	\$17,071,807	\$63,217,767	\$64,364,421

Total net assets decreased \$1,146,654. Net assets of the City's governmental activities decreased by 1,085,168. The recognition of depreciation expense of \$1,819,941 on capital assets decreased net assets invested in capital assets, net of related debt. This was offset by additions of capital assets of \$587,368. Unrestricted net assets increased \$332,478, due mainly to slight increases in overall revenues from 2004.

The net assets of the City's business-type activities decreased by \$61,486. The City strives to control operation expenses for business-type activities in order to maintain stability in charges for services and sales and to closely monitor the trends of our growing community in order to adjust for budgetary issues and changes in city policy where necessary.

Table 2 shows the changes in net assets for the years ended December 31, 2005 and December 31, 2004.

Table 2
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004 Restated	2005	2004 Restated	2005	2004 Restated
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$1,019,664	\$1,013,943	\$5,650,657	\$4,764,360	\$6,670,321	\$5,778,303
Operating Grants and Contributions	875,940	818,623	722	0	876,662	818,623
Capital Grants and Contributions	122,817	405,132	0	0	122,817	405,132
Total Program Revenues	2,018,421	2,237,698	5,651,379	4,764,360	7,669,800	7,002,058
General Revenues:						
Property and Other Local Taxes	1,466,061	1,465,355	0	0	1,466,061	1,465,355
Income Taxes	5,138,832	4,450,348	0	0	5,138,832	4,450,348
Grants and Entitlements	606,232	617,246	0	0	606,232	617,246
Unrestricted Investment Earnings	137,003	209,863	43,120	1,099	180,123	210,962
Miscellaneous	692,525	579,194	1,114	120,869	693,639	700,063
Total General Revenues	8,040,653	7,322,006	44,234	121,968	8,084,887	7,443,974
Total Revenues	10,059,074	9,559,704	5,695,613	4,886,328	15,754,687	14,446,032
Program Expenses:						
General Government	3,248,993	2,412,056	0	0	3,248,993	2,412,056
Security of Persons and Property:						
Police	2,990,102	2,940,770	0	0	2,990,102	2,940,770
Fire	1,356,739	1,536,095	0	0	1,356,739	1,536,095
Other	328,880	364,508	0	0	328,880	364,508
Public Health and Welfare	27,626	41,799	0	0	27,626	41,799
Leisure Time Activities	291,418	351,631	0	0	291,418	351,631
Economic Development	88,113	59,266	0	0	88,113	59,266
Basic Utility Services	91,914	85,097	0	0	91,914	85,097
Transportation	2,177,960	2,475,825	0	0	2,177,960	2,475,825
Interest and Fiscal Charges	632,945	673,890	0	0	632,945	673,890
Water	0	0	1,735,657	2,159,557	1,735,657	2,159,557
Sewer	0	0	2,798,516	2,472,482	2,798,516	2,472,482
Trash	0	0	537,279	521,098	537,279	521,098
Stormwater Utility	0	0	595,199	365,404	595,199	365,404
Total Expenses	11,234,690	10,940,937	5,666,651	5,518,541	16,901,341	16,459,478
Increase (Decrease) in Net Assets Before Transfers	(1,175,616)	(1,381,233)	28,962	(632,213)	(1,146,654)	(2,013,446)
Transfers	90,448	(11,868,901)	(90,448)	11,868,901	0	0
Increase (Decrease) in Net Assets	(1,085,168)	(13,250,134)	(61,486)	11,236,688	(1,146,654)	(2,013,446)
Beginning Net Assets	47,292,614	60,542,748	17,071,807	5,835,119	64,364,421	66,377,867
Ending Net Assets	\$46,207,446	\$47,292,614	\$17,010,321	\$17,071,807	\$63,217,767	\$64,364,421

Capital grants and contributions decreased by \$282,315 in the governmental activities. In 2004, the City had received grant funding from the Ohio Public Works Commission Issue II grant program. There were no monies received under this program in 2005.

Charges for services and Sales in the business-type activities increased by \$886,297 in 2005 for several reasons. Water and sewer rates were both increased by 2.53 percent, to reflect a cost-of-living adjustment. Water rates were increased an additional 12 percent to offset the rising cost of water treatment and stormwater fees were collected for a full year in 2005, instead of the partial year as in 2004.

Miscellaneous revenues of the business-type activities decreased by \$119,755 in 2005. This was due mainly to a decrease in the rebate received from the Franklin Regional Wastewater Treatment Corporation for operating expenses of \$78,877 and a one-time reimbursement in the water fund in 2004 of \$40,288, which was not repeated in 2005.

Income taxes increased by \$688,484 in 2005 due to increased economic activity that caused a substantial increase in the net profit tax portion of the City's income tax collections.

Program expenses for general government increased by \$836,937 due to the need to use outside legal council that specializes in environmental law.

Program expenses for water operations decreased by \$423,900, while program expenses for sewer operations increased by \$326,034 and stormwater utility operations increased by \$229,795. The decrease in expenses for water operations was due to an overall savings in both personnel and operating expenses in 2005. The increase in program expenses for the sewer operations was to pay for outside legal council that specializes in environmental law. The increase in stormwater utility operations was due to 2005 being the first year that significant expenses were made related to this activity.

Governmental Activities

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

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

Governmental program expenses for 2005 were as follows:

Table 3
Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$3,248,993	(\$2,403,198)	\$2,412,056	(\$1,593,372)
Security of Persons and Property:				
Police	2,990,102	(2,919,570)	2,940,770	(2,895,629)
Fire	1,356,739	(1,180,982)	1,536,095	(1,378,366)
Other	328,880	(242,640)	364,508	(278,268)
Public Health and Welfare	27,626	18,013	41,799	(10,488)
Leisure Time Activities	291,418	(291,418)	351,631	(335,228)
Economic Development	88,113	(85,397)	59,266	(49,266)
Basic Utility Services	91,914	(91,914)	85,097	(85,097)
Transportation	2,177,960	(1,386,218)	2,475,825	(1,403,635)
Interest and Fiscal Charges	632,945	(632,945)	673,890	(673,890)
Total Expenses	<u>\$11,234,690</u>	<u>(\$9,216,269)</u>	<u>\$10,940,937</u>	<u>(\$8,703,239)</u>

When looking at the sources of income to support governmental activities, it should be noted that charges for services and sales are only 10 percent of revenue. Revenues provided by sources other than City residents in the form of operating and capital grants comprise another 10 percent. The remaining revenues are primarily generated locally through property and income taxes. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed.

Business-Type Activities

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

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

The Sewer Fund conducts the operations of the City's wastewater collection and treatment system. Money that is collected from the fees which are billed based on the number of gallons of water used is placed in this fund for use in the maintenance of the collections system and improvements to the treatment plant.

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

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

THE CITY'S FUNDS

Information about the City's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,863,158 and expenditures of \$10,595,670. The General Fund's balance increased by \$816,748 primarily due to an increase in income taxes related to increased economic activity in the City.

The Fire Levy Fund's balance increased by \$138,485 due primarily to savings in capital expenditures.

The Debt Service Fund's balance decreased by \$495,417 due primarily to payments of principal and interest on debt.

General Fund Budgeting Highlights

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

Original General Fund budgeted revenues were \$5,730,623. The final budgeted amount was \$7,218,197. This represented an increase of 26 percent. This difference reflects the City's estimate of anticipated increases in income tax revenues during the year. The City's final actual revenues were \$8,594,506 at year-end, which represented a 19 percent increase over final budgeted revenues. The difference between the final actual revenue and the final budgeted revenues was due to the actual increases in income tax revenues related to increased economic activity in the City.

Original General Fund appropriations were \$5,447,738. Final appropriations were \$6,863,475. This represented an increase of 26 percent. The increase in the appropriations during 2005 was primarily due to an increased need for legal fees related to an environmental lawsuit, capital asset acquisitions, engineering services, and the addition of an internal Probation Department. The City's final actual expenditures were \$6,018,520 at year-end, which represented a 12 percent decrease from final budgeted expenditures. This is attributable to savings in all of the General Fund Departments for 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$18,964,095	\$18,961,254	\$982,864	\$982,864	\$19,946,959	\$19,944,118
Construction in Progress	0	16,698	0	0	0	16,698
Land Improvements	487,417	522,177	10,983	11,629	498,400	533,806
Buildings	5,813,944	5,951,327	62,080	63,534	5,876,024	6,014,861
Equipment	463,997	519,206	47,655	56,018	511,652	575,224
Vehicles	710,278	880,829	20,115	31,551	730,393	912,380
Infrastructure	24,213,834	25,034,647	19,954,460	20,592,216	44,168,294	45,626,863
Totals	<u>\$50,653,565</u>	<u>\$51,886,138</u>	<u>\$21,078,157</u>	<u>\$21,737,812</u>	<u>\$71,731,722</u>	<u>\$73,623,950</u>

Capital assets decreased by \$1,892,228, which was due to current depreciation, offset by the purchase of new vehicles and equipment well as the improvement of roads within the City.

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

Debt

At December 31, 2005, the City of Franklin had \$19,287,433 in debt outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Special Assessment Bonds	\$3,557,000	\$3,810,000	\$0	\$0	\$3,557,000	\$3,810,000
General Obligation Bonds	7,803,872	8,112,976	0	0	7,803,872	8,112,976
Bond Anticipation Notes	685,000	735,000	1,245,000	145,000	1,930,000	880,000
Short Term Notes	320,000	471,900	39,500	100,000	359,500	571,900
OWDA Loan	0	0	2,252,061	2,384,256	2,252,061	2,384,256
Mortgage Revenue Bonds	0	0	3,385,000	3,500,000	3,385,000	3,500,000
	<u>\$12,365,872</u>	<u>\$13,129,876</u>	<u>\$6,921,561</u>	<u>\$6,129,256</u>	<u>\$19,287,433</u>	<u>\$19,259,132</u>

Special assessment bonds will be paid with special assessment revenue. All general obligation bond issues will be paid through the Debt Service Fund with transfers from the Capital Improvements Capital Improvement, Ohio Public Works Commission and Municipal Building Capital Projects Funds. The bond anticipation notes will be paid from the General Fund with no specifically identifiable revenue source. The OWDA loans and mortgage revenue bonds will be paid through the Water Fund with operating revenues.

The City's overall 10.5 percent legal debt margin was \$15,093,269 as of December 31, 2005. The more restrictive unvoted legal debt margin was \$3,091,950 as of the same date. See Notes 16 and 17 of the notes to the basic financial statements for more detailed information.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF FRANKLIN, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Governmental Activities	Business-Type Activities	Totals
Assets			
Equity in Pooled Cash and			
Cash Equivalents	\$4,319,570	\$2,374,022	\$6,693,592
Accrued Interest Receivable	19,171	0	19,171
Accounts Receivable	177,638	844,112	1,021,750
Intergovernmental Receivable	662,846	0	662,846
Materials and Supplies Inventory	130,759	26,736	157,495
Income Taxes Receivable	1,264,898	0	1,264,898
Property and Other Local Taxes Receivable	1,391,344	0	1,391,344
Internal Balances	180,089	(180,089)	0
Special Assessments Receivable	2,652,762	0	2,652,762
Cash and Cash Equivalents with			
Fiscal Agents	13,790	0	13,790
Cash and Cash Equivalents with Trustee	0	351,319	351,319
Deferred Charges	24,930	0	24,930
Nondepreciable Capital Assets	18,964,095	982,864	19,946,959
Depreciable Capital Assets, Net	31,689,470	20,095,293	51,784,763
Total Assets	61,491,362	24,494,257	85,985,619
Liabilities			
Accounts Payable	123,849	36,898	160,747
Accrued Wages and Benefits	159,684	15,788	175,472
Intergovernmental Payable	515,903	37,527	553,430
Contracts Payable	2,135	142,298	144,433
Accrued Interest Payable	69,239	83,107	152,346
Deferred Revenue	1,325,924	0	1,325,924
Notes Payable	320,000	39,500	359,500
Matured Bonds Payable	10,500	0	10,500
Matured Interest Payable	2,330	0	2,330
Refundable Deposits	0	87,410	87,410
Matured Compensated Absences Payable	49,160	0	49,160
Long-Term Liabilities:			
Due Within One Year	705,085	208,143	913,228
Due in More Than One Year	12,000,107	6,833,265	18,833,372
Total Liabilities	15,283,916	7,483,936	22,767,852
Net Assets			
Invested in Capital Assets, Net of Related Debt	38,402,623	15,441,096	53,843,719
Restricted for:			
Debt Service	1,808,834	275,515	2,084,349
Capital Outlay	209,519	0	209,519
Fire	741,999	0	741,999
Transportation	572,347	0	572,347
Other Purposes	413,483	0	413,483
Revenue Bonds Replacement and Improvement	0	312,020	312,020
Unrestricted	4,058,641	981,690	5,040,331
Total Net Assets	\$46,207,446	\$17,010,321	\$63,217,767

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$3,248,993	\$765,938	\$79,857	\$0
Security of Persons and Property:				
Police	2,990,102	0	70,532	0
Fire	1,356,739	122,804	52,953	0
Other	328,880	86,240	0	0
Public Health and Welfare	27,626	44,657	982	0
Leisure Time Activities	291,418	0	0	0
Economic Development	88,113	0	2,716	0
Basic Utility Services	91,914	0	0	0
Transportation	2,177,960	25	668,900	122,817
Interest and Fiscal Charges	632,945	0	0	0
Total Governmental Activities	<u>11,234,690</u>	<u>1,019,664</u>	<u>875,940</u>	<u>122,817</u>
Business-Type Activities:				
Water	1,735,657	2,295,097	0	0
Sewer	2,798,516	2,352,990	722	0
Trash	537,279	562,349	0	0
Stormwater Utility	595,199	440,221	0	0
Total Business-Type Activities	<u>5,666,651</u>	<u>5,650,657</u>	<u>722</u>	<u>0</u>
Total Activities	<u>\$16,901,341</u>	<u>\$6,670,321</u>	<u>\$876,662</u>	<u>\$122,817</u>

General Revenues:

Taxes

 Property and Other Local Taxes Levied For:

 General Purposes

 Fire

 Other Purposes

 Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense)Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$2,403,198)	\$0	(\$2,403,198)
(2,919,570)	0	(2,919,570)
(1,180,982)	0	(1,180,982)
(242,640)	0	(242,640)
18,013	0	18,013
(291,418)	0	(291,418)
(85,397)	0	(85,397)
(91,914)	0	(91,914)
(1,386,218)	0	(1,386,218)
(632,945)	0	(632,945)
<u>(9,216,269)</u>	<u>0</u>	<u>(9,216,269)</u>
0	559,440	559,440
0	(444,804)	(444,804)
0	25,070	25,070
<u>0</u>	<u>(154,978)</u>	<u>(154,978)</u>
<u>0</u>	<u>(15,272)</u>	<u>(15,272)</u>
<u>(9,216,269)</u>	<u>(15,272)</u>	<u>(9,231,541)</u>
627,814	0	627,814
650,127	0	650,127
188,120	0	188,120
5,138,832	0	5,138,832
606,232	0	606,232
137,003	43,120	180,123
692,525	1,114	693,639
<u>90,448</u>	<u>(90,448)</u>	<u>0</u>
<u>8,131,101</u>	<u>(46,214)</u>	<u>8,084,887</u>
(1,085,168)	(61,486)	(1,146,654)
<u>47,292,614</u>	<u>17,071,807</u>	<u>64,364,421</u>
<u>\$46,207,446</u>	<u>\$17,010,321</u>	<u>\$63,217,767</u>

CITY OF FRANKLIN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Fire Levy</u>	<u>Debt Service</u>
Assets:			
Equity in Pooled Cash and			
Cash Equivalents	\$2,358,803	\$953,842	\$0
Cash and Cash Equivalents with Fiscal Agent	0	0	13,790
Materials and Supplies Inventory	20,325	0	0
Intergovernmental Receivable	316,914	22,832	0
Income Taxes Receivable	1,264,898	0	0
Property and Other Local Taxes Receivable	538,872	676,647	0
Accounts Receivable	177,638	0	0
Interfund Receivable	784,408	28,558	4,787
Special Assessments Receivable	0	0	2,569,323
Accrued Interest Receivable	19,171	0	0
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$5,481,029</u>	<u>\$1,681,879</u>	<u>\$2,587,900</u>
Liabilities:			
Accounts Payable	\$43,655	\$20,190	\$0
Accrued Wages and Benefits	80,390	70,689	0
Contracts Payable	2,135	0	0
Intergovernmental Payable	315,545	43,263	0
Matured Bonds Payable	0	0	10,500
Matured Interest Payable	0	0	2,330
Accrued Interest Payable	0	0	0
Matured Compensated Absences Payable	49,160	0	0
Interfund Payable	40,742	0	609,106
Deferred Revenue	1,511,736	698,088	2,569,323
Notes Payable	0	50,000	0
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,043,363</u>	<u>882,230</u>	<u>3,191,259</u>
Fund Balances:			
Reserved:			
Reserved for Encumbrances	5,386	29,252	0
Unreserved, Undesignated, Reported in:			
General Fund	3,432,280	0	0
Special Revenue Funds	0	770,397	0
Debt Service Funds (Deficit)	0	0	(603,359)
Capital Projects Funds (Deficit)	0	0	0
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>3,437,666</u>	<u>799,649</u>	<u>(603,359)</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$5,481,029</u>	<u>\$1,681,879</u>	<u>\$2,587,900</u>

See accompanying notes to the basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$1,006,925	\$4,319,570
0	13,790
110,434	130,759
323,100	662,846
0	1,264,898
175,825	1,391,344
0	177,638
12,184	829,937
83,439	2,652,762
0	19,171
<u>\$1,711,907</u>	<u>\$11,462,715</u>
\$60,004	\$123,849
8,605	159,684
0	2,135
157,095	515,903
0	10,500
0	2,330
1,456	1,456
0	49,160
0	649,848
535,900	5,315,047
270,000	320,000
<u>1,033,060</u>	<u>7,149,912</u>
137,832	172,470
0	3,432,280
558,901	1,329,298
0	(603,359)
(17,886)	(17,886)
<u>678,847</u>	<u>4,312,803</u>
<u>\$1,711,907</u>	<u>\$11,462,715</u>

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CITY OF FRANKLIN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

Total Governmental Fund Balances \$4,312,803

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	18,964,095	
Infrastructure	56,732,598	
Other capital assets	11,572,017	
Accumulated depreciation	(36,615,145)	
Total capital assets		50,653,565

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

Property and Other Local Taxes	62,807	
Special Assessments	2,652,762	
Estate Taxes	11,594	
Charges for Services	191,438	
Shared Taxes and Local Government Revenue Assistance	522,461	
Income Taxes	529,414	
Interest	18,647	
		3,989,123

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis 24,930

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

Accrued interest on bonds	(67,783)	
Discount on bonds	16,128	
Notes	(685,000)	
Bonds	(11,377,000)	
Police Pension	(72,241)	
Compensated absences	(587,079)	
Total liabilities		(12,772,975)

Net Assets of Governmental Activities \$46,207,446

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Fire Levy</u>	<u>Debt Service</u>
Revenues:			
Property and Other Local Taxes	\$630,610	\$648,400	\$0
Income Taxes	5,181,967	0	0
Special Assessments	0	0	436,917
Charges for Services	139,890	0	0
Fines, Licenses and Permits	511,646	0	0
Intergovernmental	699,824	56,538	0
Interest	147,496	0	27,115
Other	1,016,519	15,059	13,759
	<u>8,327,952</u>	<u>719,997</u>	<u>477,791</u>
Total Revenues			
Expenditures:			
Current:			
General Government	3,075,633	0	0
Security of Persons and Property:			
Police	2,596,817	0	0
Fire	0	1,165,825	0
Other	244,632	0	0
Public Health and Welfare	0	0	0
Leisure Time Activities	25,000	0	0
Economic Development	0	0	0
Basic Utility Services	34,559	0	0
Transportation	0	0	0
Capital Outlay	0	8,758	0
Debt Service:			
Principal Retirement	0	25,272	563,000
Interest and Fiscal Charges	0	1,438	623,829
Current Refunding	0	50,000	0
	<u>5,976,641</u>	<u>1,251,293</u>	<u>1,186,829</u>
Total Expenditures			
Excess of Revenues Over (Under)			
Expenditures	<u>2,351,311</u>	<u>(531,296)</u>	<u>(709,038)</u>
Other Financing Sources (Uses):			
Refunding Notes Issued	0	0	685,000
Current Refunding	0	0	(685,000)
Transfers In	0	720,000	213,621
Transfers Out	<u>(1,534,563)</u>	<u>(50,219)</u>	<u>0</u>
Total Other Financing Sources (Uses)			
	<u>(1,534,563)</u>	<u>669,781</u>	<u>213,621</u>
Net Change in Fund Balances			
	816,748	138,485	(495,417)
Fund Balances (Deficit) at Beginning of Year -			
Restated (See Note 3)	<u>2,620,918</u>	<u>661,164</u>	<u>(107,942)</u>
Fund Balances (Deficit) at End of Year			
	<u>\$3,437,666</u>	<u>\$799,649</u>	<u>(\$603,359)</u>

See accompanying notes to the basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$187,754	\$1,466,764
0	5,181,967
87,534	524,451
139,451	279,341
28,457	540,103
841,926	1,598,288
63	174,674
52,233	1,097,570
<u>1,337,418</u>	<u>10,863,158</u>
76,149	3,151,782
304,253	2,901,070
97,122	1,262,947
84,799	329,431
27,626	27,626
209,362	234,362
88,113	88,113
0	34,559
707,360	707,360
574,064	582,822
1,207	589,479
10,852	636,119
0	50,000
<u>2,180,907</u>	<u>10,595,670</u>
<u>(843,489)</u>	<u>267,488</u>
0	685,000
0	(685,000)
741,609	1,675,230
0	(1,584,782)
<u>741,609</u>	<u>90,448</u>
(101,880)	357,936
<u>780,727</u>	<u>3,954,867</u>
<u>\$678,847</u>	<u>\$4,312,803</u>

CITY OF FRANKLIN, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$357,936

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

Capital outlays are reported as expenditures in governmental funds.

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

Capital Asset Additions	587,368	
Current Year Depreciation	(1,819,941)	
		(1,232,573)

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

Property and Other Local Taxes	(703)	
Special Assessments	(387,607)	
Charges for Services	63,376	
Shared Taxes and Local Government Revenue Assistance	(20,477)	
Income Taxes	(43,135)	
Interest	(10,493)	
Miscellaneous	(405,045)	
		(804,084)

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

Bond principal retirement	310,000	
Special assessment principal retirement	253,000	
Note principal retirement	735,000	
Police pension principal retirement	1,207	
Capital lease principal retirement	25,272	
Total long-term debt repayment		1,324,479

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

Amortization of Bond Discounts	(896)	
Amortization of Bond Issuance Costs	(1,385)	
		(2,281)

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

(685,000)

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

Decrease in Accrued Interest		5,455
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Compensated Absences		(49,100)
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Change in Net Assets of Governmental Activities		(\$1,085,168)
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See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and Other Local Taxes	\$586,226	\$738,400	\$632,191	(\$106,209)
Income Taxes	3,694,275	4,653,247	5,356,705	703,458
Charges for Services	100,116	126,104	99,150	(26,954)
Fines, Licenses and Permits	532,041	670,150	522,785	(147,365)
Intergovernmental	483,414	608,900	740,987	132,087
Interest	222,296	280,000	157,233	(122,767)
Other	112,256	141,396	1,085,455	944,059
Total Revenues	<u>5,730,623</u>	<u>7,218,197</u>	<u>8,594,506</u>	<u>1,376,309</u>
Expenditures:				
Current:				
General Government	2,296,601	3,440,164	3,127,130	313,034
Security of Persons and Property:				
Police Law Enforcement	2,856,295	3,106,585	2,589,900	516,685
Building Inspection	269,842	256,726	242,192	14,534
Leisure Time Activities	25,000	25,000	25,000	0
Basic Utility Services	0	35,000	34,298	702
Total Expenditures	<u>5,447,738</u>	<u>6,863,475</u>	<u>6,018,520</u>	<u>844,955</u>
Excess of Revenues Over Expenditures	282,885	354,722	2,575,986	2,221,264
Other Financing Uses:				
Transfers Out	<u>(1,929,371)</u>	<u>(1,597,273)</u>	<u>(1,534,563)</u>	<u>62,710</u>
Net Change in Fund Balance	(1,646,486)	(1,242,551)	1,041,423	2,283,974
Fund Balance at Beginning of Year	1,743,725	1,743,725	1,743,725	0
Prior Year Encumbrances Appropriated	<u>120,184</u>	<u>178,695</u>	<u>178,695</u>	<u>0</u>
Fund Balance at End of Year	<u>\$217,423</u>	<u>\$679,869</u>	<u>\$2,963,843</u>	<u>\$2,283,974</u>

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and Other Local Taxes	\$594,672	\$594,672	\$648,400	\$53,728
Intergovernmental	28,328	28,328	28,328	0
Other	0	0	15,059	15,059
Total Revenues	<u>623,000</u>	<u>623,000</u>	<u>691,787</u>	<u>68,787</u>
Expenditures:				
Current:				
Security of Persons and Property				
Fire	1,339,915	1,344,805	1,227,378	117,427
Capital Outlay	0	71,934	11,258	60,676
Total Expenditures	<u>1,339,915</u>	<u>1,416,739</u>	<u>1,238,636</u>	<u>178,103</u>
Excess of Revenues Under Expenditures	<u>(716,915)</u>	<u>(793,739)</u>	<u>(546,849)</u>	<u>(109,316)</u>
Other Financing Sources (Uses):				
Transfers In	960,000	960,000	720,000	(240,000)
Transfers Out	<u>(138,299)</u>	<u>(138,299)</u>	<u>(138,219)</u>	<u>80</u>
Total Other Financing Sources (Uses)	<u>821,701</u>	<u>821,701</u>	<u>581,781</u>	<u>(239,920)</u>
Net Change in Fund Balance	104,786	27,962	34,932	6,970
Fund Balance at Beginning of Year	870,259	870,259	870,259	0
Prior Year Encumbrances Appropriated	<u>12,031</u>	<u>12,031</u>	<u>12,031</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$987,076</u></u>	<u><u>\$910,252</u></u>	<u><u>\$917,222</u></u>	<u><u>\$6,970</u></u>

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2005

	Water	Sewer	Trash	Stormwater Utility	Total
Assets:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$196,165	\$213,927	\$126,180	\$1,438,320	\$1,974,592
Cash and Cash Equivalents with Trustee	59,576	0	0	0	59,576
Materials and Supplies Inventory	26,736	0	0	0	26,736
Accounts Receivable	295,051	467,600	40,294	41,167	844,112
Restricted Assets:					
Cash and Cash Equivalents with Trustee	291,743	0	0	0	291,743
Total Current Assets	869,271	681,527	166,474	1,479,487	3,196,759
Noncurrent Assets:					
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	345,725	53,705	0	0	399,430
Nondepreciable Capital Assets	982,864	0	0	0	982,864
Depreciable Capital Assets, Net	4,342,761	4,518,320	0	11,234,212	20,095,293
Total Noncurrent Assets	5,671,350	4,572,025	0	11,234,212	21,477,587
Total Assets	6,540,621	5,253,552	166,474	12,713,699	24,674,346
Liabilities:					
Current Liabilities:					
Accounts Payable	7,068	4,541	1,560	23,729	36,898
Accrued Wages and Benefits	4,982	10,526	280	0	15,788
Contracts Payable	0	141,933	365	0	142,298
Intergovernmental Payable	18,822	17,543	1,162	0	37,527
Accrued Interest Payable	55,302	0	0	27,805	83,107
Interfund Payable	178,581	1,508	0	0	180,089
Notes Payable	0	0	0	39,500	39,500
OWDA Loans Payable	46,049	0	0	0	46,049
Compensated Absences Payable	23,374	13,720	0	0	37,094
Revenue Bonds Payable	125,000	0	0	0	125,000
Accrued Interest Payable	16,228	0	0	0	16,228
Total Current Liabilities	475,406	189,771	3,367	91,034	759,578
Long Term Liabilities:					
Compensated Absences Payable	61,585	60,668	0	0	122,253
Notes Payable	0	0	0	1,245,000	1,245,000
Revenue Bonds Payable	3,260,000	0	0	0	3,260,000
OWDA Loans Payable	2,206,012	0	0	0	2,206,012
Long Term Liabilities Payable from Restricted Assets:					
Refundable Deposits	43,705	43,705	0	0	87,410
Total Long Term Liabilities	5,571,302	104,373	0	1,245,000	6,920,675
Total Liabilities	6,046,708	294,144	3,367	1,336,034	7,680,253
Net Assets:					
Invested in Capital Assets, Net of Related Debt (Deficit)	(311,436)	4,518,320	0	11,234,212	15,441,096
Restricted for:					
Debt Service	275,515	0	0	0	275,515
Revenue Bonds					
Replacement and Improvement	302,020	0	0	0	302,020
Unrestricted	244,042	441,088	163,107	143,453	991,690
Total Net Assets	\$510,141	\$4,959,408	\$163,107	\$11,377,665	\$17,010,321

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Water	Sewer	Trash	Stormwater Utility	Total
Operating Revenues:					
Charges for Services	\$2,295,097	\$2,352,990	\$562,349	\$440,221	\$5,650,657
Other	594	0	520	0	1,114
Total Operating Revenues	2,295,691	2,352,990	562,869	440,221	5,651,771
Operating Expenses:					
Personal Services	345,910	425,171	42,065	23,285	836,431
Contractual Services	736,719	2,174,553	484,522	169,214	3,565,008
Supplies and Materials	104,301	50,726	10,692	0	165,719
Depreciation	146,185	148,066	0	365,404	659,655
Other	1,119	0	0	4,970	6,089
Total Operating Expenses	1,334,234	2,798,516	537,279	562,873	5,232,902
Operating Income (Loss)	961,457	(445,526)	25,590	(122,652)	418,869
Non-Operating Revenues/(Expenses)					
Grants	0	722	0	0	722
Interest	23,487	19,633	0	0	43,120
Interest and Fiscal Charges	(401,423)	0	0	(32,326)	(433,749)
Total Non-Operating Expenses	(377,936)	20,355	0	(32,326)	(389,907)
Income (Loss) Before Transfers	583,521	(425,171)	25,590	(154,978)	28,962
Transfers Out	(45,221)	(45,227)	0	0	(90,448)
Change in Net Assets	538,300	(470,398)	25,590	(154,978)	(61,486)
Net Assets at Beginning of Year (Deficit) - Restated (See Note 3)	(28,159)	5,429,806	137,517	11,532,643	17,071,807
Net Assets at End of Year	\$510,141	\$4,959,408	\$163,107	\$11,377,665	\$17,010,321

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Water	Sewer	Trash	Stormwater Utility	Totals
<u>Increase (Decrease) in Cash and Cash Equivalents</u>					
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$2,256,408	\$2,354,427	\$555,961	\$421,880	\$5,588,676
Cash Paid for Employee Services and Benefits	(353,833)	(432,912)	(42,272)	(23,285)	(852,302)
Cash Paid to Suppliers for Goods and Services	(1,045,192)	(2,480,677)	(498,189)	(150,455)	(4,174,513)
Utility Deposits Received	23,220	23,100	0	0	46,320
Utility Deposits Returned	(39,776)	(3,073)	0	0	(42,849)
Other Operating Revenues	594	0	520	0	1,114
Other Non-Operating Revenues	0	722	0	0	722
Net Cash Provided by (Used for) Operating Activities	841,421	(538,413)	16,020	248,140	567,168
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers Out to Other Funds	(45,221)	(45,227)	0	0	(90,448)
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Interest Paid on Stormwater Study Bond Anticipation Notes	0	0	0	(4,521)	(4,521)
Principal Paid on Stormwater Study Bond Anticipation Notes	0	0	0	(245,000)	(245,000)
Interest Paid on OWDA Loans	(244,619)	0	0	0	(244,619)
Principal Paid on OWDA Loans	(132,195)	0	0	0	(132,195)
Interest Paid on Mortgage Revenue Bonds	(200,603)	0	0	0	(200,603)
Principal Paid on Mortgage Revenue Bonds	(115,000)	0	0	0	(115,000)
Proceeds of Stormwater Study Bond Anticipation Notes (2.83%)	0	0	0	145,000	145,000
Proceeds of Stormwater Study Bond Anticipation Notes (2.73%)	0	0	0	1,139,500	1,139,500
Net Cash Provided by (Used for) Capital and Related Financing Activities	(692,417)	0	0	1,034,979	342,562
<u>Cash Flows from Investing Activities:</u>					
Interest and Dividends	23,487	19,633	0	0	43,120
Net Increase (Decrease) in Cash and Cash Equivalents	127,270	(564,007)	16,020	1,283,119	862,402
Cash and Cash Equivalents at Beginning of Year	765,939	831,639	110,160	155,201	1,862,939
Cash and Cash Equivalents at End of Year	<u>\$893,209</u>	<u>\$267,632</u>	<u>\$126,180</u>	<u>\$1,438,320</u>	<u>\$2,725,341</u>

(continued)

CITY OF FRANKLIN, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
(continued)

	Water	Sewer	Trash	Stormwater Utility	Totals
Reconciliation of Operating Income (Loss) to <u>Net Cash Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss)	\$961,457	(\$445,526)	\$25,590	(\$122,652)	\$418,869
Adjustments to Reconcile Operating Income (Loss) <u>to Net Cash Provided by (Used for) Operating Activities:</u>					
Depreciation Expense	146,185	148,066	0	365,404	659,655
Other Non-Operating Revenues	0	722	0	0	722
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(59,430)	17,279	(6,388)	(18,341)	(66,880)
(Increase) in Materials and Supplies Inventory	(10,874)	0	0	0	(10,874)
Increase (Decrease) in Accounts Payable	(192,179)	(1,052)	(2,920)	23,729	(172,422)
Decrease in Contracts Payable	0	(254,346)	(55)	0	(254,401)
Decrease in Accrued Wages and Benefits	(6,026)	(2,013)	(1)	0	(8,040)
Increase in Compensated Absences Payable	3,877	1,165	0	0	5,042
Decrease in Due to Other Governments	(5,774)	(6,893)	(206)	0	(12,873)
Increase in Refundable Deposits	4,185	4,185	0	0	8,370
Total Adjustments	(120,036)	(92,887)	(9,570)	370,792	148,299
Net Cash Provided by (Used for) Operating Activities	<u>\$841,421</u>	<u>(\$538,413)</u>	<u>\$16,020</u>	<u>\$248,140</u>	<u>\$567,168</u>

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2005

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$19,573
Cash in Segregated Accounts	<u>36,792</u>
Total Assets	<u><u>\$56,365</u></u>
Liabilities:	
Intergovernmental Payable	\$23,739
Undistributed Monies	24,854
Deposits Held and Due to Others	<u>7,772</u>
Total Liabilities	<u><u>\$56,365</u></u>

See accompanying notes to the basic financial statements

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

THE REPORTING ENTITY

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

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

The Franklin Municipal Building Corporation was created under State statute as a corporation whose only purpose is to provide funding for the construction of the City's administration and service buildings. The City appoints a majority of the governing board and is liable for the debt of the organization. Because this service entirely benefits the City, the Franklin Municipal Building Corporation is presented as a blended component unit of the City and has been included as part of the primary government. There was no financial activity in the Corporation in 2005.

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

Joint Venture:

Joint Recreation Facility

Shared Risk Pool:

Public Entities Pool of Ohio

Jointly Governed Organizations:

Warren County General Health District

Joint Emergency Medical Service (JEMS)

Miami Valley Regional Planning Commission

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

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

Fire Levy – This fund accounts for property taxes levied by the City to pay for operating expenditures related to the fire department.

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

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

PROPRIETARY FUNDS

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

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

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

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

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

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FIDUCIARY FUNDS

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

MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

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

BASIS OF ACCOUNTING

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

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

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

DEFERRED REVENUES

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

EXPENSES/EXPENDITURES

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

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS AND BUDGETARY ACCOUNTING

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures at the level of control selected by Council. The legal level of control has been established by Council at the object level (personal services and other expenditures) within each department. Budgetary modifications at this level may only be made by ordinance of the City Council.

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

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

CASH AND CASH EQUIVALENTS

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

During the year, investments were limited to nonnegotiable and negotiable certificates of deposit, STAROhio, Federal Home Loan Bank Bonds, Federal Home Loan Bank Medium Term Notes, Federal Home Loan Mortgage Corporation Medium Term Notes, Federal National Mortgage Association Medium Term Notes and money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost. Mutual funds are reported at fair value, which is determined by the mutual fund's current share price.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2005. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General fund during 2005 amounted to \$147,496 which includes \$90,153 assigned from other funds.

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

MATERIALS AND SUPPLIES INVENTORY

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

COMPENSATED ABSENCES

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments become due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees have accumulated leave are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

INTERFUND RECEIVABLES/PAYABLES

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

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

BOND DISCOUNTS AND ISSUANCE COSTS

Bond discounts and issuance costs for government-wide statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

RESERVES OF FUND BALANCES

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

INTERFUND TRANSACTIONS

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

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

NET ASSETS

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

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government wide statement of net assets reports \$4,333,717 of restricted net assets, of which \$1,338,177 are restricted by enabling legislation.

OPERATING REVENUES AND EXPENSES

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

ESTIMATES

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES, RESTATEMENT OF PRIOR YEAR FUND BALANCES AND NET ASSETS AND CORRECTION OF AN ERROR

Changes in Accounting Principles

During 2005, the City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosure – an Amendment of GASB Statement No. 3.", GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34".

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to risk, including credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the City's financial statements for 2005.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the City's financial statements for 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied when determining whether restricted net assets should be classified as restricted. The implementation of this new statement had no effect on the City's financial statements for 2005.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES, RESTATEMENT OF PRIOR YEAR FUND BALANCES AND NET ASSETS AND CORRECTION OF AN ERROR (continued)

Restatement of Prior Year Fund Balances and Net Assets and Correction of an Error

During 2005, it was determined that a portion of bond anticipation notes reported as long term in the prior year was retired in 2005. Fund balances were restated to reflect the retired portion of the debt as fund liabilities:

	<u>Fire Levy</u>	<u>Other Governmental Funds</u>
Fund Balances (Deficit) December 31, 2004	\$749,164	\$805,727
Reclassification of Debt	(88,000)	(25,000)
Adjusted Fund Balances (Deficit) December 31, 2004	<u>\$661,164</u>	<u>\$780,727</u>

During 2005, it was determined that long term bond anticipation notes reported in the governmental activities should have been reported in the Stormwater Utility enterprise fund. Also, in 2005, the City received a settlement in a lawsuit that related to accounts receivable that had been previously reported in the Sewer enterprise fund. The monies that were received in the settlement were used in 2005 to cover legal expenses that were paid from the General fund, and the receipt of these monies was posted to the General fund. Therefore, the accounts receivable were restated to the General fund. Finally, it was found that accumulated depreciation on governmental infrastructure assets was understated. These items resulted in the following restatement of fund net assets and government-wide net assets:

	<u>Sewer</u>	<u>Stormwater Utility</u>
Net Assets December 31, 2004	\$5,834,851	\$11,777,643
Reclassification of Bond Anticipation Notes	0	(245,000)
Restatement of Accounts Receivable	(405,045)	0
Net Assets December 31, 2004	<u>\$5,429,806</u>	<u>\$11,532,643</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets December 31, 2004	\$51,712,733	\$17,721,852
Reclassification of Long Term Debt	245,000	(245,000)
Accumulated Depreciation on Infrastructure	(5,070,164)	0
Restatement of Accounts Receivable	405,045	(405,045)
Net Assets December 31, 2004	<u>\$47,292,614</u>	<u>\$17,071,807</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

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

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis	\$816,748	\$138,485
Revenue Accruals	280,352	(28,210)
Expenditure Accruals	(31,294)	49,277
Encumbrances	(10,585)	(36,620)
Net Decrease in Fair Value of Investments - 2005	61,297	0
Net Decrease in Fair Value of Investments - 2004	(20,317)	0
Unrecorded Cash	(54,778)	0
Transfers	0	(88,000)
Budget Basis	\$1,041,423	\$34,932

NOTE 5 - DEPOSITS AND INVESTMENTS

POLICIES AND PROCEDURES

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

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

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

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

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

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

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

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

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

1. Bonds of the State of Ohio;

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

INVESTMENTS

As of December 31, 2005, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-2	2-4
Negotiable Certificate of Deposit	\$99,983	\$99,983	\$0	\$0
STAROhio	210,516	210,516	0	0
Federal Home Loan Bank Bonds	1,153,754	0	684,878	468,876
Federal Home Loan Bank Medium Term Notes	195,542	195,542	0	0
Federal Home Loan Mortgage Corporation Medium Term Notes	735,730	0	735,730	0
Federal National Mortgage Association Medium Term Notes	243,515	0	0	243,515
Smith Barney Government Money Market Mutual Fund	216	216	0	0
Fifth Third Government Money Market Mutual Fund	48,570	48,570	0	0
Total Investments	<u>\$2,687,826</u>	<u>\$554,827</u>	<u>\$1,420,608</u>	<u>\$712,391</u>

INTEREST RATE RISK

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

CREDIT RISK

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

CONCENTRATION OF CREDIT RISK

The City places no limit on the amount it may invest in any one issuer. The City's investments in the Federal Home Loan Bank Bonds, Federal Home Loan Bank Medium Term Notes, Federal Home Loan Mortgage Corporation Medium Term Notes and Federal National Mortgage Association Medium Term Notes represent 42.93 percent, 7.28 percent, 27.37 percent and 9.06 percent respectively, of the City's total investments.

NOTE 6 - COMPLIANCE AND ACCOUNTABILITY

COMPLIANCE

The City had appropriations in excess of estimated receipts plus available balances in the Debt Service Fund and the FEMA, Recreation, Community Development & Improvement and Police and Fire Pension Nonmajor Special Revenue Funds and the Issue II Nonmajor Capital Projects Fund in the amounts of \$565,250, \$29,829, \$64, \$71,452, \$157,549 and \$148,855, respectively.

The following final appropriation accounts had an excess of expenditures over appropriations for the year-ended December 31, 2005:

<u>Fund Type/Fund/Department/Object</u>	<u>Final Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
General Government			
Clerk and Council			
Personal Services	\$70,111	\$70,236	(\$125)
Planning Commission			
Personal Services	900	1,050	(150)
Enterprise Funds			
Stormwater Utility Fund			
Contractual Services	124,009	145,485	(21,476)

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

The City did not properly certify expenditures, in non-compliance with Ohio Revised Code 5705.41(D).

ACCOUNTABILITY

At year-end, the Debt Service Fund, the Police and Fire Pension Nonmajor Special Revenue Fund and the Issue II Nonmajor Capital Projects Fund had deficit fund balances of \$603,359, \$99,749 and \$222,464, respectively. These deficits are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund provides transfers to cover deficit balances; however, this is only one when cash is needed rather than when accruals occur.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004 on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2005, was \$5.73 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$176,698,150
Personal Property	49,920,512
Public Utility Personal Property	13,407,710
Totals	\$240,026,372

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Franklin. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 8 - INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2005, the proceeds were allocated to the general fund.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, accounts (including utility), interfund, special assessments, interest on investments, and intergovernmental receivables, including grants, entitlements and shared revenues. All receivables are considered fully collectible. Special assessments expected to be collected in more than one year for the City amount to \$2,071,186. The City has \$55,951 in delinquent special assessments at December 31, 2005.

A summary of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Local Government Assistance	\$238,444
Estate Tax	46,377
Homestead, Rollback and Exemption	44,739
10,000 Personal Property Tax Exemption	2,748
Charges for Services	13,800
Gas Tax	221,936
Motor Vehicle Tax	36,988
Permissive Motor Vehicle Tax	4,914
Community Development Block Grant	52,900
Total Governmental Activities	<u><u>\$662,846</u></u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance At December 31, 2004 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance At December 31, 2005
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$18,961,254	\$2,841	\$0	\$18,964,095
Construction in Progress	16,698	0	(16,698)	0
Total Capital Assets, Not Being Depreciated	<u>18,977,952</u>	<u>2,841</u>	<u>(16,698)</u>	<u>18,964,095</u>
Depreciable Capital Assets:				
Land Improvements	1,251,475	16,698	0	1,268,173
Buildings	6,869,171	0	0	6,869,171
Equipment	859,163	19,150	0	878,313
Vehicles	2,502,076	54,284	0	2,556,360
Infrastructure	56,221,505	511,093	0	56,732,598
Total Depreciable Capital Assets	<u>67,703,390</u>	<u>601,225</u>	<u>0</u>	<u>68,304,615</u>
Total Capital Assets At Historical Cost	<u>86,681,342</u>	<u>604,066</u>	<u>(16,698)</u>	<u>87,268,710</u>
Less Accumulated Depreciation:				
Land Improvements	(729,298)	(51,458)	0	(780,756)
Buildings	(917,844)	(137,383)	0	(1,055,227)
Equipment	(339,957)	(74,359)	0	(414,316)
Vehicles	(1,621,247)	(224,835)	0	(1,846,082)
Infrastructure	(31,186,858)	(1,331,906)	0	(32,518,764)
Total Accumulated Depreciation	<u>(34,795,204)</u>	<u>(1,819,941) *</u>	<u>0</u>	<u>(36,615,145)</u>
Depreciable Capital Assets, Net	<u>32,908,186</u>	<u>(1,218,716)</u>	<u>0</u>	<u>31,689,470</u>
Governmental Activities Capital Assets, Net	<u>\$51,886,138</u>	<u>(\$1,215,875)</u>	<u>(\$16,698)</u>	<u>\$50,653,565</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 10 - CAPITAL ASSETS (continued)

	Balance At December 31, 2004	Additions	Deletions	Balance At December 31, 2005
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$982,864	\$0	\$0	\$982,864
Depreciable Capital Assets:				
Land Improvements	12,921	0	0	12,921
Buildings	72,700	0	0	72,700
Equipment	134,272	0	0	134,272
Vehicles	272,421	0	0	272,421
Infrastructure				
Water Lines	4,066,813	0	0	4,066,813
Sewer Lines	7,619,848	0	0	7,619,848
Water Well Field	2,344,706	0	0	2,344,706
Storm Sewer and Major Drainage	18,270,204	0	0	18,270,204
Total Depreciable Capital Assets	32,793,885	0	0	32,793,885
Total Capital Assets At Historical Cost	33,776,749	0	0	33,776,749
Less Accumulated Depreciation:				
Land Improvements	(1,292)	(646)	0	(1,938)
Buildings	(9,166)	(1,454)	0	(10,620)
Equipment	(78,254)	(8,363)	0	(86,617)
Vehicles	(240,870)	(11,436)	0	(252,306)
Infrastructure				
Water Lines	(1,676,551)	(78,323)	0	(1,754,874)
Sewer Lines	(2,987,063)	(147,135)	0	(3,134,198)
Water Well Field	(375,153)	(46,894)	0	(422,047)
Storm Sewer and Major Drainage	(6,670,588)	(365,404)	0	(7,035,992)
Total Accumulated Depreciation	(12,038,937)	(659,655)	0	(12,698,592)
Depreciable Capital Assets, Net	20,754,948	(659,655)	0	20,095,293
Business-Type Activities Capital Assets, Net	\$21,737,812	(\$659,655)	\$0	\$21,078,157

* Depreciation expense was charged to governmental programs as follows:

General Government	\$47,889
Security of Persons and Property:	
Police	131,482
Fire	69,944
Other	1,923
Leisure Time Activities	52,198
Basic Utility Services	57,355
Transportation	1,459,150
Total Depreciation Expense	<u>\$1,819,941</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$227,417, \$215,156, and \$271,872 respectively; 85.41 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$1,084 made by the City and \$680 made by the plan members.

OHIO POLICE AND FIRE PENSION FUND

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$151,248, \$127,202, and \$142,155 respectively, equal to the required contributions for each year. The full amount has been contributed for 2004 and 2003. 81.20 percent and 30.39 percent has been contributed for 2005.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 12 – POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next seven years and 4 percent annually after seven years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$95,253. The actual contribution and the actuarially required contribution amounts are the same. The actual value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$118,926 for police and \$32,322 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

NOTE 13 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 4.62 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of death or retirement, every employee will be paid for a maximum of 150 days of sick leave hours. Those employees that leave City employment for reasons other than death or retirement will be paid 50 percent of accumulated sick leave up to a maximum of 150 days (600 hours).

Accumulated Unpaid Compensatory Time

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 13 - OTHER EMPLOYEE BENEFITS (continued)

HEALTH CARE BENEFITS

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

DEFERRED COMPENSATION

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

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 2003, the City joined the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000, up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 14 - RISK MANAGEMENT (continued)

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

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

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

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

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the City had entered into a capital lease for a vehicle. By the terms of the agreement, ownership of the vehicle is transferred to the City by the end of the lease term. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. General capital assets consisting of equipment have been capitalized in the amount of \$198,650 which equals the present value of the future minimum lease payments at the time of acquisition. Principal payments in 2005 totaled \$25,272 in the Fire Levy Fund. The lease was paid off in 2005.

<u>Asset</u>	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value December 31, 2005</u>
Equipment: Pierce Pumper	<u>\$198,560</u>	<u>\$198,560</u>	<u>\$0</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 16 - LONG-TERM OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2005 follows:

Types/Issues	Balance January 1, 2005 (Restated)	Increases	Decreases	Balance December 31, 2005	Due Within One Year
<u>Special Assessment Bonds</u>					
6.85% - 1991 Franklin Commerce Improvement - \$1,340,000	\$715,000	\$0	\$85,000	\$630,000	\$85,000
8.78% - 1985 Streetscape - \$107,000	10,000	0	10,000	0	0
7.125% - 1989 Shady Glenn - \$170,000	54,000	0	9,000	45,000	9,000
6.00% - 1995 Miller Stub Street - \$78,513	54,000	0	4,000	50,000	4,000
5.75% - 1995 Shotwell Drive - \$227,000	157,000	0	10,000	147,000	11,000
5.80% - 1997 Franklin Commerce Center - \$577,400	430,000	0	25,000	405,000	25,000
5.00% - 1998 Scholl Road - \$514,177	400,000	0	20,000	380,000	20,000
5.00% - 1998 Fourth Street Improvement - \$337,705	265,000	0	15,000	250,000	15,000
5.00% - 1998 Schumaker-Franklin - \$1,322,708	1,055,000	0	50,000	1,005,000	60,000
5.00% - 1998 Deardoff Phase II - \$158,410	125,000	0	5,000	120,000	5,000
5.70% - 1999 Eastlawn Sewer Line Extension - \$119,779	95,000	0	5,000	90,000	5,000
5.125% - 2001 Shotwell Drive Phase III - \$490,000	450,000	0	15,000	435,000	15,000
TOTAL-Special Assessment Bonds	<u>\$3,810,000</u>	<u>\$0</u>	<u>\$253,000</u>	<u>\$3,557,000</u>	<u>\$254,000</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Types/Issues	Balance January 1, 2005 (Restated)	Increases	Decreases	Balance December 31, 2005	Due Within One Year
<u>General Obligation Bonds</u>					
<u>(Unvoted)</u>					
4.25% - 6.10% 1994 Road Extension - \$1,730,000	\$640,000	\$0	\$150,000	\$490,000	\$155,000
4.625% - 5.125% 2001 Street Improvement - \$920,000	840,000	0	30,000	810,000	30,000
3.00% - 5.25% 2002 Public Works Facility - \$4,625,000	4,525,000	0	50,000	4,475,000	50,000
4.00% - 5.00% 2003 Various Purpose - \$960,000	925,000	0	35,000	890,000	35,000
1.50% - 4.65% 2003 Adminstrative and Court Facility Improvements - \$1,260,000	1,200,000	0	45,000	1,155,000	45,000
Discount on Debt Issue	(17,024)	0	(896)	(16,128)	0
TOTAL-General Obligation Bonds	8,112,976	0	309,104	7,803,872	315,000
<u>Other Long-Term Obligations</u>					
2.25% - 2004 Road Improvement Bond Anticipation Notes \$305,000	280,000	0	280,000	0	0
1.82% - 2004 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$788,000	455,000	0	455,000	0	0
2.73% - 2005 Road Improvement Bond Anticipation Notes \$280,000	0	280,000	0	280,000	0
2.83% - 2005 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$600,000	0	405,000	0	405,000	0
Compensated Absences	537,979	251,361	202,261	587,079	134,826
Police and Fire Pension	73,448	0	1,207	72,241	1,259
Capital Leases Payable	25,272	0	25,272	0	0
TOTAL-Other Long-Term Obligations	1,371,699	936,361	963,740	1,344,320	136,085
TOTAL- All General Long-Term Obligations	\$13,294,675	\$936,361	\$1,525,844	\$12,705,192	\$705,085

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

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

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

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

The Road Extension General Obligation Bonds are callable at the option of the City at the following redemption premiums on the dates indicated:

Redemption Dates	Premium - % of Par Value
September 1, 2005 through August 31, 2006	101%
September 1, 2006 and thereafter	100%

On October 1, 2001, the City issued \$920,000 in General Obligation Bonds for the purpose of retiring Bond Anticipation Notes that were issued for making improvements to Second Street. The bonds will be paid from the Capital Improvement Capital Projects Fund (22%) and the Ohio Public Works Commission Capital Projects Fund (78%).

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

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

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

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

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

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

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

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

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

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

On July 22, 2004, the City issued a \$305,000 Bond Anticipation Note for the purpose of making road improvements. On July 21, 2005, the City paid \$25,000 in principal on the \$305,000 note and reissued \$280,000. On July 18, 2006, the City refinanced the entire \$280,000 into a new note. Therefore, the \$280,000 liability outstanding at December 31, 2005 is presented as a long-term liability.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

On April 28, 2004, the City issued a \$788,000 Bond Anticipation Note for the purpose of purchasing fire equipment and conducting a stormwater drainage study. \$543,000 was related to the purchase of fire equipment, a governmental activity, and \$245,000 was related to the stormwater drainage study, a business-type activity. On April 25, 2005, the City paid \$88,000 toward the fire equipment portion of the note and \$100,000 toward the stormwater drainage study portion of the note and reissued the note for \$600,000. \$455,000 of the new note was for the fire equipment purchase and \$145,000 was for the stormwater drainage study. On April 25, 2006, the City paid \$50,000 toward the fire equipment portion of the note and refinanced the remaining \$550,000. Therefore, the \$455,000 fire equipment portion of the \$600,000 liability outstanding at December 31, 2005 will be split with \$405,000 presented as a long-term liability and \$50,000 presented as a fund liability in the fund financial statements. The \$145,000 stormwater drainage study portion is presented as a long-term liability of the business-type activities.

Compensated absences of the governmental activities will be paid from the General Fund and the Transportation, Fire Levy, and Recreation Special Revenue Funds. The capital lease will be paid from the Fire Levy Fund.

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

Changes in the long-term obligations reported in the business-type activities of the City during 2005 were as follows:

Types/Issues	Balance January 1, 2005 (Restated)	Increases	Decreases	Balance December 31, 2005	Due Within One Year
6.70% OWDA Loans - \$2,947,907 4.00% - 5.80% Mortgage Revenue Bonds - \$4,215,000	\$2,384,256	\$0	\$132,195	\$2,252,061	\$46,049
1.82% - 2004 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$788,000	145,000	0	145,000	0	0
2.83% - 2005 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$600,000	0	145,000	0	145,000	0
2.73% - 2005 Stormwater Drainage Improvement Project Bond Anticipation Notes - \$1,139,500	0	1,100,000	0	1,100,000	0
Compensated Absences	154,305	40,085	35,043	159,347	37,094
TOTAL - Business Type-Activities	\$6,183,561	\$1,285,085	\$427,238	\$7,041,408	\$208,143

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

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

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

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

On April 25, 2005, the City issued \$1,139,500 in Bond Anticipation Notes for the purpose of making improvements to the City's stormwater drainage system. On April 25, 2006, the City paid \$39,500 in principal on the note and refinanced the remaining \$1,100,000. Therefore, the \$1,139,500 liability outstanding at December 31, 2005 will be split with \$1,100,000 presented as a long-term liability and \$39,500 presented as notes payable.

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

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,093,269 with an unvoted debt margin of \$3,091,950.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2005 are:

Year	Governmental Activities			
	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2006	\$315,000	\$373,882	\$254,000	\$198,717
2007	335,000	359,048	280,000	183,778
2008	340,000	342,790	290,000	167,292
2009	270,000	325,939	312,000	150,212
2010	285,000	315,155	333,000	131,818
2011-2015	1,630,000	1,382,587	1,388,000	401,506
2016-2020	2,085,000	969,819	660,000	125,190
2021-2025	1,915,000	437,926	40,000	6,150
2026-2027	645,000	51,188	0	0
Totals	<u>\$7,820,000</u>	<u>\$4,558,334</u>	<u>\$3,557,000</u>	<u>\$1,364,663</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Year	Business-Type Activities			
	Mortgage Revenue Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2006	\$125,000	\$194,738	\$46,049	\$79,408
2007	130,000	188,238	98,462	152,452
2008	135,000	180,763	105,266	145,648
2009	145,000	173,000	112,539	138,374
2010	155,000	164,663	120,316	130,598
2011-2015	905,000	681,000	738,390	516,180
2016-2020	1,205,000	387,333	1,031,039	306,162
2021-2024	585,000	100,920	0	0
	<u>\$3,385,000</u>	<u>\$2,070,655</u>	<u>\$2,252,061</u>	<u>\$1,468,822</u>

REVENUE HOUSING BONDS

The City served as the issuer of \$7,220,000 in revenue housing bonds in 1997. The proceeds were used by Emerald Edge/Warren, Limited Partnership to finance the acquisition, construction and equipping of a multi-family residential rental housing facility. The housing revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the City. Neither is the full faith and credit or taxing power of the City pledged to make repayment. As of December 31, 2005, the outstanding principal balance was \$6,335,000.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 17 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year-ended December 31, 2005 follows:

Fund Type	Balance January 1, 2005 (Restated)	Increase	Decrease	Balance December 31, 2005
<u>Governmental</u>				
Special Revenue				
1.82% - 2004 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes \$788,000				
	\$88,000	\$0	\$88,000	\$0
2.25% - 2004 Street Sweeper Bond Anticipation Notes				
	73,900	0	73,900	0
3.25% - 2005 Street Sweeper Bond Anticipation Notes \$55,595				
	0	55,595	0	55,595
2.83% - 2005 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes \$600,000				
	0	50,000	0	50,000
Total Special Revenue	<u>161,900</u>	<u>105,595</u>	<u>161,900</u>	<u>105,595</u>
Capital Projects				
2.25% - 2004 Road Improvement Bond Anticipation Notes \$305,000				
	25,000	0	25,000	0
1.82% - 2004 Road Improvement Bond Anticipation Notes \$285,000				
	285,000	0	285,000	0
3.25% - 2005 Road Improvement Bond Anticipation Notes \$214,405				
	0	214,405	0	214,405
Total Capital Projects	<u>310,000</u>	<u>214,405</u>	<u>310,000</u>	<u>214,405</u>
Total Governmental Funds	<u><u>\$471,900</u></u>	<u><u>\$320,000</u></u>	<u><u>\$471,900</u></u>	<u><u>\$320,000</u></u>
<u>Business-Type Activities</u>				
1.82% - 2004 Consolidated Fire Equipment and Stormwater Study Bond Anticipation Notes - \$788,000				
	\$100,000	\$0	\$100,000	\$0
2.73% - 2005 Stormwater Drainage Improvement Project Bond Anticipation Notes - \$1,139,500				
	0	39,500	0	39,500
Total Business-Type Funds	<u><u>\$100,000</u></u>	<u><u>\$39,500</u></u>	<u><u>\$100,000</u></u>	<u><u>\$39,500</u></u>

On October 13, 2004, the City issued \$358,900 in Consolidated Bond Anticipation Notes. \$73,900 of the notes was for use in purchasing a street sweeper, and were reported as a fund liability of the special revenue funds. The remaining \$285,000 of the notes was for use in making road improvements and was reported as a fund liability of the capital projects funds.

During 2005, the City paid \$18,305 in principal on the street sweeper portion of the Consolidated Bond Anticipation Notes and \$70,595 in principal on the road improvement portion. The notes were refinanced for \$270,000, with \$55,595 related to the street sweeper and \$214,205 related to road improvements.

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 17 - SHORT-TERM OBLIGATIONS (continued)

The activity related to the short-term obligations of the business-type activities is discussed in Note 16.

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

NOTE 18 - INTERFUND ACTIVITY

INTERFUND RECEIVABLE/PAYABLE

Interfund balances at December 31, 2005, consist of the following individual fund receivables and payables:

		Receivable				Total
		General	Fire Levy	Debt Service	All Other Governmental Funds	
Payable	General	\$0	\$28,558	\$0	\$12,184	\$40,742
	Debt Service Fund	609,106	0	0	0	609,106
	Water	175,302	0	3,279	0	178,581
	Sewer	0	0	1,508	0	1,508
	Total	<u>\$784,408</u>	<u>\$28,558</u>	<u>\$4,787</u>	<u>\$12,184</u>	<u>\$829,937</u>

The amount due to the General Fund from the Water Fund relates to note issuance costs paid by the General Fund on behalf of the Water Fund. The amount due to the Fire Levy Fund from the General Fund is related to misposted homestead and rollback receipts. The amount due to the All Other Governmental Funds from the General Fund is related to misposted special assessments and homestead and rollback receipts. The amount due to the General fund from the Debt Service fund is related to misposted proceeds of bond anticipation notes. The remaining balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

TRANSFERS FROM/TO OTHER FUNDS

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

		Transfers From				Total
		General	Fire Levy	Water	Sewer	
Transfers to	Fire Levy	\$720,000	\$0	\$0	\$0	\$720,000
	Debt Service	123,173	0	45,221	45,227	213,621
	Nonmajor Governmental Funds	691,390	50,219	0	0	741,609
	Total	<u>\$1,534,563</u>	<u>\$50,219</u>	<u>\$45,221</u>	<u>\$45,227</u>	<u>\$1,675,230</u>

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 18 - INTERFUND ACTIVITY (continued)

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

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

JOINT VENTURE

The City participates in a joint venture with Franklin Township pertaining to a Joint Recreation Facility. The joint venture was formed for the purpose of constructing and operating a swimming pool for the citizens of the City and Township. The recreation facility is governed by a Board of Trustees consisting of ten members, five appointed by each entity. The funding for the operations of the pool is charges for services, with the remainder of the budget being financed equally by the City and Township. There is no explicit and measurable equity interest in the Joint Recreation Facility. The City has an ongoing financial responsibility because the continued existence of the joint venture depends on the City's contribution, which totaled \$25,000 in 2005. The City of Franklin is the fiscal agent. The financial statements of the Joint Recreation facility can be obtained at the Finance Department, City of Franklin, 35 East Fourth Street, Franklin, Ohio, 45005.

The following is a summary of the financial information for the joint venture for the year-ended December 31, 2005 prepared on the basis of cash receipts and disbursements:

	Joint Recreation Facility
Operating Revenues	\$117,033
Operating Expenditures	111,444
Excess of Operating Revenues Over Expenditures	5,589
Fund Balance Beginning of Year	9,155
Fund Balance at End of Year	\$14,744

SHARED RISK POOL

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

The Warren County General Health District (the District), a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, including the City, oversees the operation of the District. The City contributed \$5,363 during 2005 for the operation of the District. The City does not have any financial interest in or responsibility for the District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers. Financial information may be obtained from Kathy Stephenson at the Warren County General Health District, 416 S. East Street, Lebanon, Ohio 45036.

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

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, and various cities residing within these counties, including the City of Franklin. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The City contributed \$5,242 for the operation of the Commission during 2005. Financial information may be obtained by writing to P. Michael Robinette, Executive Director, 40 West Fourth Street, Dayton, Ohio 45402.

NOTE 20 - CONTINGENT LIABILITIES

LITIGATION

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

CITY OF FRANKLIN, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 20 - CONTINGENT LIABILITIES (continued)

FEDERAL AND STATE GRANTS

For the period January 1, 2005, to December 31, 2005, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 21 - SUBSEQUENT EVENTS

On March 15, 2006, the City reissued the Stormwater Drainage Improvement Project Bond Anticipation Notes. The new notes will mature on March 14, 2007.

On April 26, 2006, the City reissued the Consolidated Fire Equipment and Stormwater Study Bond Anticipation Note. The new note will mature on April 27, 2007.

On July 18, 2006, the City reissued the 2005 2.75% Road Improvement Bond Anticipation Notes. The new notes will mature on July 19, 2007.

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Combining Financial Statements and Individual Fund Schedules

CITY OF FRANKLIN, OHIO

NONMAJOR FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

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

NONMAJOR SPECIAL REVENUE FUNDS

Transportation

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

Court

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

FEMA

To account for reimbursable grants from the federal government for police officers sent to New Orleans due to the aftermath of hurricane Katrina and for repairs and expenses incurred by the City during the 2004 Ohio winter ice storm.

Recreation

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

Community Development & Improvement

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

Street Lighting

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

U.S. Filter

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

Police and Fire Pension

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

Firemen's Indemnity

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

(continued)

CITY OF FRANKLIN, OHIO

***NONMAJOR FUND DESCRIPTIONS
(continued)***

CAPITAL PROJECTS FUNDS

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

NONMAJOR CAPITAL PROJECTS FUNDS

Municipal Buildings

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

Issue II

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

Capital Improvement

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

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$789,347	\$217,578	\$1,006,925
Materials and Supplies Inventory	110,434	0	110,434
Intergovernmental Receivable	323,100	0	323,100
Property and Other Local Taxes Receivable	175,825	0	175,825
Interfund Receivable	12,184	0	12,184
Special Assessments Receivable	83,439	0	83,439
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$1,494,329</u>	<u>\$217,578</u>	<u>\$1,711,907</u>
Liabilities:			
Accounts Payable	\$53,004	\$7,000	\$60,004
Accrued Wages and Benefits	8,605	0	8,605
Intergovernmental Payable	157,095	0	157,095
Accrued Interest Payable	397	1,059	1,456
Deferred Revenue	535,900	0	535,900
Notes Payable	55,595	214,405	270,000
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>810,596</u>	<u>222,464</u>	<u>1,033,060</u>
Fund Balances:			
Reserved for Encumbrances	124,832	13,000	137,832
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	558,901	0	558,901
Capital Projects Funds (Deficit)	0	(17,886)	(17,886)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficit)	<u>683,733</u>	<u>(4,886)</u>	<u>678,847</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$1,494,329</u>	<u>\$217,578</u>	<u>\$1,711,907</u>

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Property and Other Local Taxes	\$187,754	\$0	\$187,754
Special Assessments	87,534	0	87,534
Charges for Services	139,451	0	139,451
Fines, Licenses and Permits	28,457	0	28,457
Intergovernmental	666,588	175,338	841,926
Interest	63	0	63
Other	52,233	0	52,233
Total Revenues	1,162,080	175,338	1,337,418
Expenditures:			
Current:			
General Government	76,149	0	76,149
Security of Persons and Property:			
Police	304,253	0	304,253
Fire	97,122	0	97,122
Other	84,799	0	84,799
Public Health and Welfare	27,626	0	27,626
Leisure Time Activities	209,362	0	209,362
Economic Development	88,113	0	88,113
Transportation	707,360	0	707,360
Capital Outlay	115,678	458,386	574,064
Debt Service:			
Principal Retirement	1,207	0	1,207
Interest and Fiscal Charges	4,788	6,064	10,852
Total Expenditures	1,716,457	464,450	2,180,907
Excess of Revenues Under Expenditures	(554,377)	(289,112)	(843,489)
Other Financing Sources:			
Transfers In	620,519	121,090	741,609
Net Change in Fund Balances	66,142	(168,022)	(101,880)
Fund Balances at Beginning of Year - Restated (See Note 3)	617,591	163,136	780,727
Fund Balances (Deficit) at End of Year	<u>\$683,733</u>	<u>(\$4,886)</u>	<u>\$678,847</u>

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005

	<u>Transportation</u>	<u>Court</u>	<u>FEMA</u>	<u>Recreation</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$359,796	\$275,102	\$4,780	\$10,217
Materials and Supplies Inventory	108,877	0	0	1,557
Intergovernmental Receivable	316,737	0	0	0
Property and Other Local Taxes Receivable	0	0	0	0
Interfund Receivable	1,550	0	0	0
Special Assessments Receivable	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$786,960</u>	<u>\$275,102</u>	<u>\$4,780</u>	<u>\$11,774</u>
Liabilities:				
Accounts Payable	\$22,226	\$30,145	\$0	\$633
Accrued Wages and Benefits	6,762	0	0	1,843
Intergovernmental Payable	26,229	0	0	8,947
Accrued Interest Payable	397	0	0	0
Deferred Revenue	270,623	0	0	0
Notes Payable	55,595	0	0	0
	<u>55,595</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>381,832</u>	<u>30,145</u>	<u>0</u>	<u>11,423</u>
Fund Balances:				
Reserved for Encumbrances	114,832	0	0	10,000
Unreserved, Undesignated (Deficit)	290,296	244,957	4,780	(9,649)
	<u>290,296</u>	<u>244,957</u>	<u>4,780</u>	<u>(9,649)</u>
Total Fund Balances (Deficit)	<u>405,128</u>	<u>244,957</u>	<u>4,780</u>	<u>351</u>
Total Liabilities and Fund Balances	<u>\$786,960</u>	<u>\$275,102</u>	<u>\$4,780</u>	<u>\$11,774</u>

Community Development & Improvement	Street Lighting	U.S. Filter	Police and Fire Pension	Firemen's Indemnity	Total Nonmajor Special Revenue Funds
\$766	\$77,456	\$33,113	\$13,156	\$14,961	\$789,347
0	0	0	0	0	110,434
0	0	1,133	5,230	0	323,100
0	0	31,313	144,512	0	175,825
0	0	1,908	8,726	0	12,184
0	83,439	0	0	0	83,439
<u>\$766</u>	<u>\$160,895</u>	<u>\$67,467</u>	<u>\$171,624</u>	<u>\$14,961</u>	<u>\$1,494,329</u>
\$0	\$0	\$0	\$0	\$0	\$53,004
0	0	0	0	0	8,605
0	0	0	121,919	0	157,095
0	0	0	0	0	397
0	83,439	32,384	149,454	0	535,900
0	0	0	0	0	55,595
<u>0</u>	<u>83,439</u>	<u>32,384</u>	<u>271,373</u>	<u>0</u>	<u>810,596</u>
0	0	0	0	0	124,832
766	77,456	35,083	(99,749)	14,961	558,901
<u>766</u>	<u>77,456</u>	<u>35,083</u>	<u>(99,749)</u>	<u>14,961</u>	<u>683,733</u>
<u>\$766</u>	<u>\$160,895</u>	<u>\$67,467</u>	<u>\$171,624</u>	<u>\$14,961</u>	<u>\$1,494,329</u>

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Transportation</u>	<u>Court</u>	<u>FEMA</u>	<u>Recreation</u>
Revenues:				
Property and Other Local Taxes	\$14,154	\$0	\$0	\$0
Special Assessments	0	0	0	0
Charges for Services	25	139,426	0	0
Fines and Forfeitures	0	28,457	0	0
Intergovernmental	611,345	3,690	34,609	0
Interest	63	0	0	0
Other	35,611	11,343	0	451
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	661,198	182,916	34,609	451
Expenditures:				
Current:				
General Government	0	76,149	0	0
Security of Persons and Property:				
Police	0	1,325	29,829	0
Fire	0	0	0	0
Other	0	0	0	0
Public Health and Welfare	0	27,626	0	0
Leisure Time Activities	0	0	0	209,362
Economic Development	0	0	0	0
Transportation	707,360	0	0	0
Capital Outlay	0	86,417	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	1,695	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	709,055	191,517	29,829	209,362
Excess of Revenues Over (Under) Expenditures	(47,857)	(8,601)	4,780	(208,911)
Other Financing Sources:				
Transfers In	144,968	0	0	155,000
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	97,111	(8,601)	4,780	(53,911)
Fund Balances (Deficit) at				
Beginning of Year - Restated (See Note 3)	308,017	253,558	0	54,262
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances (Deficit) at End of Year	<u>\$405,128</u>	<u>\$244,957</u>	<u>\$4,780</u>	<u>\$351</u>

<u>Community Development & Improvement</u>	<u>Street Lighting</u>	<u>U.S. Filter</u>	<u>Police and Fire Pension</u>	<u>Firemen's Indemnity</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$0	\$0	\$30,915	\$142,685	\$0	\$187,754
0	87,534	0	0	0	87,534
0	0	0	0	0	139,451
0	0	0	0	0	28,457
0	0	3,032	13,912	0	666,588
0	0	0	0	0	63
4,828	0	0	0	0	52,233
<u>4,828</u>	<u>87,534</u>	<u>33,947</u>	<u>156,597</u>	<u>0</u>	<u>1,162,080</u>
0	0	0	0	0	76,149
0	0	0	273,099	0	304,253
0	0	0	97,122	0	97,122
0	84,799	0	0	0	84,799
0	0	0	0	0	27,626
0	0	0	0	0	209,362
71,001	0	17,112	0	0	88,113
0	0	0	0	0	707,360
29,261	0	0	0	0	115,678
0	0	0	1,207	0	1,207
0	0	0	3,093	0	4,788
<u>100,262</u>	<u>84,799</u>	<u>17,112</u>	<u>374,521</u>	<u>0</u>	<u>1,716,457</u>
(95,434)	2,735	16,835	(217,924)	0	(554,377)
<u>33,352</u>	<u>0</u>	<u>0</u>	<u>287,199</u>	<u>0</u>	<u>620,519</u>
(62,082)	2,735	16,835	69,275	0	66,142
<u>62,848</u>	<u>74,721</u>	<u>18,248</u>	<u>(169,024)</u>	<u>14,961</u>	<u>617,591</u>
<u>\$766</u>	<u>\$77,456</u>	<u>\$35,083</u>	<u>(\$99,749)</u>	<u>\$14,961</u>	<u>\$683,733</u>

CITY OF FRANKLIN, OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2005

	Municipal Buildings	Issue II	Capital Improvement	Total Nonmajor Capital Projects Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$22,814	\$0	\$194,764	\$217,578
Liabilities:				
Accounts Payable	\$0	\$7,000	\$0	\$7,000
Accrued Interest Payable	0	1,059	0	1,059
Notes Payable	0	214,405	0	214,405
Total Liabilities	0	222,464	0	222,464
Fund Balances:				
Reserved for Encumbrances	13,000	0	0	13,000
Unreserved, Undesignated (Deficit)	9,814	(222,464)	194,764	(17,886)
Total Fund Balances (Deficit)	22,814	(222,464)	194,764	(4,886)
Total Liabilities and Fund Balances	\$22,814	\$0	\$194,764	\$217,578

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Municipal Buildings	Issue II	Capital Improvement	Total Nonmajor Capital Projects Funds
Revenues:				
Intergovernmental	\$0	\$175,338	\$0	\$175,338
Expenditures:				
Capital Outlay	39,198	399,304	19,884	458,386
Debt Service:				
Interest and Fiscal Charges	0	6,064	0	6,064
Total Expenditures	39,198	405,368	19,884	464,450
Excess of Revenues Under Expenditures	(39,198)	(230,030)	(19,884)	(289,112)
Other Financing Sources:				
Transfers In	0	121,090	0	121,090
Net Change in Fund Balances	(39,198)	(108,940)	(19,884)	(168,022)
Fund Balances (Deficit) at Beginning of Year	62,012	(113,524)	214,648	163,136
Fund Balances (Deficit) at End of Year	\$22,814	(\$222,464)	\$194,764	(\$4,886)

AGENCY FUNDS

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

Municipal Court

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

Joint Emergency Medical Services (JEMS)

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

Joint Recreation

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

Building Standards Fee

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

Corwin Tax

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

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2005

	<u>Municipal Court</u>	<u>Joint Emergency Medical Services (JEMS)</u>	<u>Joint Recreation</u>	<u>Building Standards Fee</u>	<u>Corwin Tax</u>	<u>Total</u>
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$0	\$754	\$14,744	\$1,578	\$2,497	\$19,573
Cash in Segregated Accounts	<u>36,792</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,792</u>
Total Assets	<u>\$36,792</u>	<u>\$754</u>	<u>\$14,744</u>	<u>\$1,578</u>	<u>\$2,497</u>	<u>\$56,365</u>
Liabilities:						
Intergovernmental Payable	\$22,985	\$754	\$0	\$0	\$0	\$23,739
Undistributed Monies	6,035	0	14,744	1,578	2,497	24,854
Deposits Held and Due to Others	<u>7,772</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,772</u>
Total Liabilities	<u>\$36,792</u>	<u>\$754</u>	<u>\$14,744</u>	<u>\$1,578</u>	<u>\$2,497</u>	<u>\$56,365</u>

CITY OF FRANKLIN, OHIO
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance 1/1/05	Additions	Reductions	Balance 12/31/05
MUNICIPAL COURT				
Assets:				
Cash in Segregated Accounts	\$43,232	\$666,780	\$673,220	\$36,792
Liabilities:				
Intergovernmental Payable	\$25,557	\$372,569	\$375,141	\$22,985
Undistributed Monies	10,849	281,862	286,676	6,035
Deposits Held and Due to Others	6,826	12,349	11,403	7,772
Total Liabilities	\$43,232	\$666,780	\$673,220	\$36,792
JOINT EMERGENCY EMERGENCY MEDICAL SERVICES (JEMS)				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$754	\$0	\$0	\$754
Liabilities:				
Intergovernmental Payable	\$754	\$0	\$0	\$754
JOINT RECREATION				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$9,155	\$117,033	\$111,444	\$14,744
Liabilities:				
Undistributed Monies	\$9,155	\$117,033	\$111,444	\$14,744
BUILDING STANDARDS FEE				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$0	\$2,949	\$1,371	\$1,578
Liabilities:				
Undistributed Monies	\$0	\$2,949	\$1,371	\$1,578
CORWIN TAX				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$0	\$51,887	\$49,390	\$2,497
Liabilities:				
Undistributed Monies	\$0	\$51,887	\$49,390	\$2,497
TOTAL - ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$9,909	\$171,869	\$162,205	\$19,573
Cash in Segregated Accounts	43,232	666,780	673,220	36,792
Total Assets	\$53,141	\$838,649	\$835,425	\$56,365
Liabilities:				
Intergovernmental Payable	\$26,311	\$372,569	\$375,141	\$23,739
Undistributed Monies	20,004	453,731	448,881	24,854
Deposits Held and Due to Others	6,826	12,349	11,403	7,772
Total Liabilities	\$53,141	\$838,649	\$835,425	\$56,365

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property and Other Local Taxes	\$738,400	\$632,191	(\$106,209)
Income Taxes	4,653,247	5,356,705	703,458
Charges for Services	126,104	99,150	(26,954)
Fines, Licenses and Permits	670,150	522,785	(147,365)
Intergovernmental	608,900	740,987	132,087
Interest	280,000	157,233	(122,767)
Other	141,396	1,085,455	944,059
Total Revenues	7,218,197	8,594,506	1,376,309
Expenditures:			
Current:			
General Government			
Clerk and Council			
Personal Services	70,111	70,236	(125)
Other	110,917	83,985	26,932
Total Clerk and Council	181,028	154,221	26,807
Municipal Court			
Personal Services	590,554	542,628	47,926
Other	244,231	198,521	45,710
Total Municipal Court	834,785	741,149	93,636
Mayor's and Administrative Office			
Personal Services	343,180	333,576	9,604
Other	13,576	12,438	1,138
Total Mayor's and Administrative Office	356,756	346,014	10,742
Clerk Treasurer			
Personal Services	133,561	122,215	11,346
Other	60,615	60,523	92
Total Clerk Treasurer	194,176	182,738	11,438
Income Tax Administration			
Personal Services	194,878	180,312	14,566
Other	124,200	119,504	4,696
Total Income Tax Administration	319,078	299,816	19,262
Solicitor			
Personal Services	81,621	58,202	23,419
Other	708,000	686,762	21,238
Total Solicitor	789,621	744,964	44,657
Civil Service Commission			
Other	18,163	11,094	7,069

(continued)

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005
(continued)

	Final Budget	Actual	Variance With Final Budget
Planning Commission			
Personal Services	\$900	\$1,050	(\$150)
Other	100,000	82,858	17,142
Total Planning Commission	100,900	83,908	16,992
Board of Zoning, Building and Housing			
Other	500	0	500
Building and Grounds			
Personal Services	49,962	47,562	2,400
Other	106,927	86,630	20,297
Total Building and Grounds	156,889	134,192	22,697
Special Appropriations			
Other	288,329	279,716	8,613
Community Services			
Other	39,939	0	39,939
Engineering			
Other	160,000	149,318	10,682
Total General Government	3,440,164	3,127,130	313,034
Security of Persons and Property			
Police Law Enforcement			
Personal Services	2,449,283	2,226,363	222,920
Other	657,302	363,537	293,765
Total Police Law Enforcement	3,106,585	2,589,900	516,685
Building Inspection			
Personal Services	216,680	209,859	6,821
Other	40,046	32,333	7,713
Total Building Inspection	256,726	242,192	14,534
Total Security of Persons and Property	3,363,311	2,832,092	531,219
Leisure Time Activities			
Other	25,000	25,000	0

(continued)

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005
(continued)

	Final Budget	Actual	Variance With Final Budget
Basic Utility Services			
Storm Drains			
Other	\$35,000	\$34,298	\$702
Total Expenditures	6,863,475	6,018,520	844,955
Excess of Revenues Over Expenditures	354,722	2,575,986	2,221,264
Other Financing Uses:			
Transfers Out	(1,597,273)	(1,534,563)	62,710
Net Change in Fund Balance	(1,242,551)	1,041,423	2,283,974
Fund Balance at Beginning of Year	1,743,725	1,743,725	0
Prior Year Encumbrances Appropriated	178,695	178,695	0
Fund Balance at End of Year	\$679,869	\$2,963,843	\$2,283,974

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property and Other Local Taxes	\$594,672	\$648,400	\$53,728
Intergovernmental	28,328	28,328	0
Other	0	15,059	15,059
Total Revenues	<u>623,000</u>	<u>691,787</u>	<u>68,787</u>
Expenditures:			
Current:			
Security of Persons and Property			
Fire			
Personal Services	1,066,742	991,957	74,785
Other	278,063	235,421	42,642
Total Fire	<u>1,344,805</u>	<u>1,227,378</u>	<u>117,427</u>
Capital Outlay			
Other	71,934	11,258	60,676
Total Expenditures	<u>1,416,739</u>	<u>1,238,636</u>	<u>178,103</u>
Excess of Revenues Under Expenditures	<u>(793,739)</u>	<u>(546,849)</u>	<u>246,890</u>
Other Financing Sources (Uses):			
Transfers In	960,000	720,000	(240,000)
Transfers Out	(138,299)	(138,219)	80
Total Other Financing Sources (Uses)	<u>821,701</u>	<u>581,781</u>	<u>(239,920)</u>
Net Change in Fund Balance	27,962	34,932	6,970
Fund Balance at Beginning of Year	870,259	870,259	0
Prior Year Encumbrances Appropriated	12,031	12,031	0
Fund Balance at End of Year	<u><u>\$910,252</u></u>	<u><u>\$917,222</u></u>	<u><u>\$6,970</u></u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Special Assessments	\$311,464	\$423,353	\$111,889
Other	10,301	13,759	3,458
Total Revenues	<u>321,765</u>	<u>437,112</u>	<u>115,347</u>
Expenditures:			
Debt Service:			
Principal Retirement	2,224,757	2,014,900	209,857
Interest and Fiscal Charges	662,543	636,775	25,768
Total Expenditures	<u>2,887,300</u>	<u>2,651,675</u>	<u>235,625</u>
Excess of Revenues Under Expenditures	<u>(2,565,535)</u>	<u>(2,214,563)</u>	<u>350,972</u>
Other Financing Sources:			
Transfers In	388,540	528,117	139,577
Notes Issued	1,324,405	2,289,500	965,095
Bonds Issued	360,000	0	(360,000)
Total Other Financing Sources	<u>2,072,945</u>	<u>2,817,617</u>	<u>744,672</u>
Net Change in Fund Balance	(492,590)	603,054	1,095,644
Fund Balance (Deficit) at Beginning of Year	<u>(72,660)</u>	<u>(72,660)</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>(\$565,250)</u></u>	<u><u>\$530,394</u></u>	<u><u>\$1,095,644</u></u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$2,292,307	\$2,256,408	(\$35,899)
Deposits Received	21,000	23,220	2,220
Interest	15,450	16,173	723
Other	500	594	94
Total Revenues	<u>2,329,257</u>	<u>2,296,395</u>	<u>(32,862)</u>
Expenses:			
Personal Services	536,051	353,833	182,218
Contractual Services	1,167,645	928,345	239,300
Materials and Supplies	128,840	122,645	6,195
Other	1,119	1,119	0
Deposit Refunds	39,776	39,776	0
Capital Outlay	116,232	11,522	104,710
Debt Service:			
Principal Retirement	247,195	247,195	0
Interest and Fiscal Charges	455,771	445,222	10,549
Total Expenses	<u>2,692,629</u>	<u>2,149,657</u>	<u>542,972</u>
Excess of Revenues Over (Under) Expenses	(363,372)	146,738	510,110
Transfers Out	<u>(45,221)</u>	<u>(45,221)</u>	<u>0</u>
Net Change in Fund Equity	(408,593)	101,517	510,110
Fund Equity at Beginning of Year	412,699	412,699	0
Prior Year Encumbrances Appropriated	<u>8,913</u>	<u>8,913</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$13,019</u></u>	<u><u>\$523,129</u></u>	<u><u>\$510,110</u></u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$2,540,968	\$2,354,427	(\$186,541)
Intergovernmental	70,000	722	(69,278)
Deposits Received	21,000	23,100	2,100
Interest	30,900	19,633	(11,267)
Other	500	0	(500)
Total Revenues	<u>2,663,368</u>	<u>2,397,882</u>	<u>(265,486)</u>
Expenses:			
Personal Services	484,669	432,912	51,757
Contractual Services	2,475,289	2,429,285	46,004
Materials and Supplies	43,102	42,563	539
Other	164,023	0	164,023
Deposit Refunds	5,000	3,073	1,927
Capital Outlay	10,640	10,607	33
Total Expenses	<u>3,182,723</u>	<u>2,918,440</u>	<u>264,283</u>
Excess of Revenues Under Expenses	(519,355)	(520,558)	(1,203)
Transfers Out	<u>(45,227)</u>	<u>(45,227)</u>	<u>0</u>
Net Change in Fund Equity	(564,582)	(565,785)	(1,203)
Fund Equity at Beginning of Year	831,550	831,550	0
Prior Year Encumbrances Appropriated	<u>89</u>	<u>89</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$267,057</u></u>	<u><u>\$265,854</u></u>	<u><u>(\$1,203)</u></u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
TRASH FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$564,400	\$555,961	(\$8,439)
Other	0	520	520
	<hr/>	<hr/>	<hr/>
Total Revenues	564,400	556,481	(7,919)
	<hr/>	<hr/>	<hr/>
Expenses:			
Personal Services	42,313	42,272	41
Contractual Services	500,270	487,035	13,235
Materials and Supplies	11,154	11,154	0
Other	6,263	0	6,263
	<hr/>	<hr/>	<hr/>
Total Expenses	560,000	540,461	19,539
	<hr/>	<hr/>	<hr/>
Net Change in Fund Equity	4,400	16,020	11,620
	<hr/>	<hr/>	<hr/>
Fund Equity at Beginning of Year	110,160	110,160	0
	<hr/>	<hr/>	<hr/>
Fund Equity at End of Year	<u>\$114,560</u>	<u>\$126,180</u>	<u>\$11,620</u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
STORMWATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$440,000	\$421,880	(\$18,120)
Expenses:			
Personal Services	64,468	23,285	41,183
Contractual Services	124,009	145,485	(21,476)
Other	5,000	4,970	30
Capital Outlay	4,515	0	4,515
Total Expenses	197,992	173,740	24,252
Excess of Revenues Over Expenses	242,008	248,140	6,132
Transfers Out	(104,900)	(104,521)	379
Net Change in Fund Equity	137,108	143,619	6,511
Fund Equity at Beginning of Year	155,201	155,201	0
Fund Equity at End of Year	\$292,309	\$298,820	\$6,511

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
TRANSPORTATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property and Other Local Taxes	\$0	\$15,013	\$15,013
Charges for Services	200	25	(175)
Intergovernmental	831,017	611,136	(219,881)
Special Assessments	2,500	0	(2,500)
Interest	0	63	63
Other	800	35,611	34,811
Total Revenues	<u>834,517</u>	<u>661,848</u>	<u>(172,669)</u>
Expenditures:			
Current:			
Transportation			
Street Maintenance and Repair			
Personal Services	408,493	406,572	1,921
Other	263,551	259,892	3,659
Total Street Maintenance and Repair	<u>672,044</u>	<u>666,464</u>	<u>5,580</u>
Snow and Ice Removal			
Personal Services	24,156	12,670	11,486
Other	80,000	71,214	8,786
Total Snow and Ice Removal	<u>104,156</u>	<u>83,884</u>	<u>20,272</u>
Street Cleaning			
Other	14,850	10,624	4,226
Traffic Controls and Marking			
Other	67,325	50,448	16,877
State Highway Maintenance			
Other	34,000	32,048	1,952
Total Expenditures	<u>892,375</u>	<u>843,468</u>	<u>48,907</u>
Excess of Revenues Under Expenditures	<u>(57,858)</u>	<u>(181,620)</u>	<u>(123,762)</u>
Other Financing Sources (Uses):			
Transfers In	100,000	100,000	0
Transfers Out	(93,345)	0	93,345
Total Other Financing Sources (Uses)	<u>6,655</u>	<u>100,000</u>	<u>93,345</u>
Net Change in Fund Balance	(51,203)	(81,620)	(30,417)
Fund Balance at Beginning of Year	312,659	312,659	0
Prior Year Encumbrances Appropriated	13,924	13,924	0
Fund Balance at End of Year	<u>\$275,380</u>	<u>\$244,963</u>	<u>(\$30,417)</u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
COURT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Charges for Services	\$90,112	\$140,808	\$50,696
Fines, Licenses and Permits	30,738	28,457	(2,281)
Intergovernmental	3,985	3,690	(295)
Other	12,252	11,343	(909)
Total Revenues	<u>137,087</u>	<u>184,298</u>	<u>47,211</u>
Expenditures:			
Current:			
General Government			
Municipal Court			
Other	95,823	54,702	41,121
Security of Persons and Property			
Police Law Enforcement			
Other	18,570	1,125	17,445
Public Health and Welfare			
Other	89,000	57,571	31,429
Capital Outlay			
Other	140,000	86,417	53,583
Total Expenditures	<u>343,393</u>	<u>199,815</u>	<u>143,578</u>
Net Change in Fund Balance	(206,306)	(15,517)	190,789
Fund Balance at Beginning of Year	250,743	250,743	0
Prior Year Encumbrances Appropriated	6,394	6,394	0
Fund Balance at End of Year	<u><u>\$50,831</u></u>	<u><u>\$241,620</u></u>	<u><u>\$190,789</u></u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FEMA FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Intergovernmental	\$0	\$34,609	\$34,609
Expenditures:			
Current:			
Security of Persons and Property			
Police Law Enforcement			
Other	29,829	29,829	0
Net Change in Fund Balance	(29,829)	4,780	34,609
Fund Balance at Beginning of Year	0	0	0
Fund Balance (Deficit) at End of Year	(\$29,829)	\$4,780	\$34,609

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other	\$0	\$451	\$451
Expenditures:			
Current:			
Leisure Time Activities			
Recreation Program			
Personal Services	167,403	160,155	7,248
Other	93,997	66,416	27,581
Total Expenditures	261,400	226,571	34,829
Excess of Revenues Under Expenditures	(261,400)	(226,120)	35,280
Other Financing Sources:			
Transfers In	190,000	155,000	(35,000)
Net Change in Fund Balance	(71,400)	(71,120)	280
Fund Balance at Beginning of Year	70,768	70,768	0
Prior Year Encumbrances Appropriated	568	568	0
Fund Balance (Deficit) at End of Year	(\$64)	\$216	\$280

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
COMMUNITY DEVELOPMENT & IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other	\$0	\$4,828	\$4,828
Expenditures:			
Current:			
Economic Development			
Other	105,000	71,001	33,999
Capital Outlay			
Other	30,400	30,361	39
Total Expenditures	135,400	101,362	34,038
Excess of Revenues Under Expenditures	(135,400)	(96,534)	38,866
Other Financing Sources:			
Transfers In	0	33,352	33,352
Net Change in Fund Balance	(135,400)	(63,182)	72,218
Fund Balance at Beginning of Year	63,948	63,948	0
Fund Balance (Deficit) at End of Year	(\$71,452)	\$766	\$72,218

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
STREET LIGHTING FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Special Assessments	\$85,000	\$128,213	\$43,213
Expenditures:			
Current:			
Security of Persons and Property			
Street Lighting			
Other	95,000	94,206	794
Net Change in Fund Balance	(10,000)	34,007	44,007
Fund Balance at Beginning of Year	43,446	43,446	0
Fund Balance at End of Year	<u>\$33,446</u>	<u>\$77,453</u>	<u>\$44,007</u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
U.S. FILTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property Taxes	\$29,118	\$30,915	\$1,797
Intergovernmental	1,882	1,882	0
Total Revenues	31,000	32,797	1,797
Expenditures:			
Current:			
Economic Development			
Other	29,661	17,112	12,549
Net Change in Fund Balance	1,339	15,685	14,346
Fund Balance at Beginning of Year	17,428	17,428	0
Fund Balance at End of Year	<u>\$18,767</u>	<u>\$33,113</u>	<u>\$14,346</u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
POLICE AND FIRE PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property Taxes	\$79,359	\$142,685	\$63,326
Intergovernmental	8,684	8,684	0
Total Revenues	<u>88,043</u>	<u>151,369</u>	<u>63,326</u>
Expenditures:			
Current:			
Security of Persons and Property			
Police Law Enforcement			
Other	318,888	318,829	59
Fire Department			
Other	<u>113,658</u>	<u>113,580</u>	<u>78</u>
Total Security of Persons and Property	<u>432,546</u>	<u>432,409</u>	<u>137</u>
Debt Service:			
Principal Retirement	1,207	1,207	0
Interest and Fiscal Charges	<u>3,093</u>	<u>3,093</u>	<u>0</u>
Total Debt Service	<u>4,300</u>	<u>4,300</u>	<u>0</u>
Total Expenditures	<u>436,846</u>	<u>436,709</u>	<u>137</u>
Excess of Revenues Under Expenditures	(348,803)	(285,340)	63,463
Other Financing Sources:			
Transfers In	<u>179,957</u>	<u>287,199</u>	<u>107,242</u>
Net Change in Fund Balance	(168,846)	1,859	170,705
Fund Balance at Beginning of Year	<u>11,297</u>	<u>11,297</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>(\$157,549)</u>	<u>\$13,156</u>	<u>\$170,705</u>

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FIREMEN'S INDEMNITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

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

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
MUNICIPAL BUILDINGS FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:	\$0	\$0	\$0
Expenditures:			
Capital Outlay			
Other	62,012	52,198	9,814
Net Change in Fund Balance	(62,012)	(52,198)	9,814
Fund Balance at Beginning of Year	62,012	62,012	0
Fund Balance at End of Year	\$0	\$9,814	\$9,814

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
ISSUE II FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:			
Intergovernmental	\$500,000	\$206,800	(\$293,200)
Expenditures:			
Capital Outlay			
Other	900,000	502,028	397,972
Excess of Revenues Under Expenditures	(400,000)	(295,228)	104,772
Other Financing Sources:			
Transfers In	0	44,083	44,083
Net Change in Fund Balance	(400,000)	(251,145)	148,855
Fund Balance at Beginning of Year	251,145	251,145	0
Fund Balance (Deficit) at End of Year	(\$148,855)	\$0	\$148,855

CITY OF FRANKLIN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues:	\$0	\$0	\$0
Expenditures:			
Capital Outlay			
Other	215,522	19,884	195,638
Excess of Revenues Under Expenditures	(215,522)	(19,884)	195,638
Other Financing Sources:			
Transfers In	50,000	0	(50,000)
Net Change in Fund Balance	(165,522)	(19,884)	145,638
Fund Balance at Beginning of Year	211,147	211,147	0
Prior Year Encumbrances Appropriated	3,501	3,501	0
Fund Balance at End of Year	<u>\$49,126</u>	<u>\$194,764</u>	<u>\$145,638</u>

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Statistical Section

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

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

<u>YEAR</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
GENERAL GOVERNMENT	\$1,228,690	\$1,319,037	\$1,573,030	\$1,460,587	\$1,845,467
SECURITY OF PERSONS AND PROPERTY	2,280,660	2,381,306	3,205,269	2,844,349	3,143,004
PUBLIC HEALTH AND WELFARE	0	21,524	36,220	1,527	13,868
LEISURE TIME ACTIVITIES	140,381	121,441	207,465	329,434	275,370
ECONOMIC DEVELOPMENT	49,371	251,058	216,868	26,882	204,321
BASIC UTILITY SERVICES	56,344	111,789	75,019	57,968	86,758
TRANSPORTATION	593,618	400,385	772,064	581,932	846,718
CAPITAL OUTLAY	1,442,202	1,570,375	695,151	667,085	2,167,141
DEBT SERVICE	<u>582,570</u>	<u>649,148</u>	<u>726,033</u>	<u>705,762</u>	<u>689,011</u>
TOTAL (1)	<u>\$6,373,836</u>	<u>\$6,826,063</u>	<u>\$7,507,119</u>	<u>\$6,675,526</u>	<u>\$9,271,658</u>

SOURCE: City of Franklin's Finance Office

(1) Includes all governmental funds.

TABLE 1

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$1,916,202	\$1,924,764	\$2,195,294	\$2,383,552	\$3,151,782
3,534,114	3,630,531	3,955,585	4,548,636	4,493,448
18,503	9,241	56,199	41,799	27,626
232,485	230,120	265,732	275,678	234,362
141,755	287,215	72,448	59,266	88,113
96,090	90,078	183,400	27,742	34,559
618,165	773,026	667,498	887,728	707,360
4,072,598	3,210,715	3,634,022	1,181,176	582,822
<u>754,922</u>	<u>939,192</u>	<u>1,313,086</u>	<u>2,082,348</u>	<u>1,275,598</u>
<u>\$11,384,834</u>	<u>\$11,094,882</u>	<u>\$12,343,264</u>	<u>\$11,487,925</u>	<u>\$10,595,670</u>

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

<u>YEAR</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
TAXES	\$3,382,334	\$3,656,907	\$4,213,673	\$4,049,311	\$4,400,239
SPECIAL ASSESSMENTS	371,344	153,642	482,390	434,661	476,745
CHARGES FOR SERVICES	116,175	91,211	128,794	120,569	139,306
FINES, LICENSES AND PERMITS	477,703	484,631	547,866	657,361	700,802
INTERGOVERNMENTAL	1,128,543	1,480,104	1,920,560	1,679,851	2,335,192
INTEREST	185,889	373,667	320,122	341,972	373,495
OTHER	<u>94,190</u>	<u>110,080</u>	<u>418,760</u>	<u>103,462</u>	<u>88,638</u>
TOTAL (1)	<u>\$5,756,178</u>	<u>\$6,350,242</u>	<u>\$8,032,165</u>	<u>\$7,387,187</u>	<u>\$8,514,417</u>

SOURCE: City of Franklin's Finance Office

(1) Includes all governmental funds.

TABLE 2

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$4,738,696	\$4,895,169	\$6,280,474	\$6,055,103	\$6,648,731
491,293	470,678	511,435	506,734	524,451
123,252	163,242	234,489	233,138	279,341
698,088	888,535	639,624	613,952	540,103
2,137,645	1,724,847	2,121,051	1,719,383	1,598,288
264,572	175,233	260,068	192,540	174,674
<u>392,324</u>	<u>223,913</u>	<u>244,623</u>	<u>681,853</u>	<u>1,097,570</u>
<u><u>\$8,845,870</u></u>	<u><u>\$8,541,617</u></u>	<u><u>\$10,291,764</u></u>	<u><u>\$10,002,703</u></u>	<u><u>\$10,863,158</u></u>

CITY OF FRANKLIN, OHIO
GOVERNMENT-WIDE EXPENSES BY PROGRAM
GOVERNMENTAL ACTIVITIES
LAST THREE YEARS

<u>Year (1)</u>	<u>GENERAL GOVERNMENT</u>	<u>SECURITY OF PERSONS AND PROPERTY</u>	<u>PUBLIC HEALTH AND WELFARE</u>	<u>LEISURE TIME ACTIVITIES</u>	<u>ECONOMIC DEVELOPMENT</u>
2003	\$2,211,334	\$4,141,438	\$56,199	\$325,441	\$72,448
2004	2,412,056	4,841,373	41,799	351,631	59,266
2005	3,248,993	4,675,721	27,626	291,418	88,113

Source: City Financial Records - GAAP basis financial data

(1) 2003 was the first year reported according to *GASB Statement No. 34*.

TABLE 3

<u>BASIC UTILITY SERVICES</u>	<u>TRANSPORTATION</u>	<u>INTEREST AND FISCAL CHARGES</u>	<u>TOTAL</u>
\$240,755	\$2,252,090	\$551,880	\$9,851,585
85,097	2,475,825	673,890	10,940,937
91,914	2,177,960	632,945	11,234,690

CITY OF FRANKLIN, OHIO
GOVERNMENT-WIDE REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES
LAST THREE YEARS

Year (1)	PROGRAM REVENUES			
	CHARGES FOR SERVICES AND SALES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PROPERTY AND OTHER LOCAL TAXES
2003	\$1,021,594	\$775,004	\$911,937	\$1,408,292
2004	1,013,943	818,623	405,132	1,465,355
2005	1,019,664	875,940	122,817	1,466,061

Source: City Financial Records - GAAP basis financial data

(1) Year 2003 was the first year reported according to *GASB Statement No. 34*.

TABLE 4

GENERAL REVENUES				
<u>INCOME TAXES</u>	<u>GRANTS AND ENTITLEMENTS</u>	<u>UNRESTRICTED INVESTMENT EARNINGS</u>	<u>MISCELLANEOUS</u>	<u>TOTAL</u>
\$5,084,420	\$586,202	\$239,132	\$115,073	\$10,141,654
4,450,348	617,246	209,863	579,194	9,559,704
5,138,832	606,232	137,003	692,525	10,059,074

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

<u>COLLECTION YEAR</u>	<u>TOTAL TAX LEVY</u>	<u>CURRENT TAX COLLECTIONS</u>	<u>DELINQUENT TAX COLLECTIONS</u>	<u>TOTAL TAX COLLECTIONS</u>
1996	\$372,510	\$360,292	\$9,048	\$369,340
1997	383,488	378,567	10,717	389,284
1998	423,981	414,523	10,186	424,709
1999	466,406	451,368	9,817	461,185
2000	534,141	506,035	18,871	524,906
2001	611,494	577,043	18,651	595,694
2002	621,639	592,711	34,643	627,354
2003	1,295,509	1,225,660	33,825	1,259,485
2004	1,356,340	1,301,449	84,393	1,385,842
2005	1,416,905	1,364,775	58,080	1,422,855

SOURCE: Warren County Auditor's Office

TABLE 5

<u>PERCENTAGE OF TOTAL TAX COLLECTIONS TO TAX LEVY</u>	<u>ACCUMULATED OUTSTANDING DELINQUENT TAXES</u>	<u>PERCENTAGE OF ACCUMULATED DELINQUENT TAXES TO TOTAL TAX LEVY</u>
99.10%	\$8,049	2.2%
101.50	9,989	2.6
100.20	11,497	2.7
98.88	16,474	3.6
98.27	32,799	6.1
97.42	36,632	6.0
100.92	36,447	5.9
97.22	40,264	3.1
102.18	13,957	1.0
100.42	59,577	4.2

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

YEAR	REAL PROPERTY		PERSONAL PROPERTY	
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE
1996	\$93,650,870	\$267,573,914	\$31,703,229	\$126,812,916
1997	106,287,760	303,679,314	33,579,779	134,319,116
1998	114,152,770	326,150,771	36,161,985	144,647,940
1999	120,126,750	343,219,286	39,952,347	159,809,388
2000	144,059,380	413,883,943	58,622,764	234,491,056
2001	149,263,540	426,467,257	56,525,550	226,102,200
2002	154,745,790	442,130,829	60,364,620	241,458,480
2003	170,386,110	486,817,460	58,762,770	235,051,000
2004	178,029,700	508,656,290	61,819,330	247,277,320
2005	176,698,150	504,851,857	49,920,512	199,682,048

SOURCE: Warren County Auditor's Office

TABLE 6

<u>PUBLIC UTILITY PERSONAL</u>		<u>TOTAL</u>		<u>PERCENTAGE OF ASSESSED VALUE TO ESTIMATED ACTUAL VALUE</u>
<u>ASSESSED VALUE</u>	<u>ESTIMATED ACTUAL VALUE</u>	<u>ASSESSED VALUE</u>	<u>ESTIMATED ACTUAL VALUE</u>	
\$10,814,790	\$12,289,534	\$136,168,889	\$406,676,364	33.48%
10,563,810	12,004,330	150,431,349	450,002,760	33.43
11,022,020	12,525,023	161,336,775	483,323,734	33.38
10,772,760	12,241,773	170,851,857	515,270,447	33.16
10,401,300	11,819,659	213,083,444	660,194,658	32.28
8,366,100	9,506,932	214,155,190	662,076,389	32.35
11,334,230	12,879,807	226,444,640	696,469,116	32.51
11,483,820	13,049,800	240,632,700	734,918,260	32.74
14,105,000	16,028,410	253,954,030	771,962,020	32.90
13,407,710	15,236,034	240,026,372	719,769,939	33.45

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

TABLE 7

YEAR	CITY OF FRANKLIN	WARREN COUNTY (1)	FRANKLIN CITY SCHOOL DISTRICT			OTHER (2)	
	OPERATING	OPERATING	OPERATING	DEBT SERVICE	TOTAL	OPERATING	TOTAL
1996	\$2.82	\$5.00	\$48.58	\$1.50	\$50.08	\$8.50	\$66.40
1997	2.82	5.00	48.58	1.25	49.83	8.50	66.15
1998	2.81	4.75	47.50	1.25	48.75	8.50	64.81
1999	2.83	4.00	48.58	1.25	49.83	8.50	65.16
2000	2.83	4.00	48.58	1.67	50.25	8.50	65.58
2001	2.83	4.00	48.41	1.67	50.08	8.50	65.41
2002	5.73	4.96	48.58	1.50	50.08	8.50	69.27
2003	5.73	6.53	48.58	1.50	50.08	8.50	70.84
2004	5.73	6.46	48.58	1.50	50.08	8.50	70.77
2005	5.73	6.46	58.37	1.20	59.57	8.50	80.26

SOURCE: Warren County Auditor's Office

(1) Includes Warren County General Health District

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

**CITY OF FRANKLIN, OHIO
 PRINCIPAL TAXPAYERS
 DECEMBER 31, 2005**

TABLE 8

TAXPAYER	2005 REAL PROPERTY ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION REAL PROPERTY
1. Cincinnati Gas and Electric	\$11,130,320	6.3%
2. Dayton Newspaper	11,128,430	6.3
3. Pharmacia Hepar Incorporated	8,211,350	4.6
4. Clark Cincinnati	3,799,330	2.2
5. General Electric Capital	3,619,610	2.0
6. Burrows Paper Corporation	3,426,160	1.9
7. Senoco Flexible Packaging	3,408,240	1.9
8. Faurecia Exhaust Systems	3,171,450	1.8
9. Meridian Roofing Corporation	2,402,140	1.4
10. IKO Production Incorporated	2,297,860	1.3
Total Principal Taxpayers	<u>\$52,594,890</u>	<u>29.7%</u>
Total City	<u>\$176,698,150</u>	

SOURCE: Warren County Auditor's Office

CITY OF FRANKLIN, OHIO
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS

TABLE 9

<u>COLLECTION YEAR</u>	<u>BILLED</u>	<u>AMOUNT COLLECTED</u>	<u>PERCENT COLLECTED</u>
1996	\$320,039	\$371,344	116.03%
1997	309,343	153,642	49.67
1998	490,824	482,390	98.28
1999	510,877	434,661	85.08
2000	530,639	476,745	89.84
2001	513,154	491,293	95.74
2002	484,350	470,678	98.56
2003	541,465	511,435	94.45
2004	550,876	506,734	99.39
2005	523,381	524,451	100.20

SOURCE: Warren County Auditor's Office.

CITY OF FRANKLIN, OHIO
COMPUTATION OF OVERALL LEGAL DEBT MARGIN
DECEMBER 31, 2005

TABLE 10

ASSESSED VALUE		<u><u>\$240,026,372</u></u>
TOTAL DEBT LIMIT-10 1/2% OF ASSESSED VALUATION		\$25,202,769
TOTAL DEBT OUTSTANDING AT DECEMBER 31, 2005	\$19,303,561	
LESS: EXEMPT DEBT GENERAL OBLIGATION BONDS ISSUED IN ANTICIPATION OF THE COLLECTION OF SPECIAL ASSESSMENTS	(3,557,000)	
OWDA LOANS TO BE PAID BY ENTERPRISE FUND REVENUE	(2,252,061)	
MORTGAGE REVENUE BONDS TO BE PAID BY ENTERPRISE FUND REVENUE	<u>(3,385,000)</u>	
NET SUBJECT TO 10 1/2% LIMITATION		<u>10,109,500</u>
LEGAL DEBT MARGIN WITHIN 10 1/2% LIMITATION		<u><u>\$15,093,269</u></u>

CITY OF FRANKLIN, OHIO
COMPUTATION OF UNVOTED LEGAL DEBT MARGIN
DECEMBER 31, 2005

TABLE 10a

ASSESSED VALUE		<u><u>\$240,026,372</u></u>
TOTAL DEBT LIMIT- 5 1/2% OF ASSESSED VALUATION		\$13,201,450
TOTAL DEBT OUTSTANDING AT DECEMBER 31, 2005	\$19,303,561	
LESS: EXEMPT DEBT GENERAL OBLIGATION BONDS ISSUED IN ANTICIPATION OF THE COLLECTION OF SPECIAL ASSESSMENTS	(3,557,000)	
OWDA LOANS TO BE PAID BY ENTERPRISE FUND REVENUE	(2,252,061)	
MORTGAGE REVENUE BONDS TO BE PAID BY ENTERPRISE FUND REVENUE	<u>(3,385,000)</u>	
NET SUBJECT TO 5 1/2% LIMITATION		<u>10,109,500</u>
LEGAL DEBT MARGIN WITHIN 5 1/2% LIMITATION		<u><u>\$3,091,950</u></u>

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

TABLE 11

<u>YEAR</u>	<u>POPULATION</u>	<u>ASSESSED VALUE</u>	<u>BONDED DEBT (1)</u>	<u>RATIO OF BONDED DEBT TO ASSESSED VALUATION</u>	<u>BONDED DEBT PER CAPITA</u>
1996	11,034	\$136,168,889	\$1,603,998	1.18%	\$145.37
1997	11,034	150,431,349	1,505,998	0.97	136.49
1998	11,034	161,336,775	1,392,998	0.84	126.25
1999	11,034	170,851,857	1,395,000	0.82	126.43
2000	11,396	213,083,444	1,160,000	0.54	101.79
2001	11,396	214,155,190	1,960,000	0.92	171.99
2002	11,396	226,444,640	6,430,000	2.84	564.23
2003	11,396	240,632,700	8,407,080	3.49	737.72
2004	11,396	253,954,030	8,112,976	3.19	711.91
2005	11,396	240,026,372	7,803,872	3.25	684.79

SOURCE: Population figures for 1996 through 1999 are taken from the 1990 Census.
Population figures for 2000 through 2005 are taken from the 2000 Census.

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

**RATIO OF ANNUAL DEBT PRINCIPAL AND INTEREST EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES
LAST TEN YEARS**

<u>YEAR</u>	<u>DEBT PRINCIPAL (1)</u>	<u>DEBT INTEREST</u>	<u>TOTAL DEBT SERVICE</u>	<u>GENERAL GOVERNMENT EXPENDITURES</u>	<u>RATIO OF DEBT PRINCIPAL AND INTEREST TO GENERAL FUND EXPENDITURES</u>
1996	\$91,667	\$102,945	\$194,612	\$3,401,942	5.7%
1997	98,000	90,713	188,713	3,596,809	5.2
1998	113,000	85,988	198,988	4,837,172	4.1
1999	118,000	79,965	197,965	4,147,016	4.8
2000	115,000	74,190	189,190	4,817,516	3.9
2001	120,000	67,980	187,980	5,240,543	3.6
2002	155,000	234,780	389,780	5,329,854	7.3
2003	225,000	335,998	560,998	12,343,264	4.5
2004	295,000	408,442	703,442	11,487,925	6.1
2005	310,000	388,072	698,072	10,595,670	6.6

SOURCE: City of Franklin's Finance Office

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

CITY OF FRANKLIN, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2005

TABLE 13

JURISDICTION	DEBT OUTSTANDING (1)	PERCENTAGE APPLICABLE TO CITY OF FRANKLIN	AMOUNT APPLICABLE TO CITY OF FRANKLIN
CITY OF FRANKLIN	\$7,803,872	100.00%	\$7,803,872
WARREN COUNTY	13,301,415	4.75	<u>631,817</u>
TOTAL			<u><u>\$8,435,689</u></u>

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

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

SOURCE: Warren County Auditor's Office

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

TABLE 14

YEAR	OPERATING REVENUES	OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
1996	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
1997	1,443,971	797,484	646,487	45,000	200,370	245,370	2.63
1998	2,473,634	1,496,659	976,975	85,000	219,267	304,267	3.21
1999	2,129,119	1,374,631	754,488	90,000	209,795	299,795	2.52
2000	1,932,016	1,546,655	385,361	95,000	224,404	319,404	1.21
2001	1,765,279	1,370,517	394,762	90,000	220,033	310,033	1.27
2002	1,989,942	1,430,133	559,809	100,000	215,803	315,803	1.77
2003	1,861,656	1,429,768	431,888	100,000	211,033	311,033	1.39
2004	1,981,390	1,594,548	386,842	110,000	206,101	316,101	1.22
2005	2,295,691	1,188,049	1,107,642	115,000	200,603	315,603	3.51

SOURCE: City of Franklin's Finance Office

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

(2) Operating Expenses less Depreciation Expense

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

TABLE 15

<u>YEAR</u>	<u>POPULATION (1)</u>	<u>SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE WARREN COUNTY (3)</u>
1996	11,034	3,067	3.8%
1997	11,034	3,129	3.2
1998	11,034	3,129	3.3
1999	11,034	3,106	3.3
2000	11,396	3,129	3.0
2001	11,396	3,125	3.3
2002	11,396	3,101	4.0
2003	11,396	3,097	4.4
2004	11,396	2,992	4.3
2005	11,396	2,838	4.2

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

(2) SOURCE: Ohio Department of Education

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

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

YEAR	RESIDENTIAL CONSTRUCTION (1)		COMMERCIAL CONSTRUCTION (1)	
	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE
1996	107	\$3,191,104	139	\$8,887,058
1997	270	17,810,740	52	13,870,554
1998	245	9,160,298	91	20,227,681
1999	306	9,907,829	81	9,587,352
2000	135	9,740,536	28	9,876,112
2001	84	10,198,970	23	10,459,930
2002	73	8,468,863	1	4,402,728
2003	76	7,423,173	19	17,678,964
2004	79	11,119,815	16	3,561,398
2005	65	7,560,356	15	4,760,153

(1) SOURCE: City of Franklin Building Department

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

TABLE 16

COUNTY BANK DEPOSITS (2)	REAL PROPERTY VALUE		
	RESIDENTIAL/ AGRICULTURAL	INDUSTRIAL/ COMMERCIAL	EXEMPT
\$465,584	\$59,994,860	\$33,656,010	\$10,814,790
523,595	70,149,920	36,137,840	10,563,810
521,795	75,340,826	38,811,944	11,022,020
533,873	79,283,653	40,843,097	10,772,760
569,566	97,605,930	47,253,450	13,337,240
618,781	100,702,300	48,561,240	13,408,080
660,464	104,684,710	50,061,080	13,271,780
637,524	117,509,560	52,876,550	14,630,530
665,965	121,388,210	56,641,490	14,876,600
695,106	124,708,670	51,989,480	15,038,220

**CITY OF FRANKLIN, OHIO
MISCELLANEOUS STATISTICS
DECEMBER 31, 2005**

TABLE 17

DATE OF INCORPORATION	1814
CITY STATUS	1951
FORM OF GOVERNMENT	CHARTER - COUNCIL/MANAGER
AREA	8.4 Miles
MILES OF STREETS	110
NUMBER OF STREET LIGHTS	929
POLICE PROTECTION	
NUMBER OF STATIONS	1
NUMBER OF POLICEMEN AND OFFICERS	24
EDUCATION (K-12) (PUBLIC ONLY)	
ADMINISTRATION BUILDINGS	1
BUS GARAGE	1
ATTENDANCE CENTERS	8
NUMBER OF CLASSROOMS	173
NUMBER OF TEACHERS	184
NUMBER OF STUDENTS	2,838
MUNICIPAL WATER DEPARTMENT	
MILES OF WATER MAINS	48 Miles
SEWERS	
MILES OF SANITARY SEWERS	44 Miles
BUILDING PERMITS ISSUED IN 2005	80
RECREATION AND CULTURE	
NUMBER OF PARKS	6
NUMBER OF LIBRARIES	1
EMPLOYEES	
FULL-TIME	78
PART-TIME	
YEAR ROUND	6
SEASONAL	8
VOLUNTEER	35

SOURCE: Various departments within the City of Franklin



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Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF FRANKLIN

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 19, 2006**