

CITY OF FRANKLIN, KENTUCKY

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

CITY OF FRANKLIN, KENTUCKY

ANNUAL FINANCIAL REPORT Year Ended June 30, 2019

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 26
MAJOR FINANCIAL STATEMENTS	
Statement of Net Position	27
Statement of Activities	28
Balance Sheet - Governmental Funds	29
Reconciliation from the Previous Statement of Governmental Funds to the Statement of Net Position	30
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Statement of Fund Net Position - Proprietary Funds	33
Statement of Revenues, Expenses and Changes - Fund Net Position - Proprietary Funds	34
Statement of Cash Flows - Proprietary Funds	35 - 36
Notes to Financial Statements	37 - 79
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	80 - 83
Infrastructure Condition and Maintenance Data	84
Schedule of Correspondence & care of the Net Pension Liability - CERS	85
Schedule of City Contributions - CERS	86
Schedule of Proprietary Share of the Net OPEB Liability - OPEB	87
Schedule of City OPEB Contributions - CERS	88
Schedule of City OPEB Liability - City Retirement Plan	89
Schedule of City OPEB Contributions - City Retirement Plan	90
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet - Nonmajor Governmental Funds	91
Combining Balance Sheet - Nonmajor Permanent Funds	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds	94
Mortality Compensation Schedule:	
Greenlawn-Shady Rest Cemetery Special Revenue Fund	95
Municipal Aid Special Revenue Fund	96
Strawberry Social Revenue Fund	97
Proprietary Funds - Waterworks Funds	
Discrepancy Comparison Schedule:	
Water and Wastewater Fund	98 - 100
Sanitation Fund	101

CITY OF FRANKLIN, KENTUCKY

**ANNUAL FINANCIAL REPORT
Year Ended June 30, 2019**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATE- MENTS PERIODICALLY IN ACCORDANCE WITH GOVERNMENT AUDITTING STANDARDS	102 - 103
SCHEDULED ORGANIZATIONAL RESPONSES	104



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Commissioners and City Manager
City of Franklin, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, capital resources and the separate operating fund information of the City of Franklin, Kentucky (City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each water fund, and the separate retained earnings information of the City of Franklin, Kentucky, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows therefor for the year then ended. In accordance with accounting principles generally accepted in the United States of America.

The Honorable Wayne, Commissioner, and City Manager
City of Franklin, Kentucky
Page Two

Uchee Bawcom

አዲስ አበባ: ቤት-መተዳደሪያ ዓ.

Accordingly, our opinion is only accepted in the United States of America because that the auditor's audit opinion and analysis on pages 1 - 24, General Financial Statement Schedule on pages 32 - 53, information concerning non-controlling interest on page 24, and premium and GUMS schedule on pages 55 - 60 be contained in supplement to basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have accepted certain limited procedures as the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the unaudited and unaudited financial information with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion on any disclosure in the information before us the limited procedures. Our opinion is not audit opinion or review opinion or opinion in general, only acceptance.

Other Information

This audit was conducted for the purpose of forming opinions on the financial statements that adequately express the City's net financial position. The continuing and individual funds statements and schedules on pages 91 - 101 are presented for purposes of additional analysis without being a major part of the basic financial statements.

The continuing and individual financial statements and proprietary financial budgets communicated to the auditors are the responsibility of management and are derived from information directly or indirectly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audit-like procedures applied to the preparation of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information so furnished, except in all material respects, is relevant to the basic financial statements as a whole.

Other Requirements Required by International Maritime Organization Standards

In accordance with Government Accounting Standards, we have also issued an report dated March 7, 2008, on our consideration of the City's internal control over financial reporting and our level of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other policies. The purpose of this report is to describe the scope of our audit of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of our audit performed in accordance with Government Accounting Standards in considering the City's financial statement for financial reporting and compliance.

$\left(\frac{1}{2} \alpha_1 + \frac{1}{2} \alpha_2 \right) \ll \rho$

Bowling Green, Kentucky
March 5, 1911.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Franklin, Kentucky
Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018

As management of the City of Franklin (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. The information contained in this MD&A should be considered in conjunction with the information contained in the accompanying Reports and Financial Statements and Supplementary Information.

Financial Highlights

- Total assets and deferred outflows of the City exceed its liabilities and deferred inflows at the close of the most recent fiscal year by \$36,814,741 and \$36,135,979 for the prior fiscal year.
- As of the close of the current fiscal year, the City's governmental activities reported ending net position of \$16,240,243 which includes unrestricted net position of \$975,000. Respectively for the prior fiscal year \$16,557,630 of net position and \$907,985 of unrestricted net position. The City's net position sharply declined in FY20, by approximately \$1,900,000. This decline in the City's government-wide unrestricted net position was primarily due to the implementation of GASB 75 Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.
- At the end of the current fiscal year, unexpended fund balance for the general fund was \$8,161,747 while \$7,027,077 for the prior fiscal year.
- For the year ended June 30, 2019, total debt decreased by a net amount of \$632,514 during the year. For the prior fiscal year, total debt decreased by \$607,244 during the year due to principal pay downs.
- The City had total revenues of \$15,756,334 for the year ended June 30, 2019 which included: program revenues (charges for service) of \$2,174,037, operating grants and contributions of \$224,486, capital grants and contributions of \$632,186, and general revenues of \$13,573,505. The City had total expenses of \$15,010,459 for the year ended June 30, 2019. Comparatively, the City had total revenues of \$14,815,177 for the year ended June 30, 2018 which included: program revenues (charges for service) of \$7,926,796, operating grants and contributions of \$430,086, capital grants and contributions of \$32,937, and general revenues of \$6,455,389. The City had total expenses of \$15,514,929 for the year ended June 30, 2018.
- The City's total capital outlays were \$2,021,212 for the current fiscal year and \$1,623,717 for the prior fiscal year. For the Governmental Funds, capital outlays were \$983,824 for the current fiscal year and \$4,016,014 for the prior fiscal year. For the Proprietary Funds, capital outlays for the current fiscal year were \$1,036,188 and the prior fiscal year of \$1,236,759.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- Government-wide financial statements;
- Fund financial statements;
- Notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net position presents information as of all of the City's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are calculated as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement. In some items that will only result in cash flows in future fiscal periods, e.g., depreciation and earned but unused vacation leave.

The governmental-wide financial statements are divided into two categories, governmental and business-type activities. The governmental activities of the City include general government, administrative services, financial activities, police, fire, public works, community development and cemetery. The business-type activities of the City include water, wastewater, sewer collection and treatment, telecommunication, fiber optic services and related support departments which comprise the Utility Fund. The City does not have any governmental units, e.g., where the City has control over the income and expenses of the entity.

The governmental-wide financial statements can be found on pages 27 and 28 of this report.

Fund Financial Statements

A fund is a grouping of related assets that is used to maintain control over resources which have been designated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the City's basic services are included in the governmental fund type. These funds use the modified accrual accounting basis, which measures cash and all other financial assets that can readily be converted to cash. The general fund, special revenue funds and permanent funds are all governmental type funds.

Proprietary Funds

Proprietary funds, in general, convey resources for services that are provided. These funds use a long-term financial accounting approach, full accrual basis and provide additional information in the statements of cash flows.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes in the Financial Statements can be found on pages 27 through 79 of this report.

Government-wide Analysis

The Governmental Accounting Standards Board (GASB) Statement 34 reporting model was implemented in fiscal year 2004.

- As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$41,816,230 for the current fiscal year and \$36,175,079 at the close of the prior fiscal year. As noted above, the case of the City's significant decline in net position (occurring in FY2007) was primarily due to the implementation of GASB 75 Accounting and Financial Reporting for Post-Employment Benefits: Long-Term Liabilities.

By far the largest portion of the City's net position (90%) is its investment in capital assets, e.g., land, buildings, machinery and equipment less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Only the unrestricted net position of the City may be used to meet the government's ongoing obligations to citizens and residents.

	2010 Net Position		
	Governmental Activities	Business- type Activities	Total
CURRENT AND OTHER ASSETS	\$ 1,217,390	\$ 5,610,721	\$ 19,828,021
Capital Assets	14,635,617	15,911,116	30,546,733
Total Assets	\$ 25,463,007	\$ 24,611,837	\$ 44,472,734
DEFERRED CAPITAL CONTRIBUTIONS	—	\$ 9,621	\$ 9,621
OUTSTANDING PENSIONS	2,767,107	593,451	3,360,557
OUTSTANDING UTPB	241,746	215,555	456,301
Total Deferred Contributions	2,908,853	808,996	3,817,849
NON-EXCISE FACILITIES OUTSTANDING	434,821	4,015,124	4,470,245
NON-EXCISE LIABILITY	7,744,596	4,215,122	9,959,688
OPERA Facility	1,303,127	980,579	2,283,706
Other Liabilities	745,824	1,191,92	1,937,746
Total Liabilities	11,243,345	8,540,324	19,852,669
JULIANA FEE PAYMENTS	506,161	64,870	571,131
JULIANA FEE CPERF	454,534	43,671	500,105
Total Juliana Liabilities	1,060,695	118,541	1,179,236
NET POSITION			
NON-EXCISE INVESTMENT POSITION	11,615,407	15,825,501	30,440,908
DEFERRED			
EXERCISABLE - EXPLORATION & MINING	69,100	—	69,100
EXERCISABLE - DEBT SERVICE & CAPITAL	—	—	—
NON-EXERCISABLE - REVENUE CONTRACT	106,747	1,157,073	1,263,820
UNEXERCISED	571,925	3,515,252	4,487,177
Total Net Position	\$ 16,244,124	\$ 20,506,503	\$ 36,750,627

	<u>Governmental Activities</u>	<u>2010 Net Position Business- type Activities</u>	<u>Total</u>
Concessions and other assets:			
Capital assets	\$ 10,262,105	\$ 7,737,346	\$ 17,999,451
	<u>15,044,181</u>	<u>20,230,105</u>	<u>35,274,286</u>
Tangible net assets:			
Deferred revenue on refunding bonds	—	102,786	102,786
Customer fee prepayments	2,511,899	734,573	3,246,472
Customer fee UPFB	933,520	270,212	1,203,732
Other deferred charges:			
Long-term liabilities outstanding:			
Long-term utility	780,310	5,170,057	5,959,367
Long-term utility PFRF-III liability	1,173,507	3,143,413	4,316,920
	<u>1,953,817</u>	<u>8,313,470</u>	<u>1,842,276</u>
Other receivables:			
Trade accounts	432,595	778,524	1,211,119
Tangible net assets:			
Trade payables	11,711,411	9,000,354	20,711,765
Liabilities for pensions	557,788	171,503	729,291
Liabilities for FRSF-III	154,949	15,613	170,463
Total additional inflows:	<u>741,611</u>	<u>21,6634</u>	<u>963,275</u>
Net position:			
Net investments in capital assets	15,044,181	15,811,792	30,855,973
Residual:			
Expendable - Highways & Streets	134,122	—	134,122
Expendable - Public service & corporate activity	—	1,243,177	1,243,177
Nonexpendable - Properties, Land	547,242	—	547,242
Unrestricted	<u>90,795</u>	<u>2,630,447</u>	<u>2,721,242</u>
Total net position:	<u>\$ 16,357,630</u>	<u>\$ 19,278,249</u>	<u>\$ 35,635,879</u>

The City's revenues are largely comprised of charges for services, through utility revenue, occupational payroll fees and insurance fees.

	2019 Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues			
Change in net assets	\$ 1,211,100	\$ 6,702,654	\$ 8,743,754
Operating grants and contributions	(46,700)	—	(46,700)
Project grants and contributions	106,760	266,536	422,196
Fees and charges			
Property taxes	1,095,214	—	1,095,214
Organizational fees	2,415,405	—	2,415,405
Insurance premium fees	1,621,535	—	1,621,535
Franchise fees	91,172	—	91,172
Business license fees	310,541	—	310,541
Interest income	111,084	51,917	162,982
Miscellaneous income	79,574	16,272	124,846
Contribution of assets	17,308	(26,104)	(8,796)
Transfers			
Total revenues and transfers	\$ 8,743,415	\$ 10,111,114	\$ 18,854,529
Expenditures			
General government			
Police and fire	2,702,834	—	2,702,834
Public safety	3,222,501	—	3,222,501
Public services	1,634,295	—	1,634,295
Community and culture	1,871,177	—	1,871,177
Health, welfare and housing care	34,592	105,178	139,770
Water and wastewater	—	5,142,626	5,142,626
Transport	—	24,271	24,271
Total expenditures	\$ 8,915,226	— (220,697)	\$ 8,694,529
Change in net position	(1) 105,286	752,657	647,371
Net position, beginning of year	<u>\$ 15,157,620</u>	<u>\$ 10,278,349</u>	<u>\$ 16,135,969</u>
Net position, end of year	<u>\$ 15,262,904</u>	<u>\$ 20,030,006</u>	<u>\$ 35,292,910</u>

	2014 Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Revenues			
TAXES RECEIVED			
Charges for services	\$ 1,981,700	\$ 6,129,557	\$ 8,110,257
Operating grants and contributions	350,000	—	350,000
Capital grants and contributions	—	42,917	42,917
General revenues			
Property taxes	1,042,817	—	1,042,817
Occupancy fees	2,500,000	—	2,500,000
Corporate position fees	1,774,348	—	1,774,348
License fees	114,684	—	114,684
Business license fees	800,000	—	800,000
Interest income	71,004	10,571	81,575
Miscellaneous income	75,564	20,285	95,849
Gain on the sale of assets	(5,945)	(10,155)	(16,100)
Transfers	—	—	—
Total revenues and transfers	—	8,372,387	8,372,387
Expenses			
General government			
Public safety	2,120,258	—	2,120,258
Public utilities	3,213,545	—	3,213,545
Public enterprises	1,432,820	—	1,432,820
Community and cultural	634,981	—	634,981
Health, education, and human resources	32,631	(55,216)	(22,585)
Wider and workforce	—	4,520,934	4,520,934
Sanitation	—	... 610,444	610,444
Total expenses	7,411,262	5,306,514	12,717,776
Change in net position	217,125	573,876	790,000
Net position, beginning of year	7,520,371	10,830,833	18,351,204
Change in accounting principles (IASB 73)	(1,9,9,850)	(65,620)	(2,565,470)
Retirement, beginning of year, above	11,610,706	13,204,732	24,815,738
Net position, end of year	\$ 18,557,620	\$ 15,775,314	\$ 34,332,934

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fiscal balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

- As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$5,365,517 compared to \$8,490,725 in the prior fiscal year. The City's major sources of revenues for insurance premium fees, wage & occupational fees and property taxes. The fiscal balance primarily represents the accumulation of resources in excess of expenditures not reimbursed by funding sources.

General Fund & Proprietary Fund Budgetary Highlights

Total general fund revenues for the year were within 4% of budget. As a point of reference, a 5% budget to actual variance is the overall goal. Therefore, a 4% variance is ideal and indicates that management's revenue projection methodologies have been effective in creating a lighter and more compact budget to actual projection for our operations. Discrepancies were slightly less than final budgetary estimates (by 6.4%). Although a little above our 5% or less budget variance goal, the variance was in the acceptable range.

Total proprietary fund revenues for the year were ~ this acceptable parameters ($\pm 1\%$ of budget), in total, with first budgetary estimates while expenses were less than final budgetary estimates (by 3.9%). Again, although a little above our 5% or less budget variance goal, the variance was within an acceptable range.

Most of the budget expenditure variances, for both the General Fund and Proprietary Fund, relate to the timing of capital project expenditures (FY2019 budgeted capital projects weren't completed until FY2020). Another smaller variance relates to a payroll account timing difference that wasn't anticipated when the City's fiscal budget was adopted.

Proprietary Funds

Operating revenues of the City's proprietary funds increased 4.1% over the prior year to \$8,912,954. The City approved a 5% Water & Sewer rate increase, effective January 1, 2018, due to the completion of a capital needs Utility Rate Study, discussed below under Financials. The City also implemented a 1.5% cost of living increase in the Sanitation Fund, per contract, to the City's garbage hauler contract. Operating revenues from Water and Wastewater increased by 3.8% to \$5,651,358 while operating revenues from Sanitation services increased 5.7% to \$1,006,966. Operating expenses for Water & Wastewater increased by 6.4% to \$7,132,572 while operating expenses for Sanitation services increased by 3.4% to \$94,970. This increase relates directly to the structure of the garbage hauler contract, the actual garbage hauler company and customers directly, as the prior contract required the City to bill all residential and commercial customers,

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the City's investment in capital assets, net of related debt, for its governmental and business-type activities was \$30,500,998 and \$30,873,014 as of June 30, 2018. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and streets.

Major capital asset purchases during the current fiscal year include the following:

- **Land and Buildings**
 - Capital Expenditures of \$115,000 to acquire property on Wirt Road and East Madison Street. The City purchased this property with plans to clean up the property and build a Police Department within the next 3 to 5 years.
 - The City expended approximately \$29,000 in replacing HVAC units (those which were older than 20 years) at City Hall, the Cemetery and the Police Department. In the prior year approximately \$22,000 was also spent to replace old and poorly functioning HVAC units. All HVAC units have now been upgraded.
 - The City replaced the streets and stormwater infrastructure after a thorough development and construction inspection process and a year long mitigation period of Westwoods Subdivision. The infrastructure was capitalized at a cost of \$156,000.
 - The City expended approximately \$12,000 in software and equipment to update the security and protection systems in place at City Hall.
 - The City, in partnership with Franklin Municipal Utilities, expended \$25,000 in FY2018 to implement a fully integrated financial software program. An additional \$80,000 was spent in the current year. This investment has significantly improved operating efficiency within the Finance and Billing Departments and those costs have already been recouped in labor savings.
 - The City expended approximately \$173,000 in capital funds for the Police Department. This included the purchase of 25 digitally enhanced mobile radios for cruisers; 6 KYOPS approved/certified mobile dispatching tablets; and the purchase of four new, fully equipped, patrol units. In 2019 the City implemented a Capital Replacement Plan, along with a corresponding Capital Sinking Fund to adequately budget the replacement of significant capital assets. This purchase was in accordance with the Replacement Plan.
 - The City purchased a new zero turn mower and replaced the roof on the mini dump used to haul asphalt soil for a total of \$15,000.
 - The City spent over \$235,000 in street paving and repairs.

- Financial Municipal Utilities

- Capital expenditures of \$375,000 for improvements and additions to the City's waste water system, specifically related to the following:
 - Completion of a significant upgrade to a sewer lift station, located North of 3rd St, near the McDonald Home, \$267,000
 - Installation of various small L.C. Stations and related equipment \$8,000
- The City adopted the following infrastructure within West Woods Subdivision: 6" water lines and 8" sewer lines. This infrastructure was formally adopted after a thorough developmental and construction review process and a year long utilization period. The infrastructure was capitalized at a cost of \$265,000.
- Capital Expenditures of \$34,000 for the Water Treatment Plant (WTP). This included the replacement of energy efficient light fixtures within the entire plant, the purchase of various equipment such as a chlorine analyzer, water monitoring system, speed pump, and a liquid gate actuator for the DDM. This also includes improvements to the plants raw water pumps and filter basin equipment..
- Capital Expenditures of \$11,000 at the Wastewater Treatment Plant (WWTP). This included rehabilitation to one of the pulse aeration basins and the replacement of an HVAC unit.
- Capital Expenditures of \$85,000 within the Water Distribution Department. In FY2018 the City launched a partnership with the Electric Plant Board and their Automated Metering Infrastructure. In 2018, \$45,000 in capital expenditures were spent to install the infrastructure for this program. An additional \$185,000 was spent in replacing over 900 meters and ERDS. In 2019 the final \$89,000 was expended on over 500 meters and ERDS to complete the replacement of coverage. This was to update our existing infrastructure and ensure compliance with the AMI requirements. AMI is an asset management technology. This technology is used to transmit data from utility meters over a short range so a utility vehicle can collect meter data without a worker physically inspecting each meter.
- Capital Expenditures of \$14,000 to replace the garage doors at the Public Works/Water/Distribution building on newer, more energy efficient doors.
- Capital Project Journals of \$1,500 for GPS receivers to capture detailed, real time data to integrate into our GIS program.

Major capital asset purchases during the prior fiscal year include the following:

• General Fund

- o Capital Expenditures of \$21,885 to acquire property on North 51st. The City purchased this property because it includes the primary source of the City's Stormwater runoff. Additionally, plans to develop the "Lily Coves" walking trail on this property is underway and federal grant funding has been awarded. Development of this project should be underway in FY2020.
- o The City expended approximately \$22,300 in replacing HVAC units (each of which were older than 20 years) at City Hall and the Police Department. Additionally, \$18,000 is authorized in FY2019 to replace the last HVAC unit at City Hall.
- o Electrical repair work was completed at the Fire & City-Sioux Fire Department for \$7,300.
- o The City expended approximately \$7,500 in software and equipment in order to stream KXKU's local news programming.
- o The City, in partnership with Pineapple Municipal Utilities, expended \$95,000 to implement a fully integrated financial software program. This investment has significantly improved operating efficiency within the Finance and Billing Departments and these costs are expected to be recouped within 3 years in labor savings.
- o The City expended approximately \$130,800 in capital needs for the Police Department. This included the purchase of 3 new truck units, 6 KYOTS improved/certified mobile dispatching tablets, the purchase and installation of a new, digitally compatible twin tower, two new, fully equipped, patrol units, and the purchase of 10 digitally enhanced mobile radios.
- o The City purchased a new zero turn mower and a zero point spreader for the street department for a total of \$14,500.
- o The City spent over \$18,000 on street paving and repairs.

• Franklin Waterworks Utilities

- o Capital expenditures of \$332,000 for improvements and additions to the City's wastewater system, specifically related to the following:
 - Shiner Creek Sewer Rehabilitation Project Phase II, \$262,000
 - Sewer Line replacement due to the construction of a TVA substation, \$10,000
- o Capital Expenditures of \$20,500 for rehabilitation work on two sewer lift stations - Boundary and Macduffie Road.

- o Capital Expenditures of \$107,300 for the Water Treatment Plant (WWTP). This included the replacement of a service truck, replacement of a 20 year old HVAC unit, replacement of valves & actuators on one of the water filters, and the refurbishment of the chains on both the WWTP basins and the sludge air lift system.
- o Capital Expenditures of \$145,300 at the Wastewater Treatment Plant (WWTP). This included replacement of pipes outside around the septic tanks, the construction of a small pretreatment building, the purchase of two generators necessary to operate the plant continuously, significant repairs to the progressive cavity pump, and the replacement of an aged and dangerous electrical transformer responsible for all electrical inflow to the WWTP.
- o Capital Expenditure of \$250,000 within the Water Distribution Department. In FY2018 the City launched a partnership with the Electric Power and Gas Automated Metering Infrastructure \$15,000 in capital expenditures were spent to install the infrastructure required for this program. An additional \$185,000 was spent in replacing over 9000 water and ERIS. This program will include infrastructure and ensure compliance with the ADA requirements. An ERIS is an cellular receiver transmitter. This technology is used to transmit data from utility meters over a short range so a utility vehicle can collect meter data without a worker physically interacting with each meter. The meter replacement program is expected to be completed in FY 2019.
- o Capital Expenditures of \$132,000 with the Wastewater Collection Department. This was to purchase a “Smart” Video Inspection Truck. Otherwise known as a sewer camera van, this van is equipped with a state-of-the art camera system which allows employees to travel down, up and sideways within the City’s sewer pipes. and view via specific elements such as puncturing or severe cracks. This will allow our sewer department to identify aging sewer lines in our sewer infrastructure and effectively design what to rehabilitate areas will address deficiencies in the sewer system.

Long-term Debt

The City had \$4,795,000 in revenue bonds and capital lease obligations outstanding as of June 30, 2019, which is a decrease of \$622,760 from the previous year. The City made principal payments of \$620,000 during fiscal year 2019. In the previous year, the City had \$5,427,760 in revenue bonds and capital lease obligations outstanding as of June 30, 2018, which is a decrease of \$607,514 from the previous year. Subsequent to year end, in December 2019, the City called two of its outstanding bonds for a deficiency of \$710,000 worth of debt. The City called its 2014 General Obligation Bond with a principal pay off of \$445,000 and its 2007 Water & Sewer Revenue Bond with a principal pay off of \$265,000. At the date of this document, the City had no further outstanding debt in its General Fund.

Financial Analysis of the City's Funds

As the City concluded the year, its governmental funds reported a combined fund balance of \$10,657,147 at June 30, 2019, excluding capital assets and long-term debt. Included in this year's fund change in fund balance is an increase of \$858,823 in the City's General Fund. For the previous year, the City's governmental funds reported a combined fund balance of \$9,797,314 at June 30, 2018, excluding capital assets and long-term debt. Included in last year's fund change in fund balance was an increase of \$1,910,624 in the City's General Fund.

Modified Approach to Infrastructure

The condition of the City's roads is determined using the Road Management and Inspection Program (RMIP). The road condition is rated from 1 to 100 (0-100), with 100 being near or recently paved.

It is the City's policy to assess the condition of the roads every three years. The cracks, potholes, misalignment, drainage condition and number of traffic safety hazards. There were no roads severely deficient in condition at June 30, 2019.

The City has not changed the assessment scale used to assess and report the condition of its roads for the past 10 years.

The City's goal is to have all roads at 80-100 OCT rating.

Eligible infrastructure assets are not depreciated, added to and depreciated. Instead are capitalized and all other outlays made for such assets are expensed in the period incurred only if requirements regarding asset management, usage and preservation at condition level are met.

Economic Factors and Next Year's Budget and Rates

- In FY2017 Moody's Investors Service upgraded the City's General Obligation Rating to Aa3 from Aa. The City maintains this rating as of the date of this report. For Moody's Investors Service's full Opinion:

The upgrade to Aa3 reflects a significantly improved risk profile following the sale of the City's Silver Cupid Enterprise (discontinued business) and elimination of a bank note (paid off in the current year) previously by the City's full faith and credit pledge. The rating also considers the city's stable tax base that exhibits modest annual growth coupled with weak revenue growth levels, improved general fund reserves, and modest debt and pension burdens."

- In FY2018 Moody's Investors Service issued an Annual Issue Committee Report for the City's General Fund. Some of the comments were as follows:

c. General Fund

The City of Franklin is located in and the county seat of Warren County, located in northern Kentucky, approximately fifteen miles south of Bowling Green and five miles west of the Tennessee state line. The county has a population of 17,856 and a low population density of 76 people per square mile. The county's median family income is \$32,444 (4th quartile) and the August 2018 unemployment rate was 2.3% (3rd quartile). The largest industry sectors that drive the local economy are manufacturing, retail trade, and transportation/food service.

Credit Overview

Franklin's credit position is good and its risk rating matches the medium rating of Aa3 for other municipalities. The notable credit factors include a robust financing position, an extremely modest debt burden, a multi-year of potential liquidity, a relatively recent last audit, low cash payout and income profile.

***Finances:** Franklin has a very healthy financial position, which is favorable in comparison to the assigned rating of Aa3. The city's fund balance as a percent of operating revenue (60.1%) for surprises over US median, and grew significantly between 2013 and 2017. Additionally, cash balance as a percent of operating revenues (36.0%) is notably stronger than the US median.*

***Debt and Leverage:** The debt burden of the city is extremely small and is quite favorable with respect to its risk rating. Net direct debt in full value (\$0.126) is materially below the US median and fell from 2013 to 2017. Total Franklin has a moderate potential liquidity and is slightly weak relative to the assigned rating of Aa3. Moody's adjusted net position liquidity as operating revenues (3.1%) functionality is slightly lower than the US median.*

***Economy and Tax Base:** The economy and tax base of the city is robust. For this factor is relatively high-rotatable in comparison to the Aa3 rating jurisdiction. Franklin's gdp value per capita (\$33,950) approximates the US median, and increased between 2013 and 2016. Moreover, total job wage (\$3748 million) is higher than other states nationwide. Lastly, median family income equals a mere 60.7% of the US level.*

***Management and Environment:** Kentucky cities have an Institutional Management score of 3 of 10, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Property and occupational health items, the primary revenue streams are highly predictable. Cities have moderate revenue volatility which will can increase property taxes by 3% annually. Cities with populations of 15,000 and above also have a property tax cap of 15 mills. Cities with population of 1,000 or higher have the power to levy an occupational license tax. The tax rate is unlimited for cities with populations up to 3,000,000 and capped at 1.25% for larger cities. Unpredictable revenue fluctuations tend to*

be reduced, or lower 5% annually. Across all areas, fees and management costs are generally less than 10% of expenditures. Recently it is right to Note that, providing significant expenditure-cutting while Unavoidable expenditure increases must be managed, but less 5.10% annually.

Sector Outlook - Summary Notes

Locality cities will continue to experience modest economic growth overall. Success will be achieved through tourism, healthcare, and professional and business services continue. Growth in real property values and employment in manufacturing will impact the outcome significantly. This will have a positive effect on occupational taxes and property taxes, and the long-run impacts will increase for cities. However, rural areas will continue to face challenges as tourism jobs continue to decline, and the cost inflation, wage inflation and competition from domestic neighbours. Additionally, pension contribution rates are expected to increase over the near-term, which will be a significant credit pressure.

- In the current year Moody's Investors Service issued an Annual Issue Comment Report for the City's Franklin Municipal Utilities. Some of the comments were as follows:

o Franklin Municipal Utilities

Franklin Water & Sewer provides water and wastewater service to Simpson County. Recently, which has a population of 27,851 and a low population density of 76 people per square mile. The county's median family income is \$55,625 (2017 estimate) and the June 2019 unemployment rate was 4.3% (2nd quarter). The water system sources its water from the West Fork River Creek and gets its supply of treated water from White Horse Valley Water and City of Franklin. The treatment is done at the local facility. The wastewater system has its secondary treatment done at the plant facility.

Credit Overview

The Franklin Water & Sewer has a favorable credit position compared to A+ rating in light of the US water and wastewater systems mention of Aaa. Notable credit factors include a moderate debt profile, healthy debt service coverage, ample liquidity, but a small service area and a small system size.

System Characteristics: The system profile of Franklin Water & Sewer is much in line with A+ rating. The median family income is about 81.5% of the US level. Moreover, the system size measured as operating and administrative expenses (\$3.4 million), is smaller than the 1.0 million.

Financial Health: The financial position of Franklin Water & Sewer is strong in comparison to the A+ rating. The debt to operating revenues (0.4%) is lower than the 1/3 median, and was stable from 2014 to 2018. Furthermore, both the coverage of the annual debt service by net revenues (4.1x) and the debt to total capital (4.8x) greatly exceed other municipally-owned water and wastewater systems nationwide.

Legal Provisions: Legal provisions, which typically include a rate constraint regarding a minimum level of debt coverage of debt service, are unique for this region.

Sector Trends - Kentucky Water and Sewer

Water and sewer systems in Kentucky tend to be slightly older than average and need more extensive maintenance; however financial metrics are generally on par with the U.S. median. Median debt service coverage of 1.6 times is on par with the nation and median liquidity is moderate but slightly below the nation at 2.3 days cash on hand. Median leverage is lower than the national median with debt to operating revenues of 1.9 times. Water in Kentucky is statewide, and few water utilities face stringent constraints. Most utilities require local or state approval for rate increases.

- The City continues to operate within a time of change and anticipated growth. The City's leaders continue to spend a lot of time and effort focusing on the sustainability of the City's infrastructure; thus, as new capital investments are required to maintain and rehabilitate our current infrastructure as well as what areas of growth there are that the City needs to expand our existing water and sewer systems. In Fiscal Year 2014 the City kicked off an in-depth Utility Rate Study where we analyzed the pressing needs of each department within our Utility Divisions: Water Production, Waster Disposal, & Waste Water Treatment. Within this study we identified all capital investments necessary to rehabilitate the City's current water and sewer lines, its treatment plants, and related equipment. Each Department Head identified areas of need and those capital improvements were incorporated into this study so the City could adequately identify the most pressing areas of intense need. The Utility Rate Study was incredibly valuable from many different perspectives, like infrastructure needs, equipment needs, to a more detailed analysis of our revenue base and related operating expenditures. During FYE 2015, the City concluded this study and ultimately adopted a five-year capital improvement plan, concluding in FY2019, as well as identified annual financial resources to be allocated to each department for infrastructure rehabilitation and line replacements. This study effectively outlined our needs and the related financial impact and identified the need for a utility rate increase and continues to be reviewed and modified as needs evolve and change. The City's elected body decided to implement these rate increases in gradual, incremental amounts, over a five year period, in efforts not to overly burden the City's customers base. These rate changes were adopted by Ordinance in February 2015. These rates are scheduled to increase by 5% per year, effective January 1 of each calendar year. The final rate change, per this Ordinance, was implemented January 1, 2019.

Accordingly, City leadership continues to revise these plans, projections and needs. These are continually changing and evolving as time goes on. Below is a brief summary of some of the areas of expansion and rehabilitation that the City has identified thus far:

- In FY2017 the City completed a project related to the expansion of its existing sewer lines. This project is now providing service to an area that was annexed into the City north of Franklin in fiscal year 2013, extending all the way to the KYTN line, just past Exit 2 on Interstate 65. This project, including all engineering work, was completed for a total cost of \$775,000.

- In FY2015 the City's Waste Water Treatment Department identified a lift station and main-line that needed significant rehabilitation work. The expectation was that this investment and improvement will decrease some of the waste and oil infiltration into the sewer system as well as improve the overall systems operating capacity for the citizens using the sewer system within that sub-basin. This project was completed in two phases. Phase I was completed in FY2017, for a total cost of \$480,000. Phase II was completed in FY2018, for a total \$62,000. Additionally, the City was awarded a Federal Grant, in the amount of \$97,000, to apply toward the cost of the Phase II project.

Beginning in FY2020, the second sub-basin was identified as needing significant rehabilitation work located around Cardinal Drive in Franklin. This sub-basin rehab has been projected to be completed by December 2020. The preliminary estimation of probable cost is calculating project expenditures of \$550,000. In FY2019 the City implemented a Capital Rehabilitation Program, identifying this as capital replacement needs. As a result, \$300,000 was budgeted to be invested into a Capital sinking fund in both FY2019 and FY2020. Therefore, as of the end of FY2020, this fund will be available to cover these rehabiliatation costs. City Leaders are currently analyzing several other basins and working towards a plan for the next areas basin rehabilitation project.

- The City has experienced some growth toward the South of Franklin, related to its annexation of land on the south side of the H&H line. Initially, during the City's Utility Rate Study, there were expectations that the south side of Franklin will experience significant growth and expansion over the next several years. If this were to occur, the City's analysis indicates that the current size of the sewer lines does not provide the capacity necessary to accommodate the kind of growth the City is anticipating. Therefore, the City began reviewing and advancing into preliminary engineering discussions regarding replacement of the current sewer lines down the S. W. corridor, with newer, larger lines that will be able to handle and service any growth within that part of the area of town. This project, including all engineering work, has an estimated project cost of \$9,000,000 to \$12,000,000.

With that said, however, the City is experiencing significant growth throughout the entire city. Although the original rate study was focused on anticipated infrastructure needs toward the south of town, as discussed above, the city now feels it would be prudent to complete a Whole City Growth Study to better anticipate growth patterns in our area, in conjunction with various development patterns. This study could assist the entire direction of the City's utility infrastructure needs and investments. This study is expected to be completed within the next 1-3 years.

- In FY2018 the City partnered with the Franklin Electric Plant Board to utilize a new Automated Metering Infrastructure system. This system allowed City staff to reduce the Distribution personnel by one (through natural turnover.) This system also allows City staff to read meters and complete customer consumption analysis directly from the billing office. It also has leak and theft indicators that can be investigated as needed. The launch of this system occurred in April 2018 and has an ongoing cost of \$20,000 per year.

- To the current year the City worked within its third year of a three Water Meter Replacement Program. Over 1800 fixtures were replaced by the end of the current year. Over 300 were replaced this year. Note that this program is completed, a scheduled meter replacement program is being established and will be set to be methodically completed for an annual cycle.
- Along the same lines as the City's Water Distribution Water Line Replacement Initiative, the City is currently reviewing its Waste Water Collection System's minimization and replacement needs. As mentioned above, in FY2019 the City began to reserve funds, at \$300,000 per year, for an annual maintenance and replacement initiative within the Wastewater Treatment Department.

Outside of the City's Water Utility Department there are many other areas of growth and expansion within the City. Below is some discussion regarding the most significant structural changes that are significantly impacting the City and our community as a whole:

- In an effort to enhance the presentation of our beautiful historic downtown, the City Commission adopted an ordinance in April 2017 that allows for the development of decorative standards and a preservation committee. The committee was formed and has worked tirelessly to develop Historic Overlay Standards which were designed to protect the historical integrity of Downtown Franklin. To date, the committee has also reviewed 72 applications for improvements in structures in the Downtown Historic District.
- In FY2017, in an effort to reduce the City's responsibility in maintaining vacant properties, a program was developed to put these properties back into productive use and once again provide a tax base for City revenue. The program was titled a "Surplus Property Release Program".

Approximately two times per year, a list of City owned properties will be evaluated and determined as "surplus property" by the Franklin City Commission. Once the lots are deemed as surplus, the city begins the publication process by posting on the website, posting signs on the surplus property lots, advertising in the local newspaper and advertising at the City Commission meetings.

Community members are able to inquire about property and an application packet is sent out to the community member by the Community Development Division or the proposal information can be downloaded from the City website.

The community member puts together a proposal for the property they are interested in, following the guidelines as stated in the packet. Once the deadline has passed, the proposals are gathered, evaluated for completeness and included on the agenda for the next fiscal budget meeting.

The transfer of property will be based on the best estimated use of the property, such items to complete improvements and compliance with applicable codes. To be considered for these properties, the community member submitting the proposal must be current on City taxes and have no existing liens on any property currently owned in the City of Franklin. They cannot have had any code violations that resulted in a citation being issued on any properties within the City of Franklin, within the last two years. The City of Franklin reserves the right to reject any or all proposals submitted.

At the Code Enforcement Board meeting the proposal is discussed and scoring criteria is completed by the Board. A recommendation will be made by the Code Enforcement Board to the City Commission. The City Commission will adopt a resolution authorizing the transfer of property.

Once a determination is made by the City Commission, the Community Development Director will contact the community member and work with them to finalize the deal.

Once a deal is transferred, the Community Development Director will monitor the progress of the property improvements and ensure the new owner maintains the property and builds as described in their proposal.

If a property owner does not follow through on the development of the property as stated in their proposal then the Code Enforcement Board will review the situation and have the option to take the ownership of the property.

This initiative is unique to the City and its cutting edge, the first of its type. The City is excited in implementing this program and is excited to see how this changes our community development and growth efforts. To date, 5 properties have been transferred under this program.

- For the past several years, City management has identified the need for the City to totally fund its stormwater system. City's stormwater system is provided to protect the waterways and land in the City of Franklin by managing flood risk and to benefit the natural environment. The City felt as it the city, is designing, developing, improving, operating, maintaining, and monitoring the various systems required in the City of Franklin should there be allocated to the extent practicable to all property owners a fair occupancy of land based on their impact on the stormwater system. In order to provide revenue to fund these costs and to fairly allocate these costs, a Stormwater Management Fund was established and adopted into Ordinance, and was implemented effective July 1, 2015. All revenues collected for the purpose of stormwater management from fees, grants, permit fees, and other charges collected under this program, will be deposited into this fund and all disbursements from the Fund will be for the purposes of the following:
 - i. To acquire by gift, purchase, or otherwise any real property, and interests therein, necessary to construct, operate, and maintain stormwater management facilities.
 - ii. All costs of the acquisition and implementation of the stormwater management program, including the establishment of reasonable operation and capital measures to meet budgeted, anticipated or emergency stormwater management requirements.
 - iii. Engineering and design, debt service and related financing expenses, construction costs for new facilities and enlargement or improvement of existing facilities.
 - iv. Operation and maintenance of the stormwater system.
 - v. Monitoring, setbacks, and inspection of stormwater control devices.
 - vi. Water quality monitoring and water quality programs
 - vii. Reutilizing developed areas for pollution control

- viii. Insurance and related activities.
- ix. Costs of public education related to elementary and related issues.
- x. Billing and administrative costs
- xi. Other activities which are reasonably related

A. As of June 30, 2019, the City has accumulated a fund balance of \$348,000 within this program.

Industrial Expansion & Economic Development

- * For the past several years, Franklin has enjoyed positive industrial growth and low unemployment. And - 2019 is no exception. Despite the tight labor market in south central Kentucky, our community has continued to see new industries and investments locate in Franklin. Additionally, our community continues to see existing companies expand. During FY2019, the City committed approximately \$600,000 to the Industrial Authority. Below is a summary of activity, related to the Franklin Simpson Industrial Authority, and 2019's new and Expanding industry:
- In February of this year it was announced that RKW-North America, Inc. would be expanding its facility in the Wilkey North Industrial Park. Currently, RKW is adding 35,000 square feet of manufacturing and warehouse space as well as state-of-the-art equipment to its existing facility. The expansion will add an estimated thirty new jobs for the Franklin area. Once known as Datasilos, the company became the first industry to form in the Wilkey North Industrial Park. In 2010, RKW, headquartered in Germany purchased Datasilos. This makes the third major expansion by the company taking it to one of the largest wharehouse facilities in Franklin and Simpson County.
- This spring, John Gehret, (Garrett) a former partner in the Venue, Toreau Gage Company, and his son, Johnny, began a new business called Gehret (Garrett) Gage. The new industry is located in the former Anney Industrial Building located at 825 Industrial Bypass North in Franklin. The company makes mechanical gages used in measuring tools by manufacturers throughout the United States. Gehret (Garrett) Gage has been approved for state tax incentives through the Kentucky Business Incentive program available to new and existing manufacturing companies located in Kentucky. The company is in the process of hiring twenty people initially and eventually hopes to have forty or more employees in the future. Production has begun at their new facility and most of their initial operating equipment is in place. The company will be providing some highly skilled and well-paying jobs for workers in the Franklin area.
- A new company, Precise Power, located this summer in a 6,000 square foot building on Brown Road in Franklin, Kentucky. Precise Power, owned by Drew Martin, is an international distributor of telecommunications power and UPS solutions. The company is a member of the Precision Group of Companies headquartered in Louisville, Tennessee. The company is privately owned and is focused on innovative technologies to complement rural broadband fiber all

wireless deployments. Precision Power supports a multitude of local Kentucky broadband companies including the Franklin Electric Plant Board, Bowling Green Municipal Utilities, and Logan Telephone. The company is focused on the development and implementation of customer-specific solutions that meet current needs and are engineered to anticipate future telecom requirements. Precision Power is committed to product quality, superior service, and flexible customization and is expected to employ initially ten people.

- Century bolt manufacturer Simley Mfg. Inc. now plans to create about 40 full-time jobs in Simpson County with a new \$2 million manufacturing facility. The Northern Ireland based company chose Franklin, Kentucky for its first North American operation. The company is leasing a 67,000-square-foot building on North Street in Franklin to house its new operations. Following a significant increase in U.S. sales over several years, the company's Kentucky operation will give it a local and distribution center for its growing customer base. Franklin's central location, along with its skilled manufacturing workforce, made it a suitable destination for the company's first American factory. Over the past several years, Simley Mfg. Inc. plans to recruit a core team of production operators and support staff to GL in 30 job stages. Since its founding in 1979, the company has grown into a premier producer of customized vulcan conveyor belts and environmental and plastic parts to the mobile equipment sector. The company now exports to more than 60 countries and supports customers all over the world. The company currently employs 170 people between its facilities in Northern Ireland and India.
- This fall Shyne (Shine) Labs, owned by Alan Hwang (Hwang) of Los Angeles, California, began moving in 12,000 square foot training in the Wilkey North Industrial Park. The company will be producing industrial hemp from own facilities and will be up to official extraction in process within Q3Q4 of 2017. The building is being fitted for machinery now and production is expected to begin in the final quarter of next year. The company expects to employ some thirty people initially. Besides production jobs, several technicians will be hired by Shyne (Shine) Labs to help with the manufacturing processes.
- Power Tech Solutions located in the Wilkey North Industrial Park in 2016. The company, owned by Star Hottur (Hottur), develops and markets hardware for industrial solutions for telecommunications, infrastructure development and renewable energy companies. Because of the continued growth, Power Tech Solutions built a new 30,000 square foot, state-of-the-art warehouse and office facility in the Wilkey North Industrial Park. This new center will allow Power Tech Solutions to increase its customer base and sales.
- In March of this year, Deltapak Conveyor Systems, headquartered in Tennessee, began occupying a 20,000 square foot building on South Street in Franklin, Kentucky. The facility is being utilized as a storage outlet as well as for a distribution point for the company. This will also be their manufacturing at the building as well. Founded in the 1980's, Deltapak Conveyor Systems manufactures conveyors for such customers as Amazon, FedEx, UPS, and major retail

distribution center. Hugh Gray, a Franklin native is Director of Customer Services for the company and will be heading up the new facility in his hometown. The new center in Franklin will follow-up with customers to help service the systems that are installed by the company. Franklin's central location puts the company in close proximity to many of their major customers. Designed from the ground up, the facility has six employees at their Xiangyang, China location. The company hopes to add to the workforce as its business expands in the area.

- Recently Huggable Bulleitins, which owns the Price Less TGA store in Franklin, decided to build on ACE Hardware store out the property. The 10,000 square foot building will be located on the northeast side of the property next to the Price Less TGA Store. North, Murphy, and Davis has been awarded the bid for the new facility and work began in January of 2016 on the project. While who owns a vacant shopping center now has new life. Some thirty or more people will be employed at both the TGA store and ACE Hardware thanks to the investment being made in Franklin by the above businesses.
- R.J. Corman Railroad, which has operated a rail yard and distribution center in the Inc. 500 list portfolio of Simpson County for over thirty years, is expanding their facility at that location. Currently, at their property they have just completed a 10,000 square foot transloading facility to help with their wood supplying customers. In addition, R.J. Corman is also expanding their distribution center. They currently have 100,000 square feet but when the expansion is completed the facility will be 115,000 square feet making it one of the largest distribution facilities in the area. BCIW Connecting of Franklin is building the new addition. After the expansion is completed, R.J. Corman is expected to employ between 15 to 20 people at their rail yard and distribution center.
- The nine projects just discussed above, that has taken place in Simpson County during 2019, invested an estimated \$1.5 approximately thirty seven million dollars into the local economy and an eventual creation of 155 new jobs for our area.
- For many years the City has participated along with the Commonwealth of Kentucky in the state's Kentucky Business Incentive (KBI) Program. This program provides state income tax credits of 3% of each qualified employee's wages (i.e. 1/3 of the state's income tax) to new and existing agribusinesses, regional and national headquarters for certain business operations, manufacturing companies, and non-retail service or technology related enterprises that locate or expand operations in Kentucky by returning this money back to the company to assist with starting or expanding the business. This credit is available to the company for ten (10) years. As part of this participation, the local government which is the area for the business is required to forego collection of a total of 1% occupational taxes on, essentially, the base number of jobs created under the KBI program for each qualified employee, for a period of 10 years. In other words, the state contributes 3%, and one or more local government(s) separately or together must contribute a total of 1%. At present only, the local government can make a one time "in lieu of" contribution to an account that approximates the 1% contribution

and aids the community, such as providing water and sewer improvements, etc. The City of Franklin and County of Simpson have agreed to participate in the KBI program. Although this has been a wonderful program for industrial and commercial expansion within the Community - call the City home, to date exclusively provided the local 1% "match," which is beginning to create some financial hardship on the City given that basically all industrial growth and expansion will not generate any new tax/personal tax revenue for the City for a period of up to ten (10) years while causing the City to provide services at regular costs. In FY2018, the City reached an agreement with the Madison County Fiscal Court, via an interlocal agreement, wherein the Fiscal Court will begin to provide .50% of its occupational fee per employee (with the City providing .25%) in an effort to lessen the financial impact on the City and share this burden. When the City and the County have reached an equal total contribution amount in the KBI program as a whole (including the amounts the City has contributed in the past), the City and County will thereafter each contribute an equal .50% per qualified employee per local governmental entity. At this point, the City will realize a net .50% occupational fee for the ten (10) year period above, instead of receiving nothing. Obviously, this will have a positive economic impact on the City going forward. In FY2019 the City contributed \$77,300, with an additional payable of over \$70,000 at year end under this KBI Economic Development Incentive.

- As mentioned above, the city is experiencing tremendous growth throughout our corporate city limits. The housing/construction market is experiencing actively that this City hasn't seen in over two years. The following housing related construction projects are either on option or underway:

- a. Five subdivisions are under development all of which will allow for approximately 450 homes to be constructed (the Relic at Fox Chase Subdivision, Fox Chase Plaza II Subdivision, Lexington Place Subdivision, the Willows Subdivision, Williamson Subdivision, and Windsor Park Subdivision.)
- b. At the beginning of the year, an upscale apartment complex offering 125 units and many amenities, located just west East 600 of I65 completed an expansion of an additional 40 units.
- c. During FY2019, a new residence apartment complex, offering 24 units, will be built, expanded to accommodate of additional units.
- d. In February of 2019 plans were announced for a major new subdivision on IWX Highway 41-W North adjacent to the Lewis Mercuri Homes project. The Windsor Park Subdivision is currently being developed. This new subdivision will be developed in phases and calls for a total of approximately 110 lots for new homes in Franklin. Currently this project is operating within Phase II and, as of the time of this report, has approximately 31 available lots to be built on. At the completion of this development, this will be one of the largest subdivisions in Franklin and will provide much needed housing and potential job markets for the growing industrial economy in Franklin.
- e. 2019 was a record breaking year for our community where it relates to the number of new, single family residential construction projects. Approximately 120 permits were issued. The nearest record was in 2014 where approximately 100 permits were issued.

- Overall all industries within our community are excited for growth and expansion. The end result, for many, is the desire for our community to have the capacity and availability to provide jobs to our citizens. City leaders are noting that several industrial manufacturers require non-stop, 24 hour, week-long, three 16-hour day labor to full time labor which is interpreted as an overall sign of employment within our local economy. We are excited to see our community's unemployment rates maintain at a relatively stable level, after increasing slightly - from 3.3% in December 2018 to 4.0% in December 2019; however, this rate is still comparable to the state rate of 3.9% and the national rate of 3.4%.

Part of the current increase in local unemployment rates is unfortunately due to the fact that Simpson County lost two of our industries in 2019: Quad Graphics and Harmon. Economy efforts are underway to fill these empty buildings and although many of the employees displaced from these two companies have already found new opportunities and positions with our local businesses, the impact has still be felt within our community. Thankfully - residential, industrial and economic growth continue in Simpson County and these rates are expected to reflect this in the coming months.

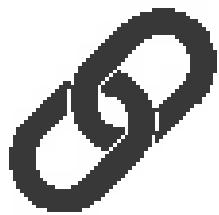
Communications Initiative:

Additionally, in 2018, the City launched a communications initiative. City Leaders have worked local to identify ways to communicate City activities, and expandng, with its constituents. As a result, over the past three years, over 6,000 copies of the first, second and third edition of the frankLINkentucky were mailed. This is a small catalog, put together by city staff, and is mailed out annually. The goal of the publication is to provide information and highlights of projects, work and information about where City tax dollars are spent. Copies of both publications are included with this report and available on our website at www.franklinky.org.

Additionally, in February 2019, the City began posting short informational videos on its Facebook page, website and the city cable channel. The videos range in topics though to keep them in our citizens. The goal is to share information that citizens may not know and explain why certain things are done or needed with city government. The city also posts all City Commission meetings on Facebook, as well as the local channel.

Controlling the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Finance Director, 17 West Cedar Street, P.O. Box 2805, Franklin, KY 42135.



frankLINK Kentucky

linking you to city government

Volume 3 Issue:



From the Mayor

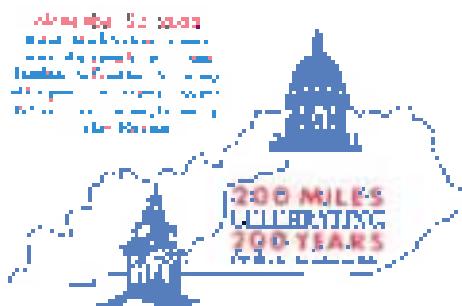
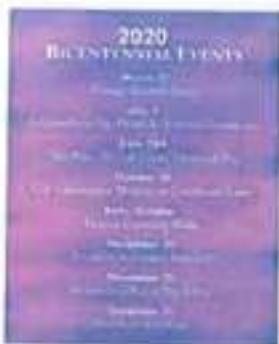
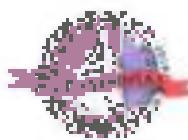
Looking back over the past year, my first year as your Mayor, it has been an honor to serve you. 2018 was a year of economic growth. It was also a year that brought challenges as we navigated the uncertainty of the presidential election. I am excited to be in office during the bicentennial celebration. Lots of great activities have been planned to mark the moment in history and I hope you will join us in celebrating Franklin's 200 years!

[View Article](#)



Passing the Torch

The torch was passed from Sherron Davis, Judge Executive, Mayor Dennis or Mayor Lucy Dixon or the Bicentennial Task on New Year's Day. This event symbolized the passing of the leadership from the county to the city. 2019 was a time of activities and celebrations as the county celebrated 200 years. To learn more about our activities, visit [www.franklinky.com](#).



United States Census 2020

The United States Census Bureau, as mandated by the Constitution, is used to population and households, providing the data for representing congressional seats, redistricting and distributing the more than \$675 billion in federal funds primarily to support states, counties and communities' vital programs — improving housing, education, transportation, employment, health care and public safety.

The Census helps our community by many ways. Business trends, grants and supplemental aid, services and opportunities are based on population trends and mandated by our state representatives and other factors. Our community benefits in two ways: better representation for everyone.

In mid to late March, you should receive an invitation to complete the 2020 Census. Once it is completed online, you can respond to your home in one of three ways: online, by phone or by mail. It doesn't matter which way you respond.. just please be counted.



Leading Our City

Picture left to right:
 Commissioner Dennis Powell,
 Commissioner Michael Williams,
 Mayor Lucy Dixon,
 Commissioner Jennifer Dixson and
 Commissioner Wendell Stewart



Franklin Municipal Utilities

The Franklin Municipal Wastewater Plant was built in the 1980's. The plant is undergoing some upgrades to keep it functioning properly and to ensure continued longevity.

In 2019, an \$800,000 capital project took place on another main line. The down line, location, and direction were replaced. This action is helping the WWP last longer, run more efficiently, and also allow the department control the plant. The results will help with treatment due to better dissolved oxygen levels remaining.

An ongoing project of the plant is upgrading to the elevated system. City Manager Russell Everett is working to improve the existing pipes throughout and bring the elevated system into the 21st century.



A Place to Walk

There are 14 miles of sidewalks within the City of Franklin. Sidewalks are tested each year using a Pavement Management System to generate an Overall Condition Index (OCI), just like the one used for roads.

This OCI rating is used to determine which sidewalks need to be repaired. Typically, City crews concentrate all of their efforts and resources to sidewalk repair.

However, the plan to build a new sidewalk is very costly. Recently, it cost \$12 per square foot, just in materials. It is about twice the cost to repair a sidewalk.

There are numerous areas throughout the city that need sidewalks and the need to continue to repair existing sidewalks would be enormous and expensive.

City Streets

Each year the City Street Department drives over the 100 miles of city streets and inspects them. They look for potholes, all joint cracks, ridges, edges, cracks, curbage, manholes and any defects in the pavement. This information is entered in to a Pavement Management System to generate an Overall Condition Index (OCI) for each section roadway in the city. The OCI is then used in conjunction with other variables such as traffic volume, type of road, maintenance history, other capital project needs and allocated funding levels to prioritize a list of streets to pave.

Over the past 3 years, the City has paved 7.4 miles of roads, which is about 15% of our network. In all, 4.17 miles of City streets were maintained, totaling for road work alone, more than several million. The road tax for provides 21.3% of revenue in the Roadside Improvement Program, of which the City received \$14,000 in 2019. These funds are allocated to each county for an alternate reconstruction and maintenance. In 2019, the City budgeted \$100,000 from the general fund for street improvement projects and another \$40,000 for sidewalk and minor street repair projects.

The City is only able to cover one major City street. Streets such as Main, Center, Madison, Blenman, and others are state roads where the Kentucky Transportation Cabinet is responsible for maintaining, repairing and clearing in case of snow and ice or debris. Paving and repair are only done during warmer months as the asphalt companies' are not doing the winter months.

WASTE WATER

Our Story

In 2019....

\$2,500 feet of new sewer line was installed

210 new hydrants installed

854,681,000 gallons of waste treated

WATER

Clean & Tasty

Installed in 2019 ...

15,400 feet of new water line

32 new Fire Hydrants

514 new water meters

Metering

Electricity...it seems our world depends electrically. The City of Franklin Municipal Water wants to be in accordance to rule with using add standards for Advanced Metering Infrastructure. AMI metering systems are more than just水表. Using the AMI network, the new meters gather and analyze data. Data can then be set up in real time which can provide the water department with more valuable information.

The City is working with your local electric company to upgrade the City Water Service system. To date, over 1,500 meters have been upgraded.



Hunting Above

An era in the city has come to an uncertain chapter in justice. In June 2019, a 1445 (1) (referred Animal Syndrome) dog was purchased by Franklin Police. Dogs are being used to locate missing persons throughout the country. In Franklin, it can add to the search and rescue of a lost adult or child, as well as capturing a fleeing fugitive, who may be hiding from officers, photographing crime scenes, collision scenes, monitor disorder control, conduct surveillance (with a dog or human), monitor the scene while officers make entry, in low-light situations, and photograph evidence at the scene.

I - Detective said, "We can use it to find a lost child or elderly person who might be lost, then it would be much less strenuous. We want to use it to help reduce our stress and more prepared."

The dog was purchased using money from the Drug and Smuggle Settlement from drug cases the were handled by the Franklin Franklin Police.



Helping Heroes

Moving for the Future

In December 2019, the City of Franklin and the Williamson County Board Court joined forces to purchase a Fire Truck for the Franklin Station Fire Reserve. Over the course of three years, the City was able to raise \$18,000 to contribute to the purchase.

The City is now seeking ways to help fund on-going work for the department. In 2020, Fire Reserve plans to purchase a new truck with a price tag of approx. \$1.2 million. In 2021, the City began setting aside \$65,000 per year. The City has agreed to pay half of the purchase of \$1.2 million truck. The truck in Station One Reserve is a joint venture with funding and support from both the City and County governments.

Citizen ACT

Franklin Police Officers are training and learning. In 2019, six officers graduated from the Kentucky Department of Criminal Justice "Training with the Best" in Franklin, Kentucky. The 20 week academy takes and focuses on a variety of different curriculums and skills for service. They learn how to deal with such as: firearms, evidence, legal aspects of law, DACT will help understand domestic related incidents, legal essentials and much more. The officers are provided 8 weeks of pre-academy field training and up to 12 weeks of post-academy "on the job" training before being assigned to their posts.



One Department One

Department One: Executive Leadership from Criminal Justice Institute
The program which is 4 weeks including over 200 hours of training. This training provides them the training needed to gain the necessary knowledge in the following areas of command level leadership: Organizational culture, Leadership, Organizational change, Creative Thinking, Executive writing, Deep and influential presentations, a Persuasive speech, Policy writing, Budgeting, Legal procedures and much other subjects.



REVITALIZATION BY FIRE

The historic warehouse on West Main Street is being demolished. After weeks of seeing shoring up the 100+ year old, the City was ready for the next phase in tearing down. After releasing a request for bids for the removal of the structure, a company submitted a proposal to remove the structure and move to the city. The company is salvaging all of the wood and metal from the building which will be used in creating art pieces.

In November of 2018, Lovelace and friend bought to purchase the majority of 411 West Main Street which was sold at 200K. acquisition cost. They closed up business. Mayor Tracy and wife have had numerous conversations about the property and the best use for it. Lovelace said, "I hope it is a longer, market friendly for our police officers." The older building, located in the Franklin Police Department was built in 1951. At the time the 1,400 square foot facility was built, Franklin had 10 officers. Former Police Chief and City Commissioner Leslie Powell said, "We acquired the building on Court Street 5 years after we moved in. These guys are packed in like sardines." Police Chief Douglas said in response, "Our space has grown to a need of 14 and placed everyone down a deck. One 17 carrel office where 4 desks and 12 of our lieutenants fit together there was office that takes two desks. I gave up my office in the back in order to have a meeting/briefing room for the next "gen". We've studied and tried to keep the building looking good but we can only do so much. The lobby door is giving in and the rear room has a second room. Our parking lot is bad shape and our windows need to be replaced."

The location of the property on Main Street is within a close proximity to the majority of the schools and businesses. The large porch while give room for a new one story addition. Chief Johnson said, "We regenerate social space for storage, a larger evidence room, training room, evidence bay, up to 11 interview rooms, and offices. This will also help us better identify whom we go to for our jurisdiction in a few years."

Keep Out City Trash

Front Works will pick up one bin < three feet wide per residence in the City. However, you must call Front Works and let them know that you have a large item. A truck or pack the item up but it will not be picked up in your regular trash. Call Front Works at (270) 261-4016 to ask about items they can pick up.



Cleaning Up

In 2019, City Green collected...
187.5 bags of trash
264 other parts of trash

Bulldogs Cleaning Up

In 2019, the Animal Response, Spaying & Neutering office seized 220 hunting permits and 236 electrical vehicles. Over the last 3 years, the community has had an increase of over 12% in the amount of single family home construction. Between 2017-2019, 51 new residential buildings were also permitted in 2019.

The increase in permits and inspections has created a need to maintain the process. In early 2019, the building inspectors, magister and the electrical inspector came. There are now two staff members in the Animal Response office that assist with animal inspections. The Animal Response complete the needed inspections. The reduction in cost and the use of certified inspectors has not only proven to be a cost savings benefit but has also streamlined the permitting and tracking process.

City of Franklin
www.franklinky.org

Walking the Neighborhood

Two Neighborhood Walks were held in 2019. Before the City Councilized Goodwill, Justice, Culture, Art and October Walks, the Mayor, City Commissioners, and several City staff members did neighborhood walks in areas of the city to see brick concrete projects, and the sidewalks. In 2019, there were 10 neighborhood walks and only 4 in 2018. This walk is a great way to walk with the community a social walk project.

The walk in June met a cop at the corner of 3rd and Main Street that the city purchased and cleaned up earlier in the year. Other places were selected for the construction of a new Police Department on the site.

The walk in October featured a short conversation by Franklin Police Department Police Captain.

Following the walks, a City Councilized meeting was held to appraise to the new Neighborhood Walks and begin planning for 2020.



An Honour on Veterans Memorial Highway

In September dogs were hanging on the Memorial Highway. Several years ago, the Veterans of Foreign Wars took it upon themselves to pay honor to our Veterans by hanging American flags on the light poles along Veterans Memorial Highway from Main Street to Highway 150E. Over the years, the flags become worn and require replacing. The City Commissioners approached Mayor Hedges and the City Council members of the City, which they agreed to do.

This quickly became a community service, as involved several community members and organizations. John McHenry, the Scout Master for Boy Scout Troop 47, worked alongside City employees to design what would help keep the flags hanging properly and in bright colors the light poles.

The flags and flag poles were started by public donations and Boy Scout Troop 47 installed the new flag poles and flags. The flags are never flown during the winter months but fly year round up Little Spring. Ongoing effort is needed to replace the worn flags to ensure it good condition. If you would like to help with this effort, information can be made to City of Franklin, VFW: Flag Replacement Project, P.O. Box 1013, Franklin, KY 42041. Donations can also be made to Boy Scout Troop 47, 321 West Main Street, Franklin, KY 42041.

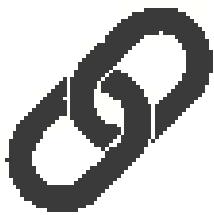


Training Drivers

In November of 2019, KYTC announced that it was launching a Commercial Driver's License (CDL) program, which would be located at the Bucklin-Sinclair Center. The program began in June of 2019 and donated cars, and the funds for it by the South Central Kentucky Development Board, and an instructor with nearly 30 years of experience. The college didn't yet have a driving range, so a concession

owner, Pleasant, a mobile locksmith operator, sells on their property. With the partnership of the City of Franklin, the Kyaco Second Workforce Development Board, Peoples Bank & Trust, Campbell County Board of Education, and the KY Industrial Authority, a practice skills range was built at Pleasant's property, and a ribbon cutting was held in August of 2019.





frankLINK Kentucky

linking you to city government

Volume 1 | Page 4



From the Mayor

I love my community! I truly do! I was born and raised in Simpson County and spent 40 years as a businessman in Franklin. My heart is here and I am very appreciative to have been elected as the Mayor of Franklin. Over the next four years, I would like to work with the county on projects that will benefit all the citizens of Franklin and Simpson County.

[View Bio](#)


Training for Excellence
City Manager Kenton Powell was awarded the Master of City Governance by the Kentucky League of Cities. Mayor Jerry Dixon was honored the Excellence in City Governance. Both are certifications achieved through a voluntary education program that requires at least 30 hours of training. Powell said, "There's always room for improvement but in order to improve we need to learn. Being a part of the KLC program has given me a better understanding of laws and requirements that govern our City. In turn, this aids in the decision making process as we continue to make improvements."



January was the start of the New Year and New Leadership within the City of Franklin. Jerry Dixon took office as Mayor after having served as City Commissioner for 5 years. Eddie Wright and Robert Williams took office as newly elected Commissioners. Jamie Dixon and Wendell Stewart returned as their established City Commissioners. In Franklin the City has new leadership and the collaboration is as solid as ever.

Since the Mayor and Commissioners have taken office, they have been busy training the staff and reorganizing the City offices and backloading the day-to-day operations of City Government. On Wednesday January 20th, City Council held its first meeting. They met with department heads and employees to learn about the services and tasks the departments perform. The week of January 21st, two council members (Jamie and Eddie) attended the Kentucky League of Cities training for Newly Elected Officials. It was a 3-day packed full of information to help them better understand the role of the office they now hold. On Monday, January 22nd the City Commission met with department heads to review the budget and financials for the financial year of the City. Commissioner Stewart said "I have learned so much in the last few weeks. I feel like a complete learning experience as most the confusion was from gaps of each department, and in turn, the City had less efficiency due to lack of knowledge our City is a small, rural, and non-metropolitan place to live. In addition, spending the KLC training requirements, local budget review to help us to understand how much our the job of City Government will actually cost. It has been quite inspiring to the council to work together to make things better. Since we are a small town, there are so many laws, Statutes and Policies that govern what we must or must not do as an entity. Our year's longer and we will be the day to day business of the City of Franklin. However, I am up to the challenge."

Keeping You Informed



In February 2018 the City printed 6/100 copies and mailed the first edition of **FrankLINK Kentucky**. This publication brings together City staff. The goal of this publication is to provide information and right up to date projects, news and information about what your tax dollars are doing. The next issue will be released in early April. This will be a yearly project. In January of 2018, the City began placing their informational items on its Facebook page, website and the city cable channel (channel 3 on Comcast). The video tape

is topics and what to do if you are pulled over by a police officer for the dangers of littering, your water dipping in the street. The goal is to share information that you may not know one certain way could change and affect us negatively within city government. The City also posts the City Commission meetings, news, public meetings and anything else relevant to citizens of any type. However, if you can't make it to a meeting you can stay informed by watching the recordings on Facebook, the website or cable channel.



Franklin Municipal Utilities

Growing!

2013 proved to be a year of growth for all municipal departments and economic opportunities continue to bring production. The number of single family homes increased 5% over the previous year. New homes in the new subdivision just beginning lots 33 & 34 of the City colonization development included a total of seven lots and 14 residents which is a \$415,700 investment invested over in our community.



The Franklin Collection department worked to increase infrastructure in 2013 by upgrading a lift station and 1,000 feet of 6" force main at a cost of \$231,300. They also installed 31 new access caps. It was a busy year!

WATER

Clean & Tasty

Each day, the Franklin Municipal Water Treatment Plant draws and processes approximately 2,000,000 gallons of water.

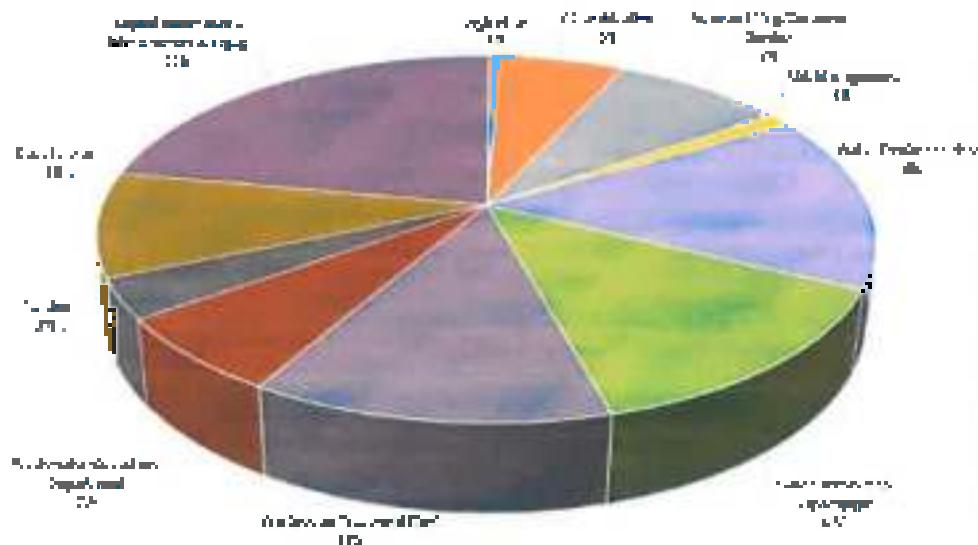
Each day over 100 tests are conducted to ensure the quality and safety of the drinking water in our City. City IV Operator, Kristin Edwards, performs a wastewater test in a sample of water.



WASTE WATER

The Franklin Municipal Wastewater Treatment Plant treats 2,000,000 gallons of wastewater per day. It is in discharging effluent to the Wastewater Treatment Plant removes them 95% of contaminants. The treated water from the wastewater plant is better quality than the water which it receives.

How We Spend Our Money (Year-to-Year Basis)



Lighting the Way

After 11-W was witness, it was apparent there was a need for lighting along the railroad from Lupton to the

Lupton to the

going south to

Mr. Jim

McClowen's

area. The City

partnered with

Waukesha Rural

Electric Coop

to install 30

new lights.

These lights

will increase safety to motorists and pedestrians. City employees were able to install the majority of the lights due to WRECC employees coming in to assist the light and electrical companies to maximum effort saving thousands of dollars for the City.



June 27, 2013 above lights in the City of Franklin. The installation, maintenance and electricity costs for these lights is paid through the City General Fund at a cost of \$12,000 per year.

City Budget

The City's budget process is a timely and thorough process. The budget process begins in May and is ongoing until April adoption in June. The City follows a "bottom up approach" to budgeting. This means cost review and then approves line item by line item in creating the budget for the upcoming fiscal year. Many budget strategy meetings are held between the employees and the representatives of the City Commissioners and the Finance Director and City Manager. At least two or three budget work sessions are held with the City Commissioners. At the budget work sessions, the City Manager and Finance Director discuss all the components of the budget in order to obtain guidance, direction and approval.



Paving the Way

Our newest paving work took for 2019-2020 to construct a large hole in Rock Hill Circle during Spring 2019 was completed in June 2020. City Manager Jimon “Moy” Moyes with Parks Field Superintendent Randy Rupprecht and Kentucky Transportation Cabinet District Director Joe Pilkink for KYB provided over the State Highway Department to build over \$1,000,000 in road and improvements. The original design of the Rockford Middle School had recently over the age of numerous accidents, because of its lack of drainage, and 2 blocks of rock by contractors they were unable to move the school. The contractor went to work, allowing for easier and safer traveling for vehicles. Also, the state awarded KYB at a cost of about \$400,000.

Cabinet District Director Joe Pilkink for KYB provided over the State Highway Department to build over \$1,000,000 in road and improvements. The original design of the Rockford Middle School had recently over the age of numerous accidents, because of its lack of drainage, and 2 blocks of rock by contractors they were unable to move the school. The contractor went to work, allowing for easier and safer traveling for vehicles. Also, the state awarded KYB at a cost of about \$400,000.

The City maintains 40 miles of streets. It is two-lane asphalt roads such as Main Street, Cedar Street, Madison Street, Washington Boulevard, many others. The Kentucky Department of Transportation maintains these roads. But you, usually in Peabody, the City of Franklin Street department maintains mostly local roads closer to the city. They clean up the debris in the street, such as potholes, oil/grease stains, potholes etc. This department is taking care of major city streets like the streets here and urban. From this road, City Street maintenance is reporting. Each party brings in their issues for them to take care and maintain. In 2019 the City spent \$11,473 to repair a total of 3.8 miles on portions of local streets. As far as new ones, the City plans to continue working and maintaining roads year.

Healthy Changes... Financially

Healthcare is a major topic in many places these days, and government struggle with the costs versus the public service. How do we give our employees quality health coverage with a fluctuating budget and responsible budget? The City of Franklin has implemented several new programs that have currently continued to rise in insurance premiums to keep a reasonable positive level and to meet city budget laws. The City has restructured its insurance vendor benefits. Franklin continues to look at options that we have and increased the plan enrollment to make it keep the cost of health care manageable. If the City had not made these changes they would have had to absorb 70% in insurance costs for 5 years. This number is approximately \$800,000 saved.

Healthy Changes...Lifestyle

2020 was a year of significant lifestyle changes for one Franklin employee Jerry French. Jerry has worked for the City for 29 years and serves as the Superintendent of the Water Treatment Plant. He is dedicated to the City, his work and to my employees.

In an effort to give healthy life health matters, Peabody the City implemented a higher premium in health insurance coverage for employees. The increase was effective July 1, 2018. Prior to that implementation Jerry made the decision to quit smoking. He said, "After a lifetime of smoking, I thought it was time and wanted to see if I could." He started smoking in 1968 and until he quit, "Why too young to be smoking?" Jerry turned 70 on July 20th and says he feels much better.

Shortly after Jerry quit smoking, an employee at the Water Plant suggested for him to take their daily morning meeting walks and discuss issues while they walk. So, in September they began walking as a department, around the perimeter of the plant. Jerry said, "It's a great time together. We discuss plant operations, ways to make improvements, and encourage each other to live healthy." Jerry said he now walks 2.5 miles every day. He feels better and has more energy. He attributes the change to a healthier body & the plan to continue walking and has set a goal of completing the Grand Total Walk in August.



Preserving our History

2019 marked the 100th birthday of Lympho County. "100" the City will celebrate 100 years. As we celebrate it is important that we preserve our past. Our town's government. The oldest courthouse was built in 1882. The buildings and crops that surround the community add to the character and



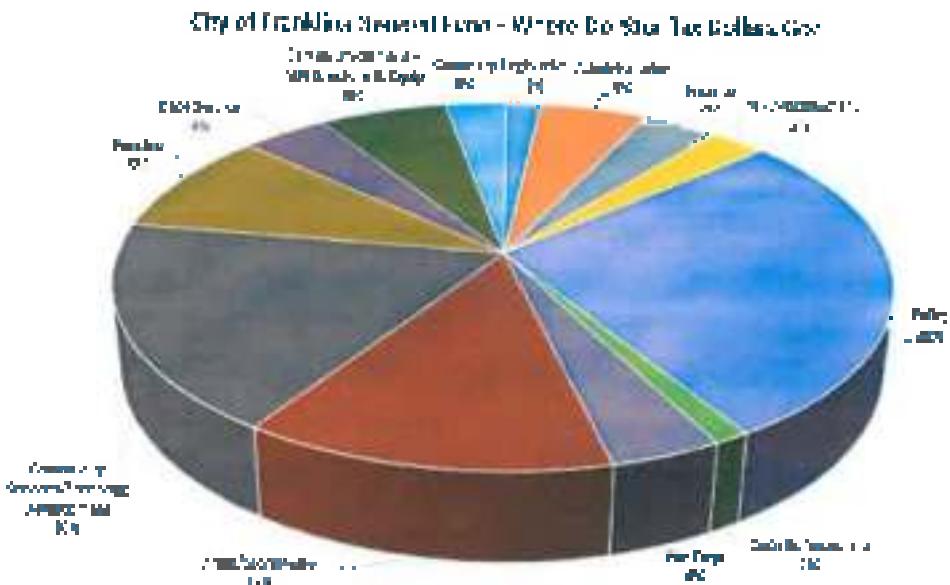
the existence of our town. It is our duty to ensure the preservation of our beautiful historic downtown. The City Commission adopted an ordinance in April last month for the development of preservation standards and a preservation committee. The committee will form and has worked to develop historic Overlay Residential which was designed to protect the historical integrity of downtown Franklin. The committee has also reviewed 22 requests for business location actions in the historic district area. It was found "Since 2013, a total of 11 different businesses have opened in the Downtown Historic Overlay zoning district. For all of these businesses have remained open through the end of 2019, but this growth in our downtown has spurred growth and has created additional 7 stores, shopping district and Amy Ellis, Executive Director of Franklin-Simpson Businesses. To addition, we have over 34 restaurants and coffee downtown. The success of these areas, hotel stays, sales and business has created an economic boost for our downtown. The retention of several downtown buildings has helped to retain the neighborhood. Businesses is looking forward to what is in store for our downtown as we move forward."

Police, a part of CRIN Community!

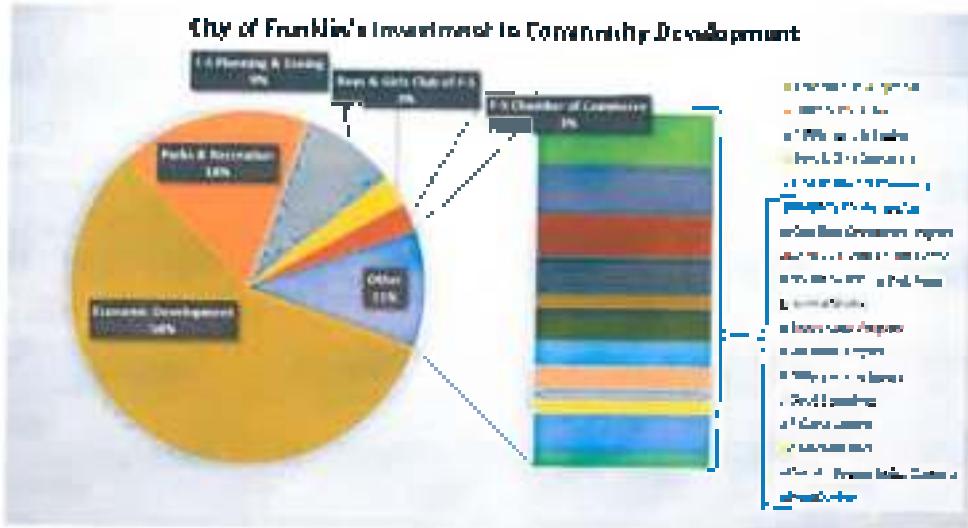
Officer Billie Parker is involved in CRIN Community! In 2018 Officer Parker with the Marine Corps and collected Toys for Tots. They also did a Cancer in Kids Drive. On Dale Arbore, presented an update to the Human Rights Commission and shared over 1000 Walkers and information regarding police activities.

In December, law enforcement and K-9 Shadow, helped with the 11 annual CERT Academy. The event was hosted by the Lympho County Extension Service and Simpson County Schools. Officers worked with 15 students and showed them the basics of preparedness, crime scene





The of Franklin's Investment In Corporate Development



Pensione Crisia.

"What does this mean for our family?"

Discussion of the State Retiree Cards
were held at the April 2016, Association
Meeting. One member asked "Why can't there
be something different for retirees for
city employees?" The Kalamazoo
Retirement System is governed by the
State and state statute (P.A. 196). Local
government employees are required to
participate in the Michigan Retirement
System. The Retirement Board and
the state and local governments are
responsible for law, P.A. 196. Between
the two entities, it is taken care of.

Mr. Horst does this after our
wonderfully successful Frankfurt and
curiously it's another telegram that will
be presented to us before the year. The
City of Frankfurt Mayor and City
Alcalde both have sent to KLC's
Legislative Board as they will pay an
adequate amount to improve working conditions
regarding this issue. Meanwhile, the
municipal board for KLC informed
us yesterday that they have to let June 30
the start date. This after 6 years of
years of understanding at the state level
without the necessary public, in particular
the multi-billion dollar
aid. The City of Frankfurt will be
required to increase their contribution to
the state, estimated here by
approximately \$145,000.00. FY2019 to
FY2020.



City of Franklin
www.FranklinKy.org

Exodus in Franklin

Setting policies, preparing legislation, and working with others has been a task. Ms. C. City Attorney west Caribbean has been involved with the NCSC. 6 years ago he became on the Kentucky League of their Legislative Board of Directors. The past 3 years he also served on Kentucky League of Cities' Executive Board which is responsible for the day-to-day workings of KLCI. During that time, he has written or co-written many pieces of legislation that have benefited both him and his constituency.

Mayor Jerry; I hope you also appointed to serve on the Legislative Board of Directors in December. This is the time when our mayor of the City of Franklin and you will be working on the budget. Our County Board will work together with other local officials and leaders. Let's make the county's legislative process to bring in the first, second and third year a firm legal and social norm pattern. The Board also recommends that the money proposed to the State Legislature this year when it's first called, never they may suggest most funding to the one or two weeks before the proposed legislation.

During his years as an organizer for 6 years, Chidlow has developed many working relationships across the Commonwealth. He said, "I have a network of people in business, lots of local and national opportunity to work for others." He has also played a part in creating and maintaining the *Strategic Initiatives* in each congressional, a program to help promote the state. Chidlow was highly recommended as beneficial in many ways. He said, "Not only am I fortunate enough to be able to make a difference and help our City, but I've been able to provide other family and districts with your fine help, cross-organize the Commonwealth of Kentucky."

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2019

	<u>General Activities</u>	<u>Business-type Activities</u>	<u>Capital Commitment</u>
	<u>Total</u>	<u>Total</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 320,716	\$ 4,102,401	\$ 4,421,117
Certificates of deposit	142,718	—	142,718
Inventories (ex. of allowances for uncollectibles):			
Accounts	44,455	166,506	210,961
Tax	476,129	—	476,129
Furniture and fixtures	47,072	—	47,072
Inventory	37,529	(71,518)	—
Prepaid items	—	203,314	203,314
Prepaid taxes	12,548	11,045	23,593
Capital assets:			
Cost and cash equivalents	1,281,348	736,001	1,987,349
Certificates of deposit	317,446	780,813	1,098,260
Capital assets transferred by donation:			
Non-depreciable	12,503,333	731,770	13,235,103
Non-financial capital assets	4,254,412	14,119,600	18,374,014
Contributed equipment	5,511	1,145,246	1,150,756
Total assets	25,151,741	28,314,537	53,466,278
DEBT-RELATED ITEMS OF RESOURCES			
Deferred revenue - unbilled work	—	41,671	41,671
Certificates of deposits	2,042,308	941,571	2,983,879
Certificates of Other	321,226	215,821	537,047
Total deferred revenue	2,363,534	1,167,213	3,530,876
LIABILITIES			
Accrued payable	400,443	173,142	573,585
Other general liabilities	220,712	122,210	342,922
Accrued financial assets	5,112	23,239	28,351
Accrued revenue	121,495	48,781	160,276
Deferred liabilities:			
Deferred revenue	—	37,117	37,117
COPPA liability	2,307,129	441,575	2,748,704
Unperformed liability	7,064,246	7,715,172	14,779,418
Provision for taxes	911,000	245,000	1,156,000
Deferred other non-current	492,121	4,035,624	4,527,745
Total liabilities	11,227,776	8,207,105	19,434,881
NON-MONETARY INFLUXES OF RESOURCES			
Interest-free advances	596,56	17,570	614,136
Interest on QMBS	210,515	15,853	226,368
Total interest inflows	707,071	33,423	730,799
NET POSITION			
Net investment in capital assets	14,040,407	13,231,501	30,271,908
Less restricted:			
Expendable:			
Highly liquid assets	60,714	—	60,714
Least permanent and highly liquid	—	1,181,605	1,181,605
Non-expendable:			
Permanent type	599,347	—	599,347
Invested	372,026	7,576,756	8,250,782
Total restricted	\$ 1,524,339	\$ 20,530,500	\$ 30,055,321

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Program	Type of Activity	Financial Resources			Net (Superior) Revenue and Changes in Net Position			Total
		Operating Resources		Capital Resources	Governmental Activities	Business-type Activities		
		Transfers from Other Governmental Activities	Transfers to Other Governmental Activities	Contribution of Net Assets	Contribution of Net Assets	Business-type Activities		
General Government								
General government		\$ 1,000,000	5 232,514	0 -	5 230,700	(3 204,711)	0 -	16 214,000
Police (City)		1,252,300	1,252,300	1,252,300	-	1,252,300	-	1,252,300
Fire Department		341,700	341,700	341,700	-	341,700	-	341,700
Emergency medical		1,071,177	1,071,177	1,071,177	-	1,071,177	-	1,071,177
Other, unclassified		36,901	-	-	-	36,901	-	36,901
Total governmental activities		\$ 4,451,378	1,674,412	1,674,412	0	1,674,412	0	\$ 4,451,378
Business-type activities								
Water and wastewater services		7,761,100	1,664,300	-	7,761,100	-	672,100	8,433,400
Garbage		1,061,201	1,061,201	-	-	-	66,601	1,127,802
Total business-type activities		\$ 8,822,301	2,725,501	-	7,761,100	-	738,701	\$ 11,260,802
Total primary government		\$ 13,273,679	\$ 2,400,913	0	1,674,412	0	1,674,412	\$ 14,352,003
Change in net position:								
Property taxes					1,186,314	-	-	1,186,314
Occupational taxes					2,100,000	-	-	2,100,000
Interest, prepayment fees					-342,500	-	-	-342,500
Permit fees					25,200	-	-	25,200
Other non-taxes					10,601	-	-	10,601
Leased assets					111,700	10,000	141,700	141,700
Other/Interest					77,771	10,000	124,771	124,771
Contribution (used) to capital stock					19,313	0	19,313	19,313
Total change in net position		\$ 4,511,114	4,776,644	0	1,674,412	0	1,674,412	\$ 14,352,003
Change in net position					1 10,220	0	0	10,220
Net position, beginning of year		\$ 13,273,679	\$ 2,400,913	0	1,674,412	0	1,674,412	\$ 14,352,003
Net position, end of year		\$ 13,273,679	\$ 2,400,913	0	1,674,412	0	1,674,412	\$ 14,352,003

See Notes to Financial Statements

CITY OF FORTYNIGHT, KENTUCKY

BALANCE SHEET - GOVERNMENT FUNDS
June 30, 2019

	General	<u>Nonagent Investments Funds</u>	<u>Total Government Funds</u>
ASSETS			
Current and short-term investments	\$ 7,419,455	191,637	\$ 7,611,092
Commodities & supplies	—	443,712	443,712
Receivables (net of allowance for uncollectibles):			
Accounts	1,601,114	36,173	1,637,287
Lessors	258,125	—	258,125
Changeworkers	22,365	19,009	41,374
Due from other funds	174,092	44,049	218,141
Unpaid bills	11,258	609	12,867
Investment assets			
Cash and cash equivalents	<u>1,421,534</u>	—	<u>1,421,534</u>
Total assets	\$ 10,042,543	\$ 191,637	\$ 10,234,180
LIABS AND FUND BALANCES			
Fund balance			
Accounts payable	\$ 796,367	\$ 1,373	\$ 797,740
Due to other funds	113,029	79,235	192,264
Accrued expenses	<u>294,982</u>	—	<u>294,982</u>
Total liabilities	404,378	80,253	484,631
Fund balances			
Nonspendable:			
Reserve fund	1,949	505	12,454
Reserve fund	—	388,745	388,745
Restricted:			
Highway trust fund	—	81,106	81,106
Committee:			
Committee	—	534,750	534,750
Assigned to:			
Debt service	1,124,303	—	1,124,303
Retirement benefits	35,044	—	35,044
Drug enforcement	32,405	—	32,405
Other programs	—	194,984	194,984
Total assigned	8,181,747	194,984	8,376,731
Net fund balances	2,300,242	1,201,706	3,501,948
Total liabilities and fund balances	\$ 10,342,843	\$ 191,637	\$ 10,534,480

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2019

Bank balance - governmental funds	\$ 10,657,245
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,645,407
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and other payable	\$ 914,821
Compensated absences	(100,648)
Accrued interest on long-term obligations	(5,130)
Net positive and OPEB liabilities	<u>(10,159,694)</u>
	(10,751,293)
Net deferred outflows and inflows related to pensions and OPEB	<u>1,729,682</u>
Net position of governmental activities	<u>\$ 16,240,544</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**
Year Ended June 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	\$ 1,096,244	\$ —	\$ 1,096,214
Occupational	2,416,405	—	2,416,405
Insurance premium	1,543,538	—	1,543,538
Transient	95,732	—	95,732
Business license	833,290	—	833,290
Intergovernmental	186,264	66,324	172,244
Charges for goods and services	—	318,141	318,141
Unaudited charges	1,049,347	—	1,049,347
Fines and forfeitures	40,374	—	40,374
Interest income and dividends	—	7,250	7,250
Investment income	302,569	9,212	311,781
Miscellaneous	45,870	—	45,870
Total revenues	<u>1,798,032</u>	<u>542,660</u>	<u>8,341,112</u>
Expenditures			
Current operations:			
General government	1,262,518	—	1,262,518
Public safety	2,350,575	—	2,350,575
Public works	871,364	519,753	414,611
Community services	718,574	257,287	461,287
Capital outlay	240,931	5,530	246,461
Debt service:			
Principal	201,040	—	201,040
Interest	45,247	—	45,247
Total expenditures	<u>6,535,942</u>	<u>902,550</u>	<u>7,438,492</u>
Excess (deficiency) of revenues over (below) expenditures	<u>1,201,110</u>	<u>(360,190)</u>	<u>802,020</u>
Other financing sources (uses):			
Transfers in	71,000	186,500	157,000
Transfers out	(353,070)	(14,030)	(451,000)
Sale of capital assets	<u>12,278</u>	<u>—</u>	<u>12,278</u>
Local other financing sources (uses)	(214,220)	(20,000)	(234,220)
Net change in fund balances	<u>565,825</u>	<u>51,510</u>	<u>620,335</u>
Balances, beginning of year	<u>4,416,375</u>	<u>1,242,280</u>	<u>5,658,655</u>
Balances, end of year	<u>5,982,200</u>	<u>1,293,790</u>	<u>7,276,990</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

	Total Governmental Funds
No. change in fund balances - total governmental funds	¶ 920,223
Amortized capital outlays for governmental activities	¶ 237,165
<i>(Amortized capital outlays for governmental activities are different because:</i>	
Governmental funds report capital outlays as capital, net. However, in the statement of activities, the cost of these assets will be amortized over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	237,165
Decumulation of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	386,350
Disposal of capital assets only report the disposal of capital assets in the statement of activities and not in the governmental funds because they are not financial resources.	(1,082,510)
<i>The issuance of long-term debt provides a return that is not included in governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of a premium or discount on similar items when it is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</i>	364,289
Some expenses 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:	
Compensated absences	¶ 765
OPEB expense	(74,231)
Accrued interest on long-term debt	1,362
Pension expense	(97,026)
	(155,103)
Change in net position of governmental activities	(138,285)

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF FUNDS NET POSITION - PROPRIETARY FUNDS
 June 30, 2019

	Year end December	<u>Unrestricted Funds</u>		<u>Total</u>
		<u>Supplies</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,309,354	2	101,016	\$ 5,410,370
Accounts receivable, net	648,329		14,737	663,066
Due from other funds	44,448		—	44,448
Inventory	200,314		—	200,314
Prepaid items	15,045		—	15,045
Deferred assets:				
Cost and cash equivalents	747,000		—	747,000
Commitment deposit	786,814		—	786,814
Total current assets	<u>8,244,374</u>		94,757	<u>8,339,131</u>
Noncurrent assets:				
Capital assets:				
Land	310,416		40,114	350,530
Debt service equipment, net	15,139,639			15,139,639
Construction in progress	<u>151,016</u>		—	<u>151,016</u>
Total noncurrent assets	<u>15,591,061</u>		40,114	<u>15,631,175</u>
Total assets	<u>23,835,435</u>		134,871	<u>23,969,306</u>
LIABILITIES AND DEFICITS				
Deferred revenue and liability funds	55,721		—	55,721
Outlays to entities	557,114		—	557,114
Outlays to CPER	2,5341		—	2,5341
Total Liabilities	615,366		—	615,366

Note: Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF FINANCIAL POSITION - PROPRIETARY FUNDS
 June 30, 2019

	Enterprise Funds		
	Water and Wastewater	Sanitation	Total
TOTAL ASSETS			
Current Assets:			
Current receivables:			
Accounts receivable	\$ 181,672	\$ 141,439	\$ 323,111
Allowance for doubtful accounts	93,398	255,613	347,011
Less than one year	21,059	—	21,059
One to three years	43,701	—	43,701
Four or more years	129,931	175,256	205,187
Payable from water/sewer system:			
Current distribution of revenue bonds			
Interest	245,000	—	245,000
Carrying charges	399,337	—	399,337
Total current receivables	<u>1,233,038</u>	<u>456,492</u>	<u>1,689,530</u>
Noncurrent Assets:			
CPEB Liability	792,059	56,520	848,579
Net pension liability	2,235,122	—	2,235,122
Revenue bonds payable	<u>1,101,624</u>	<u>—</u>	<u>1,101,624</u>
Total noncurrent assets	<u>3,028,705</u>	<u>56,520</u>	<u>3,085,225</u>
Total Assets	<u>3,461,733</u>	<u>521,012</u>	<u>3,982,745</u>
NONDISMISSED INFLOWS			
Fees for services	151,576	—	151,576
Fees for UPRIS	<u>148,452</u>	<u>—</u>	<u>148,452</u>
Total deflected inflows	<u>320,028</u>	<u>—</u>	<u>320,028</u>
NET POSITION			
Net investment in capital assets	16,616,427	40,134	16,656,561
Residual value of debt service and capital activity	.187,041	—	.187,041
Unrestricted	3,473,443	44,292	3,518,135
Total net position	<u>530,476,505</u>	<u>584,461</u>	<u>\$ 30,510,836</u>

CITY OF FRANKLIN, KENTUCKY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2019**

	Proprietary Funds		
	Water and Wastewater	Sewerage	Total
Operating revenues			
Charges for services	\$ 5,566,549	\$ 391,628	\$ 5,958,177
Fines and forfeitures	196,136	—	196,136
Total operating revenue	5,762,685	391,628	6,154,313
Operating expenses			
Salaries, wages and benefits	1,331,503	780	1,332,283
Maintenance	265,489	70,024	335,513
Utilities	327,879	—	327,879
Administrative	720,150	209,740	929,890
Supplies	649,815	—	649,815
Other	106,621	—	106,621
Depreciation	1,230,943	—	1,230,943
Total operating expenses	5,132,323	42,040	5,174,363
Operating income	<u>560,362</u>	<u>66,588</u>	<u>626,950</u>
Non-operating revenues (expenses):			
Investment income	32,612	1,304	33,916
Dividend and interest revenue	16,275	—	16,275
Interest and fiscal charges expense	(132,426)	—	(132,426)
Amortization expense	(2,520)	—	(2,520)
Gain (loss) on disposal of assets	(36,306)	—	(36,306)
Total non-operating revenues (expenses)	(116,811)	1,304	(115,507)
Income before contributions	<u>443,551</u>	<u>65,284</u>	<u>508,835</u>
Capital contributions	<u>565,346</u>	<u>—</u>	<u>565,346</u>
Change in net position	<u>214,897</u>	<u>57,596</u>	<u>272,493</u>
Net position, beginning of year	<u>19,751,478</u>	<u>16,411</u>	<u>20,767,889</u>
Net position, end of year	<u>20,966,375</u>	<u>74,007</u>	<u>21,040,382</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 Year Ended June 30, 2019

	<u>Line Item Details</u>		
	<u>Amount and Type of event</u>	<u>Summary</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 5,170,470	\$ 905,440	\$ 5,766,110
Cash payments to employees and retirees	(1,478,712)	(4,304)	(1,483,016)
Cash payments to suppliers	(1,392,850)	(736,946)	(2,129,796)
Payments for accumulated interest	(70,000)	(210,540)	(280,540)
Net cash provided by operating activities	<u>2,158,920</u>	<u>—</u>	<u>2,158,920</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	(111,141)	—	(111,141)
Principal paid on bonds, notes and lease obligations	(160,340)	—	(160,340)
Interest paid on bonds, notes and lease obligations	(124,200)	—	(124,200)
Proceeds from sale of capital assets	1,132	—	1,132
Net cash used in capital and related financing activities	<u>(125,348)</u>	<u>—</u>	<u>(125,348)</u>
Cash flows from investing activities			
Redemption of 12.5% of 2018 M Investment	101,101	—	101,101
Interest received	32,464	1,391	33,855
Net cash provided by investing activities	<u>133,565</u>	<u>1,391</u>	<u>135,956</u>
Net increase in cash and cash equivalents	<u>1,272,537</u>	<u>6,116</u>	<u>1,278,653</u>
Cash and cash equivalents, beginning of year	<u>5,223,500</u>	<u>716,816</u>	<u>5,940,316</u>
Cash and cash equivalents, end of year	<u>\$ 6,545,446</u>	<u>\$ 722,932</u>	<u>\$ 6,299,480</u>
Referred to in the Statement of Fund Net Position -			
Proprietary Funds as:			
Cash and cash equivalents	\$ 3,719,334	\$ 303,046	\$ 4,022,380
Restricted cash and cash equivalents	<u>1,110,012</u>	<u>—</u>	<u>1,110,012</u>
Total	<u>\$ 6,829,346</u>	<u>\$ 303,046</u>	<u>\$ 5,919,380</u>

See Notes to Financial Statements

(Continued)

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2019

	Water and Wastewater	Sewerage	Drainage	Total
Breakdown of operating income to net cash provided by operating activities:				
Operating income	\$ 761,612	\$ 66,906	\$ 628,411	
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,374,461	—	1,374,461	
Non-operating revenues	46,273	—	46,273	
Increase in deferred outflow of resources	(11) 414	—	(11) 414	
Increase in deferred inflow of resources	(1) 65	—	(1) 65	
Changes in assets and liabilities:				
Increase in accounts receivable	(12,113)	(12,920)	(45,097)	
Decrease in due from other funds	8,147	(22,518)	(34,401)	
Increase in inventory and prepaid items	96,519	520	97,039	
Increase (decrease) in accrued payable	(122,019)	(7,420)	(134,439)	
Decrease in accrued liabilities	(2,528)	(1,216)	(3,744)	
Increase in accrued vacation	(1,895)	—	(1,895)	
Decrease in customer deposits	(1,920)	—	(1,920)	
Increase (decrease) in due to other funds	(64,539)	(1,008)	(65,547)	
Decrease in OMB liability	(132,583)	(1,036)	(133,619)	
Increase in pension liability	—	—	—	<u>41,220</u>
Net cash provided by operating activities	<u>\$ 2,158,002</u>	<u>\$ 42,721</u>	<u>\$ 2,180,723</u>	

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Franklin, Kentucky (City) is a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City operates under a Council-Manager form of government. The City provides a full range of municipal services including general governmental services, police and fire protection, public works, parks and recreation, and cemetery operations. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governments' accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statement and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The encompassing government-wide financial statements present the financial statements of the City. There are no components with legally separate entities for which the City is considered to be financially accountable. Accountability is defined as the City's administrative responsibility to the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefit to or impose specific financial burdens on the City.

Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a majority of the related organization's governing board. Based on these criteria, the Electric Plant Board and the Housing Authority of Franklin are considered related organizations of the City.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A regional government or other multi-governmental organization is governed by representatives from one or the governments that created the organization, but is not a joint venture because the partners do not retain an ongoing interest or responsibility. Based on these criteria, the Franklin-Simpson Industrial Authority, Franklin-Simpson Planning and Zoning Commission, and Franklin-Simpson Planning and Zoning Adjustment Board are considered jointly governed organizations of the City.

I. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is usually operated, or governed by two or more participants as a separate activity subject to joint control, in which the parties have certain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based on these criteria, the Franklin-Simpson Parks Board and the Simpson County HIC Advisory Board are considered joint ventures of the City.

H. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally include Unearned Interest, taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are directly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on their specific function and are included in the functional expenditures. Program revenues

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or identifiable activity, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund – governmental and proprietary are presented. The emphasis of fund financial statements is on major government and major enterprise funds, each displayed in a separate entity. All other governmental and enterprise funds, if any, are aggregated and reported as non-major funds.

Fund Accounting

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

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The management focus of governmental funds is on the sources, use and balances of current financial resources. The City has provided the following major governmental fund:

General Fund

The General Fund is the general operating fund of the City. All general revenues and other receipts that are not allocated by law, ordinance or contractual agreement to other funds are accounted for in this fund. General operating expenditures, fixed charges and capital construction costs that are not paid through other funds are paid from the General Fund.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City's five major special revenue funds account for specific revenues that are restricted to expenditures, like operating the Greenlawn-Shady Rest Cemetery (Greenlawn-Shady Rest Cemetery Fund), government housing, community and economic development projects (Community Development Fund), public works (Municipal Aid Fund), economic development activities (Economic Development Marketing Loan Fund), and environmental system (Groundwater Fund).

Permanent Funds

Permanent funds are used to report resources that are legally restricted to allow only the community and the principal in the need for purposes that support the reporting government's programs. The City reports two major permanent funds (Fannie Lewis Cemetery Perpetual Fund and Greenlawn-Shady Rest Cemetery Permanent Fund) which consist of two assets held in trust for the perpetual maintenance and beautification of Greenlawn-Shady Rest cemetery.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the government body is that the costs (expenses, including depreciation) of products, goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has been granted particular determinations or revenue, crucial, expenses incurred and net income is appropriate for capital maintenance, public policy, entrepreneurial control, accountability or other purposes. The City reports the following major enterprise funds:

Water and Wastewater Fund

The Water and Wastewater Fund accounts for the operations of the City's water and wastewater system.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Solidification Fund

The Solidification Fund accounts for the operations of the City's solidification system.

C. Measurement Basis and Basis of Accounting

Government-wide and Proprietary Funds

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. With this measurement focus, all assets and all liabilities, including long-term assets, as well as long-term debt and obligations, are included in Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in conjunction with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items. Nonbutchered and unrestricted resources are available for use; it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes, grants, contributions and similar items and dividends. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. Franchise fees, licenses and permits, fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is acquired or is first permitted. Grants, contributions and dividends are recognized as revenues, net of estimated uncollectible amounts, in 2009 as all eligibility requirements imposed by the provider have been met.

Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as revenues if and if recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd cont'd)

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in specific revenue funds. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

General capital asset acquisitions are reported as expenditures and proceeds of general long term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are receivable within 60 days after year end. Principal revenue sources considered susceptible to accrual include taxes, licenses and permitting charges. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, amortized deferred and odd jobs/jobs worker's compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts prove to be a plus.

The City records unearned revenues on its combined balance sheet. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also exists when resources are received by the City before it has a legal claim to them. In subsequent periods, when collection/recognition criteria are met or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

CITY OF FRANKLIN, KENNESAW

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019, cash equivalents consisted primarily of certificates of deposit and short-term instruments with local financial institutions.

Receivables and Payables

Activity between funds that are representative of lend/reborrow arrangements occurring in the course of the fiscal year are reflected in as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/lent to other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due without due date." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an encumbrance on property as of January 1 each year. Property values are assessed on January 1 of each year; taxes are levied annually by ordinance and are payable on December 31. The City bills out collected property taxes. City property tax revenues are recognized when levied to the extent that they are both measurable and available.

Inventories

Inventories are valued at cost which approximates market, using the first-in-first-out (FIFO) method. The costs of inventory items are recognized as expenditures or expenses when used.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In thousands)

Restricted Assets

Certain proceeds of bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures. Construction fund accounts are used to report proceeds of general obligation and revenue bonds and notes that are designated for use in construction and capital acquisitions. Depreciation and maintenance reserves are the resources set aside to provide reasonable reserves for renewals, replacements, improvements, valuations, extraordinary major repairs and contingencies related to bond obligation projects. Sinking fund accounts are the resources accumulated for debt service payments.

Investments and Investment Income

Investments include certificates of deposit or governmental obligations carried at fair value. Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value.

Unbilled Revenue

The City bills customers for water and sewer services after usage based upon meter readings made during the month. The City records a receivable for unbilled revenues as June 30 for usage for which bills have not been sent.

Capital Assets

Capital assets, which include property, plant equipment and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or capitalized historical cost. Donated capital assets are recorded at their estimated fair value at the date of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The City maintains a capitalization threshold of \$2,000. Interest accrued during the construction phase of capital assets of this non-type activities is included in part of the capitalized value of the asset constructed.

CITY OF FRANKLIN, KENOSHA COUNTY

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets, excluding infrastructure, are depreciated using the straight-line method over their estimated useful life, as follows:

	<u>Years</u>
Utility plant	21 - 30
Building and improvements	25 - 10
Equipment and equipment	5
Vehicles	4

The City utilizes the modified approach for reporting eligible infrastructure assets. Eligible infrastructure assets are not depreciated; additions and improvements thereto are capitalized and all other expenses made for such assets are expensed in the period incurred only if requirements regarding asset management systems and preservation at condition level are met.

Depreciation expense is charged directly to the department/division based on the department/division that utilizes the related asset.

Compensated Absences

The City grants vacation and sick pay to all full-time employees based on length of service. No accrual of vacation and sick pay is required when issued in the government-wide and proprietary fund financial statements and reported as accrued liabilities. In fund financial statements, early amounts that are expected to be liquidated within a month financial resources are reported as expenditures and included in accrued liabilities.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the column for governmental activities, business-type activities or proprietary fund Statement of Net Position. Bond revenues and disbursements are amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as expenses in the period incurred.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the City's financial statements, governmental funds recognize initial provisions and disbursements, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unearned Revenue

The City defers revenue recognition till assets recognized before revenue recognition criteria has been satisfied.

Commissions and retainages received before eligibility requirements are met are unearned. In addition, in governmental fund financial statements, rents and lease receivables at fixed rates and are recorded as unearned revenue because potential revenue does not meet the "available" criteria for recognition in the current period.

Deferred inflows of Resources and Deferred Outflows of Resources

With the implementation of GASB Statement 63 and 68, and GASB Statements 74 and 75, the City's Statement of Net Position includes deferred inflows (or dedicated inflows) of resources when appropriate. Deferred outflows of resources represent a consequential net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.

Deferred outflows - include the differences between contract price and the net carrying amount of refundable debt obligations that is recognized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter. In addition, it includes differences between expected and actual experience, changes in assumptions, changes in proportionate share, and differences between projected and actual earnings on investments in both pension plans and other post employment benefit plans, and contributions to pension plans and other post employment benefit plans made subsequent to the City's measurement date of June 30, 2010.

Deferred inflows - include differences between expected and actual experience, changes in assumptions, changes in proportionate share, and projected and actual earnings on investments in both pension plans and other post employment benefit plans.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification

The following classifications describe the relative strength of the spending constraints placed on the resources for which resources can be used:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance amounts established for specific purposes by law providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance amounts committed to specific purposes by the City itself, using its higher level of decision-making authority (i.e., City ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the City uses law, such as higher level action to reverse or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intend can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned fund balances—in the General fund, resources not otherwise reported as nonspendable, restricted, committed, or assigned. This classification is also used to report equivalent fund balance amounts in other governmental funds.

The City Commission establishes (and modifies over time) fund balance constraint by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget documents as a designation or commitment of the fund (such as for specific initiatives). Assigned fund balances is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF FRANKFORT, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

In the government-wide statements, the difference between the City's total assets and total liabilities represents net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the unexpended balances of any accounting used for the acquisition, construction or improvement of those assets.

Net position is reported as resources which constraints placed on them are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

K. Maintenance Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities.

Internal Activity

Differences between governmental and proprietary activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the other funds and as expenditures/expenses in the proper funds. Flows of cash or goods that are linked to amounts utilized as requirements for repayment are reported as interfund transfers. Utilized transfers are reported as cash financing sources in governmental funds and as capitalizing revenues/expenses in proprietary funds. Repayments from funds responsible for particular capitalizations/expenses to the funds that initially paid for them are not disclosed on the financial statements.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (June 30, 2019)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

G. Budgetary Information

Budget Policy

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. A budget is not prepared for the City's permanent funds. All actual appropriations happen at fiscal year-end.

Legal Compliance

All agencies of the City submit requests for appropriations to the City manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

Before June 1st, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer unspent amounts between departments within any fund; however, any revision after the total expenditure of any fund must be approved by the City Commission. During the year, several supplemental appropriations were necessary.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURNS

Deposits

Custodial credit risk is the risk that in the event of a bank's failure a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal deposit insurance: letters of credit issued by federal home loan banks; bankers' acceptances; letters of credit or other obligations of the U. S. Treasury, U. S. agencies or instrumentalities or the state of Kentucky; bonds of any city or the first, second, and third classes, county, school district or educational institution of the state of Kentucky, or county bonds having an aggregate current fair value or actual quoted market value at least equal to the amount of the deposits in excess of amounts insured by the FDIC.

At June 30, 2019, \$10,495,915 of the City's bank balances of \$12,507,576 was exposed to uninsured credit risk as follows. While \$11,448,071 was covered by the FDIC:

Liquidated and uninsured risk by plugging financial institution	\$ 10,495,915
---	---------------

Investments

In accordance with Kentucky Revised Statutes (KRS) 40.150, the City may legally invest in obligations of the U. S. Treasury, U. S. agencies and instrumentalities, including obligations subject to repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds or individual accounts of insured national or state banks.

At June 30, 2019, the City had the following investments and maturities.

Types	Full Value:	Maturity In Years 1-300 Days
U. S. obligations	\$ 475,420	2 475,420

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

Interest Rate Risk - The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or cash in investment prior to maturity due to anticipated cash flow needs. While the City has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy states that funds retained in a specific cash flow need, the City's funds should, in general, be invested in securities maturing within five to ten years from the date of purchase.

Credit Risk - Credit risk is the risk that the issuer or counterparty to an investment will not fulfill its obligations. It is the City's policy to limit its investments in securities issued by a state or local government or any U. S. agency or instrumentality in the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). As June 30, 2019, investments in U. S. agency obligations not directly guaranteed by the U. S. government were rated AAA by Standard & Poor's.

Diversification of Credit Risk - The City's funds must be diversified by security type and institution with the exception of fully insured or fully collateralized investments and except for authorized investment banks, no more than 40% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution. At June 30, 2019, 100% of the City's investments reside in U. S. Obligation Mutual Funds.

Summary of Carrying Values

The carrying values of deposits and investments shown above are reflected in the balances shown as follows:

Carrying value:	
Deposits:	\$17,342,000
Investments:	<u>475,422</u>
	<u><u>\$17,816,000</u></u>

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

Included in the following balance sheet captions:

General Fund-wide Statement of Net Position

Cash and cash eq., current	\$14,656
Certificates of deposit	442,718
Restricted assets:	
Cash and cash eq. deposits	1,960,069
Certificates of deposit	<u>909,352</u>
Total	<u>\$1,103,017,037</u>

Investment Income:

Investment income for the year ended June 30, 2019

(continued from:

Interest and dividend income \$ 144,267

NOTE 3. RESTRICTED ASSETS

The City's restricted assets are as follows as of June 30, 2019:

Category	Cost	Carried at Depend.	Total
Governmental activities			
General Fund:			
Reserve Life Fund	\$ 35,215	\$ —	\$ 35,215
Police Fund	32,105	—	32,105
City of Franklin 2019 Bond Fund	1,131,090	—	1,131,090
Emergency reserve	—	217,556	217,556
SWFPA Fund	<u>2,155</u>	<u>—</u>	<u>2,155</u>
Total governmental activities	<u>1,304,596</u>	<u>217,556</u>	<u>1,421,654</u>
Business-type activities			
Emergency Fund			
Water and Wastewater Fund			
Unrestricted deposits		519,940	519,940
Utility service revenue	451,505	703,212	758,017
Depreciation reserve	285,787	—	285,787
Maintenance and replacement reserve	<u>32,437</u>	<u>9,751</u>	<u>41,188</u>
Total business-type activities	<u>756,031</u>	<u>902,473</u>	<u>1,658,504</u>
Total restricted assets	\$ 1,300,392	<u>\$ 938,030</u>	<u>\$ 2,238,734</u>

CITY OF FRANKLIN, KENTUCKY

WORKS TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 were as follows:

	Balances June 30, 2018	Transfers	Expenditures	Balances June 30, 2019
General Capital Assets				
Capital assets, net of depreciation:				
Buildings and equipment:				
Land	\$ 1,711,614	(4,000)	(1,985,705)	\$ 63,919
Buildings and equipment	11,139	336,704	—	11,475
Construction in progress	<u>4,500</u>	—	(1,104)	<u>(3,396)</u>
Total capital assets, net of depreciation	<u>12,556,811</u>	<u>(352,014)</u>	(1,975,709)	<u>12,633,102</u>
Capital assets being depreciated:				
Buildings and equipment:				
Buildings	2,986,345	(7,371)	(2,890)	2,976,210
Land	10,412	—	—	10,412
Vehicles	1,332,215	(361,901)	(319,300)	1,253,014
Furniture, fixtures and equipment	<u>1,601,622</u>	<u>(11,551)</u>	(456,882)	<u>1,139,250</u>
Total capital assets, being depreciated	<u>5,120,311</u>	<u>(522,313)</u>	(71,181)	<u>4,547,838</u>
Less accumulated depreciation:				
Buildings and equipment:				
Buildings	625,729	(51,817)	(62,939)	509,943
Land	1,341	(1,341)	—	1,341
Vehicles	271,511	(127,941)	(23,163)	126,407
Furniture, fixtures and equipment	<u>1,336,322</u>	<u>(611,931)</u>	(162,240)	<u>542,151</u>
Total accumulated depreciation	<u>2,333,363</u>	<u>(215,513)</u>	(71,181)	<u>2,077,790</u>
Total capital assets, less depreciation	<u>2,186,948</u>	<u>(4,450)</u>	(71,181)	<u>2,111,517</u>
Concurrent and continuing capital contributions	\$ 15,000,000	(1,010,000)	(1,153,500)	\$ 13,836,500
Business-type activities				
Capital assets, net of depreciation:				
Land	36,530	(2,121)	(2,541)	31,868
Construction in progress	<u>12,340</u>	—	(12,340)	<u>(12,340)</u>
Total capital assets, net of depreciation	<u>48,870</u>	<u>(2,121)</u>	(2,541)	<u>41,409</u>
Capital assets being depreciated:				
Land	43,456,123	(4,423)	(562,029)	39,242,302
Buildings	75,710	(14,823)	(13,776)	61,936
Furniture and equipment	410,377	(22,933)	(37,336)	349,098
Vehicles	352,894	—	(352,894)	—
Less depreciation	—	(2,811)	—	(2,811)
Total capital assets being depreciated	<u>453,240</u>	<u>(31,145)</u>	(209,150)	<u>333,945</u>
Less accumulated depreciation:				
Land	37,345,370	(1,700,823)	(388,864)	31,945,729
Buildings	9,844	(1,841)	(1,763)	6,096
Furniture and equipment	410,377	(22,933)	(34,933)	349,098
Vehicles	352,894	(352,894)	(352,894)	—
Less depreciation	—	(2,811)	—	(2,811)
Total capital assets, less depreciation	<u>37,345,370</u>	<u>(1,700,823)</u>	<u>(388,864)</u>	<u>31,945,729</u>
Total capital assets, less depreciation	<u>15,000,000</u>	<u>(1,010,000)</u>	<u>(1,153,500)</u>	<u>13,836,500</u>
Unappropriated transfers out, net	\$ 30,225,320	(5,152,520)	(6,634)	\$ 23,724,231

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 71,622
Public safety	157,151
Public works	87,956
Community and culture	— 2,300
Total depreciation expense - governmental activities	\$ 319,970

Business-type activities:

Water and wastewater	\$ 1,210,443
----------------------	--------------

NOTE 5. LONG-TERM LIABILITIES

Revenue bonds and other directly related long-term liabilities, which are intended to be paid from proprietary funds, are included in the nonexclusives funds. All other long-term indebtedness is accounted for in the Governmental component of the Government-wide Statement of Net Position.

Changes in long-term liabilities for the year ended June 30, 2019 were as follows:

	Interest June 30, 2018	Interest June 30, 2019	Interest June 30, 2019	Interest June 30, 2018	Interest June 30, 2019	Interest June 30, 2019
Governmental activities:						
Interest payable	\$ 795,000	\$ —	\$ 16,570,000	\$ 525,310	\$ 60,146	
Less amortized interest	(1,000)	—	(1,711)	(1,000)	—	
Interest payable, net	\$ 793,000	—	\$ 16,568,289	\$ 524,310	\$ 60,146	
Total governmental activities	\$ 793,000	—	\$ 16,568,289	\$ 524,310	\$ 60,146	

CITY OF FRANKFILL, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5. LONG-TERM LIABILITIES (Cont'd.)

	Balance June 30, 2010	Interest	Interest	Interest June 30, 2010	Accrued Due In One Year
Business-type activities					
Revenue bonds	\$ 4,585,000	\$	\$ 18,000	\$ 4,715,000	\$ 245,000
Capitalized fixed assets (including land)	\$ 1,000	\$	\$ 1,225	\$ 32,625	\$
Total business-type activities	<u>\$ 4,586,000</u>	<u>\$</u>	<u>\$ 18,225</u>	<u>\$ 4,747,625</u>	<u>\$ 245,000</u>
Real governmental/ resource-type activities	\$ 3,425,000	\$	\$ 62,500	\$ 4,705,000	\$ 235,000

Governmental activities:

The City enters into general obligation bonds, lease purchase agreements and notes payable to finance the acquisition and construction of various public projects. These long-term liabilities pledge the full faith and credit of the City.

Governmental activities long-term debt of the City consists of the following as of June 30, 2010:

General Obligation Bonds:

\$2,092,000 City of Franklin, Kentucky General Obligation Public Project Refunding and Improvement Bonds, Series 2009, dated October 13, 2009; fully negotiable bonds in the denomination of \$5,000 or any integral multiple thereof; maturing on October 1 in annual installments of \$140,000 or \$100,000 through 2024, less at a 2% to 4% payable semi-annually on April 1 and October 1, issued in refund five general obligation bonds purchased approximately and are general obligation notes bearing principal balance totaling \$ 105,000 and to finance the costs of the acquisition of five fire engines and a portion of the construction and furnishing of part of a City fire engine loop project; secured by the full faith, credit and taxing power of the City.

\$ 525,000

Revenue bonds

Revenue bonds are comprised of various issues for the purpose of repairing, constructing, equipping, renovating, expanding and adding additions and improvements to the City's system. The City pledges income derived from the acquired or constructed assets to pay debt service.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5. LONG-TERM LIABILITIES (continued)

Water and Wastewater Bonds:

Revenue bonds outstanding at June 30, 2019 were as follows:

	<u>Entered Rate</u>	<u>Final Maturity Date</u>	<u>Principals</u> <u>June 30, 2019</u>
Revenue bonds, Series 2008 (A)	2.00 - 3.75%	December 1, 2024	\$ 200,000
Revenue bonds, Series 2012 (B)	2.01 - 3.55%	December 1, 2035	2,846,000
Revenue bonds, Series 2016 (C)	3.00 - 3.675%	February 1, 2037	<u>11,000,000</u>
General Fund Revenue program, net			<u>4,205,000</u>
			<u><u>75,451</u></u>
Total revenue bonds payable - business-type activities			\$ 4,200,451

- (A) \$1,545,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding and Improvement Bonds, Series 2000, dated October 13, 2009; fully registered bonds in the amount of \$1,500 or any integral multiple thereof; maturing on December 1 in annual installments of \$125,000 to \$160,000 through 2024; interest payable semi-annually on June 1 and December 1; issued to construct certain outstanding lease purchase obligations and finance the construction of improvements to City's water and sewer system; secured by water and sewer system revenues.
- (B) \$3,860,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding Bonds, Series 2012, dated July 24, 2012; fully registered bonds in the amount of \$3,860,000 or any integral multiple thereof; maturing on December 1 in annual installments of \$135,000 to \$240,000 through 2033; interest payable semi-annually on June 1 and December 1; issued to construct the City's remaining Water and Sewer Revenue Bonds, Series 2001; secured by water and sewer system revenues.
- (C) \$1,196,000 Kentucky Bond Corporation Revenue Bonds, dated November 30, 2016; City of Franklin, Kentucky portion of Kentucky Bond Corporation Financing Program Revenue Bonds, Series XII (1), maturing on February 1 in annual installments of \$45,000 to \$60,000 through 2037; interest at 3% to 3.5%; payable semi-annually on February 1 and August 1; issued to finance water and sewer system improvements, accounted by water and sewer system revenues.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5. FINANCIAL LIABILITIES (Continued)

Annual Debt Service Requirements

The annual requirements for amortizing long-term debt, outstanding as of June 30, 2019 are as follows:

Year Ended June 30	Forecasted Activity		Projected Cash Available		Forecasted Yield	
	Capital Expenditure	Interest Borrowings	Capital Expenditure	Interest Borrowings	Interest Income	Interest Expenses
2020	\$ 47,000	\$ 10,000	\$ 146,000	\$ 17,797	\$ 325,000	\$ 130,000
2021	32,000	14,000	251,400	175,300	330,000	141,200
2022	25,000	12,000	191,400	114,000	321,000	110,800
2023	90,000	9,100	263,000	110,400	288,100	114,857
2024	190,000	7,000	270,000	102,500	191,100	110,100
2025 - 2029	—	—	265,000	94,000	1,505,000	954,352
2030 - 2034	—	—	224,000	78,000	1,125,200	786,034
2035 - 2077	—	—	291,000	76,257	220,550	52,9
	\$ 312,000	\$ 111,000	\$ 1,205,000	\$ 1,172,257	\$ 4,010,550	\$ 1,742,721

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

Outstanding receivables and payable as of June 30, 2019 are as follows:

	Interfund Received	Interfund Payables
Governmental Funds.		
General Fund	\$ 176,072	\$ 16,304
Special Revenue Funds		
Economic Development Revolving Fund	50,063	
Franklin LDC Fund	—	7,913
Cemetery Study Rest Cemetery Fund	15,303	23,123
Community Development Fund	—	22,276
Emergency Fund	24,391	15,739
Paramount Fund		
Cemetery Study Rest Revolving Fund	—	250
Total governmental funds	<u>226,761</u>	<u>105,234</u>
Proprietary Funds		
Water and Wastewater Fund	44,446	152,091
Sanitation Fund	14,544	17,453
Total proprietary funds	<u>93,000</u>	<u>172,544</u>
	<u><u>\$ 321,761</u></u>	<u><u>\$ 307,775</u></u>

CITY OF FRANKFELT, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7. INTERFUND TRANSFERS

Interfund transfers for the year ending June 30, 2019 are summarized as follows:

Governmental Funds:	Transferred In	Transferred Out
General Fund	\$ 21,000	\$ 25,000
Special Revenue Fund		
Economic Development Revolving Fund		21,000
Municipal Aid Fund	100,000	
Frankfort-Henry Regional Cemetery Fund	186,000	
Severance Fund	100,000	
Pension Fund		
Frankfort-Henry Regional Cemetery Discretion Fund	—	10,000
Total governmental funds	\$ 457,000	\$ 452,000

Transfers are used in (1) receive revenues from the fiscal that statute or budget require to collect, which is the fund that collects or budget requires to expand basic and (2) use unrestricted revenues collected in the General Fund to finance various programs awarded for in other funds in accordance with budgetary appropriations.

NOTE 8. RETIREMENT PLAN

County Employees Retirement System

Plan Description

The County Employees Retirement System (CERS) is a cost sharing multiple employer defined benefit pension plan created by the Kentucky General Assembly, pursuant to the provisions of Kentucky Revised Statute Section 22.421. CERS is administered by the Board of Trustees of Kentucky Retirement Systems (KRS), pursuant to Kentucky Revised Statute Section 60.645, and covers substantially all regular full-time City employees (members) employed in nonexempt and exempt duly positions. The KRS issues a publicly available annual report that includes financial statements and required supplementary information for CERS. That report may be obtained at <http://kfrs.ky.gov>.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A. RETIREMENT PLAN (Continued)

Benefits Provided

CEERS provides for retirement, disability and health benefits to plan members. Benefits are vested in the plan after five years' service credit. Retirement benefits may be calculated as beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLAs) are provided at the discretion of the State Legislature. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA. For purposes of this plan, employees are grouped into three tiers based on hire date. Tier 1 includes plan members whose participation began before September 1, 2008. Tier 2 includes plan members whose participation began on or after September 1, 2008 but before January 1, 2014, and Tier 3 includes plan members whose participation began on or after January 1, 2014.

Tier 1 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a benefit formula calculation based on final compensation times benefit factor times years of service. Tier 1 final compensation is the average of the last five years' earnings. Benefit factor is 2.20% for members participating prior to August 1, 2004 and 2.00% for members participating on or after August 1, 2004 and before September 1, 2008. Reduced benefits for early retirement are available at age 55 with five years of service credit or at any age with 25 years of service credit. Tier 3 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years' service credit or at age 57 based on the Rule of 87 - sum of service years plus age equal 87. Final compensation for Tier 2 benefit formula calculation is the average of the last complete five years' earnings and benefit factor is an increasing percent based on years of service plus 2.00% for each year of service over 30. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 2 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years' service credit or at age 57 based on the Rule of 87. Tier 3 members are not eligible for reduced retirement benefits. Tier 3 is a hybrid cash balance plan. When a member is eligible to retire, the benefit is calculated based on the member's most vested account balance. A member earns service credit for each month contributing to the plan. Upon retirement, the hypothetical account, which includes member contributions, employer contributions and interest credits can be withdrawn in a lump sum or converted into a single life annuity option.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 8. RETIREMENT PLAN (Continued)

Tier 1 hazardous members are eligible to retire with an unreduced retirement benefit at age 55 with 5 years of service credit or after 20 years of service credit regardless of age. Benefits are determined by above benefit formula. Calculation is based on average of the three highest years' earnings (final compensation), a 2.5% benefit factor and years of service. Reduced benefits for early retirement are available at age 55 with 15 years of service credit. Tier 2 hazardous members are eligible to retire at any age with 25 years of service credit (age 60 with 5 years of service credit). Benefit formula is as follows: an average of the three highest complete years' earnings, an increasing percent benefit factor based on service at retirement, and years of service. Reduced benefits for early retirement are available at age 50 with 15 years of service. Tier 3 hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 4 members are not eligible for reduced retirement benefits.

Death benefits are provided for both death after retirement and death prior to retirement. Members receiving a monthly benefit based on at least two years of creditable service are eligible for a \$5,000 death benefit. Beneficiaries of deceased members are eligible for a monthly benefit if the member was (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased retiree member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's entire benefits and any accumulated interest.

Members participating before August 1, 2004 may retire on account of disability provided the member has at least 50 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004, but before January 1, 2014, may retire on account of disability provided the member has at least 70 months of service credit. Benefits are computed as the higher of a % of final rate of pay (20% nonhazardous, 25% hazardous) or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014, may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employee contributions and interest and can be withdrawn as a lump sum or an annuity equal to the larger of a % of the member's monthly final rate of pay (20% nonhazardous, 25% hazardous) or the unadjusted hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 8. RETIREMENT PLAN (Continued)

Contributions

Employees' contribution rates are set by statute governing PFR-KRS and may only be changed by the Kentucky General Assembly. Participating employers are entitled to contributing at an actuarially determined rate. Per Kentucky Revised Statutes Section 61.550(3), normal contribution rate: the actuarially accrued liability contribution rate shall be determined by the Board of Finance on the basis of the annual actuarial valuation last preceding the July 1 of the year preceding. The Board may increase contribution rates as of July 1 of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that unended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The normal contribution rate (the percent comprised of employee creditable compensation) shall be determined by the July 1 of annual cost funding method. The actuarially accrued liability shall be determined by several methods consistent with the methods prescribed for determining actuarial contribution rate. The actuarially accrued liability contribution shall be computed by amortizing the total unfunded actuarially accrued liability over a period of 30 years using the level-gross-maturity assumption method. Administrative costs of CPERK are guaranteed through employer contributions and investment earnings.

Plan members participating in CPERK on or before August 31, 2008 (Tier 1), with nonhazardous and hazardous duty positions, were required to contribute 5% and 8%, respectively, of their annual creditable compensation. For plan members who began participating on or after September 1, 2008 but before January 1, 2014 (Tier 2), contribution rates are 6% (nonhazardous) and 9% (hazardous) of annual creditable compensation. The additional 1% is deposited in an account created for the payment of health insurance benefits under 26 U.S.C. Section 401(h) in the Pension Fund (Kentucky Administrative Regulations 105 KAR 1:120F). Plan members participating on or after January 1, 2014 (Tier 3), were required to contribute to the hybrid cash balance plan. Plan members shall contribute a set percentage of creditable compensation into the member's account. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. Employers contribute 2% (nonhazardous) and 7.5% (hazardous) of creditable compensation into member's hybridized account.

For the year ended June 30, 2019, the City contributed 21.48% (nonhazardous - 16.22% pension; 5.26% insurance) and 23.74% (hazardous - 21.37% pension; 10.47% insurance) of each employee's creditable compensation to CPERK, in accordance with its actuarially determined contribution rate. The City's employer's contributions to CPERK for pension benefits for the year ended June 30, 2019 were \$674,767.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A. RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the City reported a liability of \$9,995,688 due its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and reflected in amounts using generally accepted accounting principles. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.044882% (non-excludable), a decrease of 0.002432% from its proportion calculated as of June 30, 2017, and 0.192149% (excludable), a decrease of .001283% from its proportion as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,615,455. At June 30, 2019, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
No. difference between projected and actual contributions to pension plans	\$ 51,404	\$ 75,451
Difference between expected and actual experience	120,146	537,741
Change in assumptions*	1,917,771	
Change in projected non-excludable share of contributions	- ,627	113,624
Devaluation adjustment in the measurement date of June 30, 2018	<u>614,162</u>	—
Total	<u>\$ 2,619,923</u>	<u>\$ 731,128</u>

The amount shown above for "contributions adjustment to the measurement date of June 30, 2018," will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30:

2020	\$ 983,903
2021	458,408
2022	(100,606)
2023	<u>(49,715)</u>

\$ 1,284,122

CITY OF FRANKFORT, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 18. RETIREMENT PLAN (Continued)

As the table above, positive changes will increase pension expense while negative amounts will decrease pension expense.

Assumptions: The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest	2.30%
Salary increases	4.05% average, including inflation.
Investment rate of return	6.25% net of fees on plan investment expenses, including inflation.

During the 2018 legislative session, House Bill 187 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 60% of the member's final rate of pay to 75% of the member's average pay. If the member dies with a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

The rates of mortality used for active members is RP-2010 Combined Mortality Table projected with Scale BH to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality tables used is the RP-2010 Combined Mortality Table projected with Scale BH to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BH to 2013 (set back 4 years for males) is used for the period after disability determined. There is some margin in the current mortality tables for possible future improvement in mortality rates and this margin will be reviewed again when the next experience investigation is conducted.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KFRK. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in determining the long-term rate of return assumption including long-term historical data, estimates inherent in capital market data, and a long-run cash distribution analysis in which best estimate ranges of expected future rate of return (expected return, net of investment expense, and

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 8. REQUIREMENT PLAN (Continued)

assumptions) were developed by the investment consultant for each major asset class (see chart below). These were combined to produce the long-term expected rate of return by weighting the expected future回报 rates of return by the target asset allocation percentage and the annual expected inflation. The cap had used assumptions developed by the investment consultant for inflation for use over a 10-year horizon and may not be useful in valuing the long-term rate of return for funding pension plans which cover a longer time frame. The assumption is selected to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or if fundamental changes in the market that alter expected returns in future years. The target allocations and final estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
M&G equity	17.50%	9.07%
International equity	17.50%	7.85%
Global bonds	4.00%	2.60%
Global equit	2.00%	1.60%
High yield	2.00%	1.25%
Fragile marketable	2.00%	9.30%
Private equity	10.00%	8.20%
Real estate	5.00%	7.00%
Alternative return	10.00%	7.00%
Real return	10.00%	6.11%
Private equity	10.00%	8.20%
Cash	2.00%	1.64%
Total		100%

The long term expected rate of return on pension plan investments was established by the RR&S Board of Trustees as 6.25% based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 4.21% for the year ended June 30, 2010. The projection of cash flows used to determine the discount rate assumed that participating employees would contribute the actuarially determined contributions into a projected compensation over the remaining 25 years (the overall amortization period of the unfunded actuarial accrued liability). The original rate determination does not use a municipal bond rate.

CITY OF FRANKFORT, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8. RETIREMENT PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following table shows the net pension liability of the City calculated using the discount rate of 6.25%, as well as the net pension liability if calculated using a discount rate of 1 percentage point lower (3.25%) or 1 percentage point higher (7.25%) than the current rate:

	<u>% Decrease</u> <u>(5.21%)</u>	<u>Current Balance:</u> <u>\$106,235.00</u>	<u>% Increase</u> <u>(7.21%)</u>
City of Franklin's net position liability			
<u>Unaccrued</u>	\$ 587,716	\$ 1,047,040	\$ 3,673,375
<u>Reserves</u>	<u>6,716,506</u>	<u>3,552,645</u>	<u>-4,191,901</u>
Total	\$ 12,294,222	\$ 1,600,685	\$ 7,216,474

Pension Fund Fiduciary Net Position

Detailed information about the pension plan's fiduciary role position is available in the explanatory issued Plan financial report.

POINT 9. HAS REEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPCB)

Regulatory Requirement Systems' Performance Evaluation

Plan Description

Employees of the City are participants in health insurance and retirement insurance through the Kentucky Retirement Systems' Retirement Fund (Insurance Fund), a multi-employer multiple-employer funded benefit (MPPER) plan. The Insurance Fund is administered by the Board of Directors of Kentucky Retirement Systems (KRS). pursuant to Kentucky Revised Statute Section 61.615, and covers approximately all regular full time City employees (including those employed in non-exempt and honorary City positions). The KRS issues a publicly available annual report that includes financial statements and required supplemental information. That report may be obtained at www.krs.ky.gov.

Benefits provided. The Insurance Fund pays a specified contribution for whole or partial payment of medical premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the expense and disbursements of retired honorary members killed in the line of duty.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

As a result of House Bill 290 (2003), Kentucky General Assembly, post-employment benefits are calculated differently for members who began participating on, or after, July 1, 2003. Those individuals reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurances benefits. Benefits are determined for every year of earned service without regard to a maximum dollar amount. Hazardous employees that first participated began on, or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous account. This dollar amount is subject to adjustment annually, which is currently 1.3%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Current funding requirements of the participating employers are established and may be amended by the KAS Board of Trustees. The City's contribution rate required contribution rate for the year ended June 30, 2019 was 5.20% of covered payroll. Contributions to the Insurance Fund (see the City were \$223,998 for the year ended June 30, 2019. Participants Civil entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation, which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(b) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:4201).

The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employees' actual contributions for fiscal year 2018. This method is expected to be indicative of the employees' long-term contributions. At June 30, 2019, the City's proportion was 0.087395% (non-hazardous) and 0.193160% (hazardous).

Net OPEB Liability

At June 30, 2019, the City reported a liability of \$2,910,581 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by all

CITY OF FRANKLIN, KENNESAWAY

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

actuarial valuation as of June 30, 2017 and rolled-forward using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the Insurance Fund relative to the projected membership of all participating entities, actuarially determined. As of June 30, 2018, the City's proportion was .087802% (non-participant), a decrease of .0012475%, from its proportion measured as of June 30, 2017, and .1191163% (participant), a decrease of .001273%. From its proportion as of June 30, 2017.

Assuming no changes. The total OPEB liability at the June 30, 2019 nominal valuation was determined using the following actuarial assumptions, applied to all periods indicated in the unaudited (unless otherwise specified):

Inflation	2.20%
Salary Increases	3.05%, average
Plan year rate of return	6.25%
Healthcare cost trend rates (Pw-65)	Initial credit starting at 7.00% at January 1, 2020, and gradually decreasing to final trend rate of 4.05% over a period of 12 years.
Healthcare cost trend rates (Pw+65)	Initial credit starting at 5.00% at January 1, 2020, and gradually decreasing to final trend rate of 4.05% over a period of 12 years.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2019 (retailled by 50% for males and 30% for females). For healthy retirees members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (retailled for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale HH to 2013 (retailled four years for males) is used for the period after disability retirement.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 9. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)**

The long-term expected rate of return on OPEB plan investments was determined using a long-horizon method in which historical ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) were developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of achievable real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US equity	17.30%	9.97%
International equity	17.30%	7.25%
Global bonds	4.90%	2.23%
Global cash	2.90%	0.25%
High yield	1.00%	7.00%
Funding assets short	5.00%	7.10%
Real estate	5.00%	7.61%
Private credit	10.00%	6.75%
Alternative return	10.00%	7.61%
Rent income	10.00%	5.19%
Public equities	10.00%	6.25%
Cost equivalent	2.00%	.68%
 Total	 100%	

Discount rate. The discount rate used to measure the total OPEB liability was 5.62% for non-hazardous and 3.97% for hazardous employees. The discount rate is based on the expected rate of return on OMPK plan investments of 6.25% and a municipal bond rate of 3.67%, as reported in Fidelity Index's "10-Year Municipal AAA Index" as of June 30, 2018. Future contributions are presented in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute a fixed dollar amount based upon their total payroll, which is determined using a closed funding period (25 years as of June 30, 2018).

However, the cost associated with the implicit subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic annual rates of return for each major asset class are summarized in the CAFR.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Net OPEB Liability

Sensitivity of the City's proportional share of the collective net OPEB liability to changes in the discount rate. The following presents the City's proportional share of the collective net OPEB liabilities, calculated using discount rates at 5.97% (baseline) and 7.85% (worst-case), as well as what the City's proportional share of the collective net OPEB liabilities would be if it were calculated using a discount rate that is 1 percentage point lower (6.97% and 4.85%), respectively, than the current discount rate.

City of Franklin's net OPEB Liability	<u>% Increase</u>	<u>Current Discount</u>	<u>% Decrease</u>
Hazardous	+ 1.8%	\$ 1,270,323	\$ 942,241
Nonhazardous	+ 1.6%	\$ 1,500,531	\$ 1,163,408
Total	\$ 2,770,854	\$ 2,433,649	\$ 2,105,649

Sensitivity of the City's proportional share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the City's proportional share of the collective net OPEB liabilities, as well as what the City's proportional share of the collective net OPEB liabilities would be if they were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

City of Franklin's net OPEB Liability	<u>% Increase</u>	<u>Current Health-Care Cost</u>	<u>% Decrease</u>
Hazardous	+ 1.8%	\$ 1,270,323	\$ 1,211,290
Nonhazardous	+ 1.6%	\$ 1,500,531	\$ 2,230,519
Total	\$ 2,770,854	\$ 2,433,649	\$ 3,441,809

OPEB plan/industry position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$4,6,972. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 9. POST-Employment Benefits Other than Pensions (OPEB)
(Continued)

	Original Definition of Resources	Deferred Definition of Resources
Net difference between original and revised estimates	\$ —	\$ 34,966
Changes of assumptions	792,680	7,354
Net difference between previous annual and budgeted OPEB plan contributions	—	237,737
Changes in participation and differences between employee contribution and contributions share of contributions	—	53,383
Contributions subsequent to the measurement date of June 30, 2018	221,005	—
Total	\$ 955,080	\$ 635,480

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2018," will be recognized as a reduction of the net OPEB liability at the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to OPEB, are recognized in OPEB expense as follows:

Years ended June 30,	
2018	\$ 76,075
2019	76,075
2022	457
2021	(21,500)
2024	(21,500)
Thereafter	(12,345)
	3 96,680

NOTE 10. POST-Employment Benefits Other than Pensions (CITY OPEB)

In addition to the other post-employment benefits provided by the City through the Kentucky Retirement System's Insurance Fund, described above, the City also maintains an optional retirement plan authorized by the Mayor/Councilman. The City does not issue a separate, publicly available OPEB financial report. City employees who retired prior to May 1, 1988, plus employees spouses who retired after May 1, 1988 but who elected to participate in the CERS plan (above), are paid a \$100 per month retirement benefit. Eighteen retired City employees are currently covered under the plan. Retirement benefits are financed on a pay-as-you-go basis. Payments under the plan totaled \$17,500 for the year ended June 30, 2019.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CITY OPEB)
(Continued)**

In addition to providing retirement benefits, the City also provides certain health care and life insurance benefits for these retired employees and their spouses. The cost of the retiree health care and life insurance benefits is borne 100% by the City and is funded on a pay-as-you-go basis. For the year ended June 30, 2019, payments under the plan totaled \$67,742.

At June 30, 2019, the City reported a total OPEB liability of \$330,124. The City's total OPEB liability was measured as of June 30, 2019 and was calculated by the City using the alternative measurement method permitted by GASB Statement 75 for employers in OPEB plans with fewer than 101 employees as of the beginning of the measurement period.

The following simplifying assumptions were made:

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services' long-term healthcare trends analysis model. A rate of 4.80% per year initially, reduced to an ultimate rate of 4.50% per year.

Discount rate - The discount rate used to determine the total OPEB liability was 3.19%, as reported in Fidelity's "20 Year Municipal AA Index" as of June 30, 2019. No assets have been recognized in an irrevocable trust, so the municipal rate has been applied to all portions. The discount rate was 3.62% for the June 30, 2018 measurement date.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability

Sensitivity of the City's total OPEB liability to changes in the discount rate. The following presents the City's total OPEB liability as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.19%) or 1 percentage point higher (4.19%) than the current discount rate:

	% Decrease (<u>-1%</u>)	Discount Rate <u>(3.13%)</u>	% Increase <u>(4.19%)</u>
City of Franklin's total OPEB Liability	\$ 241,751	\$ 310,124	\$ 123,501

Sensitivity of the City's total OPEB liability to changes in the healthcare cost trend rates. The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	Current Healthcare Cost Trend Rate	% Decrease <u>(-1%)</u>	% Increase <u>(+1%)</u>
City of Franklin's total OPEB Liability	\$ 311,501	\$ 310,124	\$ 312,876

NOTE 11. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The plan's investments are held in trust by Public Employees Benefit Service Corporation. Participants can contribute to the plan based on either a percentage of compensation or a fixed dollar amount per pay period up to 100% of the participant's total includible compensation or \$10,000 for 2019, whichever is less. During the fiscal year ending June 30, 2019, contributions made on behalf of employees totaled \$76,718.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 11. SOLID WASTE COLLECTION FRANCHISE AGREEMENTS

Commercial and Residential

On September 30, 2013, the City entered into an exclusive commercial and residential franchise agreement with Scott Waste Services, LLC (franchisee), for the collection of residential and commercial solid waste and wastewater treatment plant waste in the City. Pursuant to franchise agreement for residential services, the City shall withhold 10% of the monthly gross receipts (franchise fee) received by the City from utility bill payments attributable to operations conducted by franchisee. In addition, City shall withhold 3% of the monthly gross receipts as a collection fee for its billing and collection services provided. For commercial services, the franchisee shall bill all commercial and industrial customers and pay to the City a fee of 10% of collected gross receipts for commercial and industrial services. The franchise agreement was for a five year period beginning October 1, 2013 and ending September 30, 2018. On August 15, 2019, the City agreed to an amended and restated franchise agreement with Scott Waste Services, LLC. See Note 19 – Subsequent Events.

Industrial

In September, 2013, the City entered into non-exclusive industrial franchise agreements with franchisees for the collection of industrial solid waste in the City and industrial parks located therein. The industrial franchisee must remit to the City monthly 10% of the gross receipts received attributable to its operations in the industrial franchise area. The franchise agreements were for a five-year period beginning October 1, 2013 and ending September 30, 2018. On August 15, 2019, the City entered into an amended and restated franchise agreement with Scott Waste Services, LLC. See Note 19 – Subsequent Events.

NOTE 12. INTERLOCAL AGREEMENT FOR FIRE PROTECTION

On June 21, 2012, the City and Simpson County Fiscal Court ("County") entered into an Interlocal Agreement for fire protection and related emergency services. The County previously furnished basic fire protective services within its boundaries and the City desires to contract for essential fire-fighting, protection and emergency services for the City.

At onset of Interlocal Agreement, the City and County fire departments merged into the Franklin-Simpson Fire Rescue operated, managed and administered by the County, with the Simpson County Fire Department Chief being the chief officer of the merged department.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 11. INTERIMAGAL AGREEMENT FOR FIRE PROTECTION (Continued)

Fire Station and Equipment

The City will have full use of fire station owned by City and shall maintain the station and grounds. The City shall retain ownership of the fire station and shall provide all major capital requirements of station required during the term of the agreement, including renovations.

Personnel

Staffing of Franklin-Simpson Fire Rescue will be determined by the Fire Chief, in consultation with the County Judge Executive and the Mayor and City Manager, subject to approval of the Simpson County Fiscal Court.

Financial Contributions

City contributions to the County to the cost and expense of Franklin-Simpson Fire Rescue shall be at amounts per City's adopted budget payable monthly, however, not less than \$220,000 annually, until the price written agreement of the parties. City contributions shall be increased or decreased annually, based upon change in consumer price index or cost of living increases set by Governor's Office of Local Development or comparable governmental office, effective July 1st of year increase or decrease is adopted by applicable state office, or the percentage increase in Simpson County's fire department budget, whatever is lower.

Financial contributions to the County due implementation of federal, state or local mandatory regulations shall be determined by negotiation. City shall furnish, without charge, quantities of water and use of fire hydrants as County may require or be able to use in its fire fighting operations within the City or County. City shall provide insurance coverage for the rescue facility, however, vehicles owned or operated by County located within the station, shall be insured by the County.

Term

The term of the agreement is for one year, unless extended by mutual agreement or terminated. The agreement shall be renewed for one additional one year term unless, not less than twelve months prior to the expiration of this agreement, either party shall provide written notice to the other of its intent to terminate. The agreement may be terminated by either party by written notice of intent one year prior to intended termination.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2010

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of loss related to theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City maintains liability insurance coverage (either commercial or through a pooled insurance program) covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Such claims did not exceed this commercial coverage in the past three fiscal years.

NOTE 15. CONINGENCIES

The City has been named in a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City that resolution of these matters will not have material adverse effect on the City's financial position. Accordingly, no provision for any liability resulting from litigation has been made in the accompanying financial statements.

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grant agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grant agencies; therefore, to the extent that the City complied with the rules and regulations governing the grants, refunds of any subsidy received may be required and the collectability of any related receivable at June 30, 2010 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, because no provision has been provided in the accompanying financial statements for such contingencies.

In June, 2010, the City Commissioners voted by resolution to sell and transfer all of the tangible and intangible assets of its fiber optic network to the Franklin Electric Plant Board (Board) for \$2,500,000. The Board assumed day-to-day operations of the fiber optic network on July 1, 2010. The City also is a guarantor of the Board's \$650,000 Franklin Bank & Trust commercial revolving draw promissory note, dated May 14, 2010, issued to facilitate the transfer of the fiber optic network from the City to the Board. The Board's note payable has a due date of May 14, 2020 and the City's guarantee terminates in effect until the Board's Franklin Bank & Trust debt is paid in full.

CITY OF FRANKFORT, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 16. CONCERN DEBT OBLIGATIONS

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property leased and are payable solely from payments related to the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond recipient. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2010, there were no series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$11,111,682.

NOTE 17. TAX AGREEMENTS

The City participates, along with the Commonwealth of Kentucky, in the Kentucky Business Investment Program ("KBI"). KBI provides a wage incentive of up to 1% of the gross wages of each employee of qualified businesses in the City. An eligible company must be engaged in one of the following activities: manufacturing, agriculture, regional or national trade, service operations, or certain nonretail commerce or technology activities. The minimum requirement for an eligible project are: create a minimum of 10 new, full-time jobs for Kentucky residents; incur at least \$100,000 in eligible costs, and meet a minimum level of wages and benefits. The tax incentives provided with this program are available for up to 10 years. The authority for this program is established in KRS 154.47. For the year ended June 30, 2010, City tax abatements were approximately \$137,000 relating to the City's participation in the KBI program.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 18. RECENT PRONOUNCEMENTS

In January, 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019. This statement establishes criteria for identifying fiduciary net assets of state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary components of postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with derivatives meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

This statement clarifies how fiduciary funds that should be reported, if applicable: (1) trustee (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) restricted funds. Custodial funds generally should report fiduciary activities that are not held in a level or equivalent arrangement that meets specific criteria. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

In June, 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principles that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS June 30, 2019

NOTE 18. RECENT PROVISIONS (Continued)

In June, 2018, the GASB issued Statement No. 50, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1999 FASB and AICPA Pronouncements, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in historical cost of a capital asset reported in a business-type activity or enterprise fund.

This statement also mandates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense on a basis consistent with governmental fund accounting principles.

The City is evaluating the impact that will result from adopting the above GASB standards and is currently unable to disclose the impact of the adoption of these standards upon its financial position and results of operations.

NOTE 19. SUBSEQUENT EVENTS

Amended and Restated Franchise Agreement

On August 13, 2019, the City and County entered into an amended and restated Franchise Agreement, with Waste Management, L.L.C. (Franchisee), for the collection of non-residential, commercial and industrial solid waste and wastewater treatment plant waste within the City and County. The City and County desired to continue their respective separate franchise agreements with Franchisee for the extended term of this amended and restated franchise agreement. This agreement is effective August 15, 2019, shall terminate on June 30, 2026, and may be renewed for one additional one-year term. Monthly rates for collection of City residential solid waste and recyclable materials by Franchisee shall continue to be billed by City as part of monthly residential utility bills. Monthly rates for collection of commercial solid waste shall be billed to customers by Franchisee.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 19. SUBSEQUENT EVENTS (Continued)

The City shall withhold one percent (1%) of the monthly gross collections received from utility bill payments (residential franchise fee) and the franchisee shall pay the City a fee of one percent (1%) of collected gross revenue from all commercial and industrial customers (non-residential franchise fee). In addition, the City shall withhold three percent (3%) of the monthly gross revenue from residential utility bill payments as a collection fee for its billing and collection services provided.

Normal Repayments:

On December 1, 2019, the City redeemed the outstanding principal amount and accrued interest of its Hazard Oblique Public Project Refunding and Improvement Bonds, Series 2009, dated October 14, 2009. The principal amount of bonds maturing on December 1 of years 2020 through 2024 totaling \$445,000 were redeemed plus accrued interest of \$2,927.

In addition, on December 1, 2019, the City redeemed the outstanding principal amount and accrued interest of its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2000, dated October 13, 2010. The principal amount of bonds maturing on December 1 of years 2021 through 2024 totaling \$265,000 were redeemed plus accrued interest of \$5,563.

**RQ1: RQ1: REQUESTS SUPPLEMENTARY INFORMATION
(Other than Management's Discussion and Analysis)**

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE, I.C.
 General Fund
 Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Fiscal Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Position (Expenditure)</u>
Revenues:				
Taxes:	\$ 959,563	\$ 1,022,395	\$ 1,096,214	\$ 173,851
Chaparral fees	2,318,124	2,312,835	2,456,403	143,568
Insurance premium taxes	1,657,036	1,757,010	1,843,383	96,347
Business license taxes	826,640	729,170	838,630	104,980
Permit fees	46,250	47,470	95,032	47,562
Interest revenue	142,001	242,601	186,033	54,032
Interest and charges	1,040,346	1,049,216	1,040,346	
Fines and forfeitures	70,520	70,520	49,354	(21,166)
Miscellaneous	— 190,651	— 140,513	— 183,422	— 2,910
Total revenues	<u>7,126,183</u>	<u>7,477,510</u>	<u>7,792,057</u>	<u>314,544</u>
Expenses:				
General government:				
Legislative:				
Personnel services	124,450	124,400	124,010	(4,440)
Contractual services	13,570	20,273	23,261	5,690
Materials and supplies	950	930	1,270	320
Other	17,120	—	21,620	4,500
Total legislative	<u>155,120</u>	<u>147,293</u>	<u>146,501</u>	<u>(0,358)</u>
Administrative:				
Personnel services	321,930	331,524	336,834	(5,300)
Contractual services	15,270	33,743	31,700	1,977
Materials and supplies	9,000	11,590	9,500	2,090
Other	9,300	10,100	9,400	300
Total administration	<u>365,400</u>	<u>347,757</u>	<u>349,734</u>	<u>(1,023)</u>
Finance and accounting:				
Personnel services	967,918	939,613	926,253	(4,665)
Contractual services	135,840	132,751	138,401	16,160
Materials and supplies	95,000	91,550	89,778	21,778
Other	— 10,750	— 11,150	— 9,826	2,324
Total finance and accounting	<u>1,203,508</u>	<u>1,074,014</u>	<u>1,044,252</u>	<u>19,756</u>
Risk management:				
Personnel services	217,400	203,454	204,786	11,332
Contractual services	14,500	2,000	32,300	—
Materials and supplies	3,500	3,300	5,671	(2,171)
Other	50,735	55,951	51,161	4,515
Total risk management	<u>285,635</u>	<u>224,705</u>	<u>224,108</u>	<u>(6,507)</u>
Total general government	<u>1,477,000</u>	<u>1,373,382</u>	<u>1,312,648</u>	<u>11,332</u>

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Varies with Final Budget Rate less Unadjusted
Expenditures (continued)				
Police activity:				
Police department:				
Administration:				
Personal services	\$ 202,757	\$ 226,156	\$ 241,924	+ 8% 3,767
Contractual services	1,952	6,067	5,677	-2,400
Materials and supplies	2,621	1,900	1,914	364
Other	1,032	3,043	817	-1,176
Total administration	<u>244,342</u>	<u>247,816</u>	246,192	(- 1,724)
Fire and police:				
Personal services	1,816,777	1,872,592	1,864,182	-0.3%
Contractual services	51,360	59,530	52,706	+ 7.0%
Materials and supplies	1,717	70,190	72,076	+ 1.9%
Other	3,657	9,420	3,477	-5,343
Total patrol	<u>1,958,052</u>	<u>1,950,530</u>	<u>1,932,534</u>	20,448
Non-sworn personnel:				
Personal services	77,894	77,350	46,628	-761
Contractual services	33,644	32,026	42,014	3,362
Materials and supplies	13,810	10,610	8,126	2,374
Other	181	481	250	-231
Total non-sworn personnel	<u>128,530</u>	<u>81,627</u>	<u>71,764</u>	(- 6,463)
Total police department:	<u>2,379,602</u>	<u>2,224,705</u>	<u>2,004,374</u>	<u>21,631</u>
Fire department:				
Fire protection and administration:				
Contractual services	<u>1,520</u>	<u>1,300</u>	<u>417</u>	<u>-303</u>
Firefighting:				
Contractual services	271,162	273,052	273,428	+ 1,366
Total fire department	274,462	274,362	274,845	+ 483
Total public safety	2,654,120	2,524,072	2,352,872	(- 25,198)

Six: Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE
General Fund
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Expenditure</u>	<u>Actual</u>	<u>Variance w/ Fiscal Budget: Positive (Negative)</u>
Expenditures (continued)				
Public services:				
Public works				
Personnel services	\$ 572,125	\$ 515,110	\$ 523,747	(\$ 8,617)
Contractual services	175,323	174,171	164,755	(\$ 14,452)
Materials and supplies	116,100	14,471	98,391	(\$ 16,399)
Other	—	—	1,016	—
Total public works	<u>823,548</u>	<u>811,792</u>	<u>767,910</u>	<u>21,398</u>
Collecting functions				
Personnel services	75,377	77,221	78,516	1,297
Contractual services	4,380	4,074	4,123	1,543
Materials and supplies	9,318	2,850	1,687	973
Other	6,910	1,9 0	1,532	370
Total collecting functions	<u>98,005</u>	<u>87,735</u>	<u>83,335</u>	<u>1,460</u>
Total public services	<u>921,553</u>	<u>809,527</u>	<u>751,245</u>	<u>21,398</u>
Community services:				
Social welfare functions	299,521	346,634	313,420	13,117
Parks and recreation	275,000	225,600	225,150	150
Total community services	<u>574,521</u>	<u>572,234</u>	<u>538,570</u>	<u>13,521</u>
Capital outlay:				
Vehicles	44,500	163,873	125,500	71,373
Equipment	19,500	19,600	102,621	83,121
Land and improvements	—	462,751	226,122	111,711
Buildings	8,000	30,962	29,200	4,638
Reserve for capital improvement	117,500	211,500	—	2,750
Total capital outlay	<u>387,500</u>	<u>513,335</u>	<u>530,923</u>	<u>183,398</u>
Net service:				
Principal	270,000	270,000	270,000	—
Interest	23,245	23,245	23,212	—
Total net service	<u>293,245</u>	<u>293,245</u>	<u>273,212</u>	<u>—</u>
Total expenditures	<u>6,521,235</u>	<u>5,705,285</u>	<u>5,251,427</u>	<u>454,318</u>

See Independent Auditor's Report

CITY OF FRANKFORT, KENTUCKY

BALANCE SHEET COMPARISON SCHEDULE
General Fund
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Position (Negative)
Balances of resources, start of period	\$ 516,048	\$ 57,516	\$ 1,151,741	\$ 125,203
Other financing sources (uses)				
Sale of capital assets	1,300	1,000	1,700	12,700
Contribution	(18,900)	(19,000)	(19,000)	(12,800)
Transfers out	(163,000)	(383,000)	(381,000)	(12,000)
Total Other financing sources (uses)	(163,200)	(383,500)	(381,000)	(12,500)
Net change in fund balance	245,140	\$8,000	\$88,521	\$12,807
Fund balances, beginning of year	\$ 446,908	\$ 656,725	\$ 1,151,741	\$ 125,203
Fund balances, end of year	\$ 6,431,111	\$ 1,151,741	\$ 2,345,548	\$ 125,203

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

Infrastructure Condition and Maintenance Data June 30, 2019

Modified Approach to Infrastructure

The following schedules are presented by the City to supply inventory information on infrastructure needs using the modified approach:

OCI Condition Rating	2019		Historical - City of Franklin Road Area 2017		2018	
	Square Feet	%	Square Feet	%	Square Feet	%
Acceptable	75 - 100	\$102,508	99.9%	4,218,947	\$1,935,436	70.1%
Worthy of Repair	50 - 75	\$1,040	14.7%	143,125	12,831	2.1%
Marketed for Repair	25 - 40	\$0.00	0.0%	154,144	2,033	-
Severely Deficient	0 - 24	\$0.00	0.0%	\$0.00	\$0.00	-
Total	\$ 103,518	100.00	\$ 4,372,072	100.00	\$ 1,948,436	100.00

Original Estimate Area	Comparison of Estimated to Actual Maintenance Requirement					Total
	2018	2017	2016	2015	2014	
Original Estimate	\$ 103,518	\$ 103,463	\$ 102,911	\$ 107,326	\$ 103,770	\$ 513,661
Total	\$ 103,518	\$ 103,463	\$ 102,911	\$ 107,326	\$ 103,770	\$ 513,661

The condition of the City's roads is determined using its Road Management and Inspection Program (RMIP). The road condition is rated from 1 to 100 (OCI), with 100 being the most recently paved.

It is the City's policy to assess the condition of the roads at least every three years & for cracks, potholes, subsidence, drainage condition and minor or specific safety hazards.

The City has not changed the measurement scale used to rates and report the condition of its roads for the past 10 years.

The City's goal is to have all roads at 90 - 100 OCI rating.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Total pension liability to County Employees Retirement System	\$ 4,619,382,000	\$ 4,444,000,000	\$ 3,590,982,000	\$ 3,362,521,744	\$ 3,143,000,000
Growth rate without assumed return	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Projected annualized local pension liability	\$ 463,938,000	\$ 444,400,000	\$ 359,098,200	\$ 336,252,174	\$ 314,300,000
Unfunded payroll	\$ 1,071,000	\$ 1,099,000	\$ 1,235,000	\$ 1,239,000	\$ 1,160,000
Projected annualized local pension liability as a percentage of unfunded payroll	43.1%	41.4%	29.4%	25.4%	29.5%
The liability reduction in a single officer's final year	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000

Note: This schedule is intended to provide a 10-year forecast. Actual years will be opened to budget authority.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF CITY CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Two Fiscal Years**

	2014	2013	2012	2011	2010
Annualized contribution	\$ 11,707	\$ 33,423	\$ 31,250	\$ 40,249	\$ 450,455
Contribution relative to the surplus: determined over prior year	<u>\$ 4,625</u>	\$ 71,726	\$ 11,150	<u>463,403</u>	<u>450,455</u>
Contribution deficiency (loss)	<u>\$ —</u>	\$ —	\$ —	<u>\$ —</u>	<u>\$ —</u>
City's annual payroll	\$ 348,500	\$ 358,124	\$ 351,015	\$ 375,666	\$ 316,591
Contribution as a percentage of annual payroll	10.60%	9.37%	8.92%	10.12%	13.14%

Retirement Factors

Vested date	June 30, 2011
Assumed rate, initial	10.7% projected
Assumed rate received	Initial projected rate, actual
Plan funding/unfunded period	77 years, actual
Plan growth rate	4.00%
Assumed return rate (avg.)	25% of inflation rates from performance of stocks and the expected return of real assets during long-term
Inflation	3.25%
Salary increase	4.16% average
Investment return rate	7.75%

Note: This schedule is intended to provide a brief look for OASB Board per QASB 60. Additional work will be reported as they become available.

CITY OF FRANKFORT, KENTUCKY

**SCHEDULED AND PROPORTIONATE SHARE OF THE
NET OPERATIONAL VALUE
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years**

	2019	2018
Total net OPEB liability for County Employees Retirement System	\$ 1,416,128,000	\$ 2,657,013,025
City's proportionate share of the net OPEB liability (based on City's contribution share of the County's liability prior year)	.0178%	.0214%
City's annual payroll	\$ 2,091,581	\$ 2,411,100
City's proportionate share of the net OPEB liability (based on City's annual payroll)	54.22%	50.18%
Total participation & fiduciary net position	\$ 1,066,347,000	\$ 1,301,513,025
Net pension plan's OPEB liability	\$ 611,517,000	\$ 4,283,204,000
Total pension plan's fiduciary net position & non-pension share of the total OPEB liability	\$ 454,830	\$ 1,218,309

Note: This schedule is intended to present a 10-year trend per CASB 75.

Additional years will be reported as requested.

Note: The County Employer's Retirement System measurement date is 12 months prior to the City's
Financial Statements, the 2019 measurement date is the City's

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF CITY OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years**

	2015	2013	2011
Actuarially determined OPEB cost total:	\$ 212,490	\$ 217,310	\$ 207,341
Contributions in relation to the actuarially determined OPEB cost total:	\$ 111,480	\$ 112,532	\$ 105,231
OPEB contribution flexibility unused:	\$ —	\$ —	\$ —
City's percentage:	100%	100%	100%
OPEB contributions as a percentage of payroll:	0.73%	0.60%	0.5%

Notes to Schedule

Vesting date	July 31, 2015
Plan year end date	July 31, 2015
Contribution method	Fixed percent of pay
Returning member or retired	77 years old
Plan's growth rate	4.00%
Plan's rate of return	20% of the difference between the market value of assets and its expected actuarial value at the end of each fiscal year
Inflation	1.00%
Salary increases	1.0%, maximum
Participant participation	7.50%
Plan's investment strategy	Initial index during first 30%, and gradually decreasing to a ultimate index rate of 5.00% over a projected 40 years.
Plan's O&G	Initial index during first 30%, and gradually decreasing to an ultimate index rate of 10.00% over a projected 40 years.
Plan's D	Initial index during first 30%, and gradually decreasing to an ultimate index rate of 10.00% over a projected 40 years.

Note: This schedule is related to financial statement CASH 15. Additional years will be reflected as needed.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF TOTAL OBLIGATIONS
CITY REVENUE FUND PLAN
Last Ten Fiscal Years**

	2019	2018	2017
Total Obligation	\$ 310,121	\$ 127,957	<u>\$ 515,356</u>

Note: This schedule is intended to present a 10-year trend for FY 2019-20. Additional years will be reported as they become available.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**STATEMENT OF CITY OPIB CONTRIBUTIONS
CITY MAINTENANCE PLAN
Last Ten Fiscal Years**

	2009	2010	2011
City OPIB contributions	\$ 35,242	\$ 10,162	> 122,100

Note: This schedule is intended to present a 10 year trend per CAGB 75. All financial years will be reported as they become available.

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes.

Cemetery - Shady Rest Cemetery Fund - This fund is used to account for the activities of the Cleveland Shady Rest Cemetery. The cemetery is operated by the City with input from an advisory board.

Community Development Fund - This fund is used to account for the fiscal year, city development block grant program and state economic development grant programs restricted for certain governmental housing and community development and economic development projects.

Municipal Aid Fund - This fund is used to account for the City's share of liquid fuel tax receipts, mineral and oil well revenue tax receipts and special municipal road aid bonds received restricted for public works eligible costs.

Economic Development Revolving Loan Fund - This fund is used to account for economic development initiatives loans to local industry tenants. Loan repayments are restricted to future economic development activities.

Streetmaster Fund - This fund is used to account for revenues received to develop and maintain the City's streetmaster management system.

Permanent Funds

Permanent funds are used to report resources that are legally restricted in the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Friends Cemetery Permanent Fund - This fund is used to account for monies held in trust from contributions from Friends' efforts to provide for the care and maintenance of the Cleveland Shady Rest Cemetery.

Cleveland Shady Rest Cemetery Perpetual Care Fund - This fund is used to account for monies set aside to provide for the future care and maintenance of the Cleveland Shady Rest Cemetery.

CITY OF FRANKLIN, KENTUCKY

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

		<u>General Fund</u>				
	<u>Current</u>	<u>Long-term Investments</u>	<u>Description of Fund</u>	<u>Balances:</u> <u>Revenues</u>	<u>Balances:</u> <u>Expenditures</u>	<u>Net</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 92,400	\$ —	\$ 57,772	\$ —	\$ 358,305	\$ 140,272
Accounts receivable	—	—	—	—	—	—
Inventory (net of allowances)	—	—	—	—	—	—
Prepaid expenses	1,150	—	—	—	24,005	20,775
Intangibles	—	—	—	—	—	—
Less than one year	16,500	—	14,700	—	25,101	20,500
More than one year	—	—	—	—	—	—
Total current assets	<u>11,150</u>	<u>\$ —</u>	<u>\$ 73,072</u>	<u>\$ 35,000</u>	<u>\$ 321,406</u>	<u>\$ 281,772</u>
LIABILITIES AND FUND BALANCES						
Nonspendable						
Accrued payable	5,166	\$ —	\$ —	\$ —	\$ 517	\$ 1,778
Due to other funds	21,121	<u>\$ 22,252</u>	<u>\$ 1,000</u>	<u>\$ 17,700</u>	<u>\$ 24,252</u>	<u>\$ 3,750</u>
Total nonspendable	<u>26,287</u>	<u>\$ 22,252</u>	<u>\$ 1,000</u>	<u>\$ 17,700</u>	<u>\$ 24,252</u>	<u>\$ 3,750</u>
Temporarily Restricted						
Accrued payable	510	—	—	—	51	605
Prepaid items	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—
Restricted	—	—	—	—	—	—
Highway and streets	—	—	69,100	—	—	69,100
Planning	—	—	—	—	—	—
Building	—	—	—	—	147,791	234,790
Assigned to	—	—	—	—	—	—
Other purposes	94,612	—	41,600	—	—	136,212
Unrestricted	—	<u>\$ 132,352</u>	—	<u>\$ 10,304</u>	<u>\$ 122,048</u>	<u>\$ 122,048</u>
Total temporarily restricted	<u>132,352</u>	<u>\$ 132,352</u>	<u>\$ 10,304</u>	<u>\$ 10,304</u>	<u>\$ 122,048</u>	<u>\$ 122,048</u>
Total liabilities and fund balances						
	<u>\$ 11,150</u>	<u>\$ 22,252</u>	<u>\$ 1,000</u>	<u>\$ 35,000</u>	<u>\$ 321,406</u>	<u>\$ 3,750</u>

See Independent Auditor's Report

Pension.

Amounts:

<u>Crushing</u>	<u>Total</u>
<u>Products</u>	<u>Minerals</u>
\$ 115,672	\$ 724,000
- 42,713	- 22,713

640	70,276
-	19,705
-	19,680
-	115
<u>\$ 559,355</u>	<u>\$ 1,123,216</u>

791	\$ 1,774
-	\$ 203
<u>-291</u>	<u>\$ 1,571</u>

- 407,745	(66
-	\$30,745
-	19,141
-	19,141
-	139,235
<u>- 30,000</u>	<u>(30,000)</u>
<u>- 30,000</u>	<u>(30,000)</u>
<u>\$ 499,445</u>	<u>\$ 1,372,782</u>

CITY OF FRANKLIN, KENTUCKY

**COMMITTING BALANCES AND
NON-EXPENDITURE FUND BALANCES
June 30, 2019**

	<u>Franklin County General Fund</u>	<u>General Fund Balances Carried Forward</u>	<u>Total Non-Expenditure Fund</u>
ASSETS			
Cash and cash equivalents	\$ 2,004	\$ 167,927	\$ 169,931
Certified checks	50,000	390,570	440,570
Accounts receivable	—	600	600
Total assets	\$ 52,004	\$ 498,197	\$ 550,201
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ —	\$ 250	\$ 250
Bonds payable			
Nonspendable:			
Cemetery maintenance	52,620	—	52,620
Revolving fund	—	507,116	507,116
Total bonds payable	<u>52,620</u>	<u>507,116</u>	<u>559,736</u>
Total liabilities and fund balances	\$ 52,620	\$ 507,116	\$ 559,736

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
WITH MAJOR GOVERNMENT FUNDS
Year Ended June 30, 2019**

	General Revenue					
	Ordinary	Community Development	Principal Adv.	Interest Revenues	Borrowings	Total
Revenues						
Charges for Goods and Services	\$ -	\$ -	\$ 186,240	\$ -	\$ -	\$ 186,240
Contributions	-	-	-	-	-	-
Investment Income	<u>\$32</u>	-	-	-	<u>\$32</u>	<u>\$32</u>
Total revenues	<u>\$186,240</u>	<u>\$ -</u>	<u>\$ 186,240</u>	<u>\$ -</u>	<u>\$32</u>	<u>\$186,272</u>
Expenditures						
Current:						
Personnel	-	-	185,815	-	185,815	185,815
Nonpersonnel	237,262	-	-	-	-	237,262
Capital Outlay	<u>2,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,018</u>	<u>2,018</u>
Total expenditures	<u>425,035</u>	<u>\$ -</u>	<u>185,815</u>	<u>\$ -</u>	<u>185,815</u>	<u>425,035</u>
Change (deficiency) of net position from transfers received	<u>(235,035)</u>	-	(185,815)	-	62,184	(358,734)
Other Financing Sources (uses):						
Transfers in	100,000	-	81,000	-	100,000	181,000
Transfers out	-	(81,000)	-	-	-	(81,000)
Net change in Contributing Government	<u>18,000</u>	(81,000)	<u>18,000</u>	-	<u>18,000</u>	<u>18,000</u>
Net change in fund balance	9,457	(71,000)	(61,543)	-	19,900	(62,543)
Mortgage Payable	70,600	16,794	128,530	20,394	125,140	205,028
Fund balances, beginning of year	<u>\$186,272</u>	<u>(\$62,543)</u>	<u>\$ 10,100</u>	<u>\$ 19,900</u>	<u>\$205,140</u>	<u>\$193,028</u>
Fund balances, end of year	<u>\$186,272</u>	<u>(\$62,543)</u>	<u>\$ 10,100</u>	<u>\$ 19,900</u>	<u>\$205,140</u>	<u>\$193,028</u>

See Independent Audit for Report.

Balances
Bank.

	Total Current Balances	Total Savemngs Balances
--	------------------------------	-------------------------------

\$	-	\$ 193,240
	-	391,540
1,750		2,150
<u>4,000</u>		<u>4,000</u>
19,574		45,700

		\$ 294,110
25		247,947
-		<u>1,510</u>
30		300,556

(18,574) (1) \$ 282,982

		335,000
(18,574)		<u>316,426</u>

1 1,000		317,426
12,504		31,210

24,524 13,010,269

\$ 294,725 \$ 1,291,799

CITY OF FRANKLIN, KENTUCKY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MATCHING PERMANENT FUNDS**
Year Ended June 30, 2019

	<u>Franklin Cemetery Reserve</u>	<u>Franklin Shady Rest Cemetery Trust Fund</u>	<u>Total Non-Match- ing Permanent Funds</u>
Revenues			
Investment income	\$ 350	\$ 7,350	\$ 7,700
Contributions	—	7,700	7,700
Total revenues	350	14,079	14,429
Expenditures			
Current			
Cemetery services	25	—	25
Excess of revenues over expenditures	325	14,079	14,404
Other financing uses			
Transfers out	—	(5,000)	(5,000)
Net change in fund balances	525	11,879	11,504
Fund balance, beginning of year	—	52,104	52,104
Fund balance, end of year	\$ 52,628	\$ 30,213	\$ 31,745

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE
General Fund - Sandy Rest Cemetery Special Revenue Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variances with Final Budget
				Positive (negative)
Revenues				
Charges for services rendered	\$ 72,000	\$ 200	\$ 35,050	\$ 1,750
Investment income	75	175	204	29
Miscellaneous	430	430	430	—
Total revenues	<u>72,505</u>	<u>21,375</u>	<u>35,744</u>	<u>3,534</u>
Expenditures				
Current:				
Community services:				
Personal services	9,061	9,148	9,144	—
Contractual services	191,570	193,062	192,906	147
Materials and supplies	2,717	2,967	2,693	169
Administrative overhead	44,346	44,446	44,346	—
Other	<u>7,295</u>	<u>(299)</u>	<u>5,265</u>	<u>(955)</u>
Total community services	255,880	256,612	257,262	(650)
Capital outlay	—	—	—	—
Total expenditures	255,880	256,612	257,262	(650)
Deficiency of revenues over expenditures				
()	(182,355)	(179,637)	(176,512)	3,174
Other financing sources:				
Transfers in	<u>\$6,000</u>	<u>165,000</u>	<u>186,000</u>	<u>—</u>
Change in fund balance	2,643	6,313	9,187	3,144
Fund balance, beginning of year	<u>79,585</u>	<u>72,895</u>	<u>72,895</u>	<u>—</u>
Fund balance, end of year	<u>\$ 82,146</u>	<u>\$ 80,204</u>	<u>\$ 80,382</u>	<u>\$ 1,174</u>

Sixty-ninth Annual Audit Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON STATEMENT
Municipal And Special Revenue Fund
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Estimate</u>	<u>Actual</u>	<u>Variances with Final Budget Previous (Negative)</u>
Revenues				
Interest revenue				
Local electric tax	\$ 168,108	\$ 159,108	\$ 156,453	(⁶) 845
Mineral and coal severance tax	10,498	19,157	10,777	100
Investment income	150	520	459	(⁶) 61
Contributions	100,000	—	—	—
Total revenues	328,746	305,145	306,679	(⁶) 1,446
Expenditures				
Current				
Public works	—	382,000	386,500	24,500
Excess (deficiency) of revenues over expenditures	(⁶) 94,254	(⁶) 191,855	(⁶) 189,120	24,235
Other financing sources (uses)				
Transfers in	—	100,000	100,000	—
Net change in fund balance	(⁶) 94,254	(⁶) 91,355	(⁶) 89,120	24,235
Balances at beginning of year	<u>10,500</u>	<u>105,220</u>	<u>105,220</u>	<u>—</u>
Balances end of year	\$ 10,500	\$ 4,865	\$ 86,000	\$ 24,235

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE
Stormwater Special Revenue Fund
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance and Final Budget Position (Increase)
Revenues				
Charges for goods and services	\$ 350,000	\$ 247,500	\$ 247,043	(\$ 457)
Fines and forfeitures	7,500	5,500	6,250	750
Investment income	—	—	—	700
Total revenues	257,500	253,000	254,293	1,093
Expenses				
(Current):				
Public works				
Personnel services	143,573	129,012	120,811	(1,769)
Contractual services	46,830	42,639	23,254	17,385
Maintenance supplies	25,414	21,434	17,667	3,747
Other	1,383	5,210	153	5,060
Total public works	217,782	208,524	171,914	24,611
Capital outlay	24,000	1,463	500	953
Total expenses	237,782	210,000	172,414	25,577
Funding of permanent fund				
Contribution	15,715	42,979	59,639	26,920
Other financing sources (uses):				
Transfers in	100,000	100,000	100,000	—
Net change in fund balance	119,219	142,970	169,639	26,660
Fund balance, beginning of year	385,146	385,146	385,146	—
Paid balances, end of year	\$ 504,965	\$ 528,125	\$ 594,335	\$ 26,650

See Independent Auditor's Report.

PROPRIETARY FUND

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the goal of the City's management is that the costs of providing goods or services to the general public on a continuing basis be recovered entirely through user charges or where the City's management has determined that periodic determination of user income is appropriate for operational purposes.

Water and Wastewater Fund - This fund is used to account for the activities of the Water and Wastewater operations.

Sanitation Fund - This fund is used to account for the activities of the City's sanitation and landfill operations.

CITY OF FRANKLIN, KENOSHA

BUDGETARY COMPARISON SCHEDULE

Water and Wastewater Board

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive</u>
Operating revenues:				
Charges for goods and services:				
Water Division	\$ 2,110,721	\$ 1,951,970	\$ 3,055,016	(\$ 36,444)
Wastewater Division	<u>2,659,040</u>	<u>2,837,416</u>	<u>2,675,372</u>	<u>41,962</u>
Total operating revenues	<u>5,769,761</u>	<u>5,688,916</u>	<u>5,730,388</u>	<u>5,472</u>
Nonoperating revenues:				
Investment income	9,750	19,750	32,800	12,850
Sales of assets	2,000	2,000	36,500	(34,500)
Miscellaneous	21,850	<u>21,185</u>	<u>46,275</u>	<u>(4,780)</u>
Total nonoperating revenues	<u>33,600</u>	<u>20,235</u>	<u>42,700</u>	<u>(10,560)</u>
Total revenues	<u>2,794,351</u>	<u>5,742,146</u>	<u>5,796,054</u>	<u>(5,249)</u>
Expenditures:				
Administration division:				
Administrative:				
Personnel costs	41,542	145,518	191,633	42,175
Contractual services	2,355	44,850	45,200	(365)
Materials and supplies	27,850	23,450	7,827	20,623
Other	26,100	<u>(4,927)</u>	<u>124,470</u>	<u>(14,547)</u>
Total administration division	<u>201,747</u>	<u>296,211</u>	<u>424,185</u>	<u>(37,434)</u>
Water division:				
Production:				
Raw materials	444,450	442,825	532,307	(89,082)
Contractual services	240,340	223,215	202,611	21,177
Materials and supplies	159,942	173,737	167,183	12,554
Other	<u>74,144</u>	<u>10,150</u>	<u>5,491</u>	<u>1,659</u>
Total water production	<u>918,776</u>	<u>852,390</u>	<u>807,222</u>	<u>(51,554)</u>

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

Water and Wastewater Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
				<u>Positive (Excess)</u>
Expenditures (continued)				
Description:				
Personnel services	\$ 449,314	\$ 216,956	\$ 201,678	(\$ 52,636)
Contractual services	85,747	70,140	38,248	(39,592)
Materials and supplies	150,200	91,258	38,518	(111,682)
Other	<u>16,061</u>	<u>7,970</u>	<u>1,392</u>	<u>5,578</u>
Total water distribution	<u>571,359</u>	<u>116,140</u>	<u>474,736</u>	<u>(56,113)</u>
Meter reading and maintenance				
Personnel services	72,282	36,163	35,621	(566)
Contractual services	11,312	10,198	4,507	5,685
Materials and supplies	147,200	217,550	201,472	16,078
Other	<u>1,340</u>	<u>1,140</u>	<u>917</u>	<u>223</u>
Total water meter read and maintenance	<u>231,724</u>	<u>296,041</u>	<u>292,520</u>	<u>5,521</u>
Total water division	<u>1,323,083</u>	<u>1,516,314</u>	<u>1,674,529</u>	<u>(158,214)</u>
Wastewater division				
Treatment				
Personnel services	216,514	291,331	300,537	(52,306)
Contractual services	786,543	295,117	247,343	27,714
Materials and supplies	99,516	92,801	78,681	14,220
Other	<u>72,194</u>	<u>4,200</u>	<u>5,356</u>	<u>1,104</u>
Total wastewater treatment	<u>711,701</u>	<u>643,400</u>	<u>652,637</u>	<u>(9,248)</u>
Collection and rehabilitation				
Personnel services	251,052	264,741	325,089	(57,337)
Contractual services	95,326	61,832	60,513	(5,313)
Materials and supplies	78,000	70,510	56,747	16,752
Other	<u>4,458</u>	<u>2,734</u>	<u>2,430</u>	<u>254</u>
Total wastewater collection and rehabilitation	<u>428,769</u>	<u>406,857</u>	<u>492,360</u>	<u>(43,493)</u>
Total wastewater division	<u>1,141,590</u>	<u>1,120,766</u>	<u>1,136,917</u>	<u>(59,151)</u>
Administrative overhead	<u>200,000</u>	<u>100,000</u>	<u>300,000</u>	<u>—</u>

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE
Water and Wastewater Fund
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued)				
Utilities services:				
Principal	\$ 360,000	\$ 360,000	\$ 360,000	\$ -
Interest	141,936	141,936	140,950	(7,986)
Administrative fees	1,311	1,312	1,313	-
Total Util. services	<u>\$303,247</u>	<u>\$303,249</u>	<u>\$302,903</u>	<u>(2,346)</u>
Capital outlays	<u>1,001,162</u>	<u>1,196,695</u>	747,191	<u>709,504</u>
Total expenditures	<u>1,270,322</u>	<u>\$667,735</u>	<u>\$61,724</u>	<u>\$60,001</u>
Increase of revenues over expenditures	<u><u>\$14,819</u></u>	<u><u>\$ 71,111</u></u>	<u><u>\$75,000</u></u>	<u><u>\$ 500,622</u></u>
Liabilities:				
Principal payments			360,000	
Capital outlays, including depreciation of labor and materials			747,191	
Capital contributions			252,296	
Total				
Depreciation expense			(1,230,945)	
Amortization expense			(2,310)	
Change in net position			71,587	
Net position, begin of year			19,761,434	
Net position, end of year			20,476,005	

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE
Sanitation Fund
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services:				
Milk pricing	\$ 649,520	\$ 700,000	\$ 713,251	> \$12,251
Collection fee	15,000	15,000	15,938	> 938
Fines and forfeitures	21,000	25,000	25,938	> 938
Franchise fee	<u>202,122</u>	<u>202,000</u>	220,370	> 1,370
Total operating revenues	<u>\$31,662</u>	<u>690,500</u>	<u>\$308,566</u>	<u>< \$11,934</u>
Nonoperating revenues:				
Interest income	<u>123</u>	<u>416</u>	<u>1,304</u>	<u>> 1,188</u>
Total revenues	<u>\$31,662</u>	<u>691,316</u>	<u>\$309,870</u>	<u>< \$8,446</u>
Expenditures:				
 For other operating:				
Personnel services	\$ 8,610	1,151	754	< 1,138
Contractual services	630,700	703,000	723,254	> 20,254
Administrative overhead	200,700	<u>202,939</u>	<u>201,500</u>	<u>< 4,439</u>
Total expenditures	<u>\$67,650</u>	<u>811,900</u>	<u>\$711,050</u>	<u>(> 20,250)</u>
Excess of revenues over expenditures	<u>\$ -27,310</u>	<u>\$ -11,484</u>	<u>\$ 7,180</u>	<u>> \$0,544</u>
Net position, beginning of year			<u>16,911</u>	
Net position, end of year			<u>\$1,761</u>	

See Independent Auditor's Report



INDEPENDENT AUDITORS' 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

The Honorable Mayor, Commissioners and City Manager
City of Franklin, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, 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, Kentucky (City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct material weaknesses on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant. Deficiencies not therefore, material weaknesses or significant deficiencies may exist that were not identified from these limitations. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2019-1).

To Honorable Mayor, Commissioners and City Manager

City of Franklin, Kentucky

Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 completeness. 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 no instances of noncompliance in those matters for which it is required to be reported under Government Auditing Standards.

City of Franklin, Kentucky's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of our audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bowling Green, Kentucky

March 5, 2000

CITY OF FRANKLIN, KENTUCKY

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2019-1 Segregation of Duties

Criteria: The objectives of internal control are to give reasonable but not absolute assurance that assets are safeguarded and financial statements are reliable. The segregation of accounting duties is an essential element of effective internal control, involving the separation of the custody of assets from the related recording of those transactions.

Condition: As is often the case with smaller governmental units, segregation of responsibilities within the City's Finance department is difficult because of the limited number of personnel. Delegation of duties within a limited number of personnel cannot adequately provide the separation of custody of assets from the related recording and monitoring of transactions.

Risks: Potentially material misstatements in the financial statements or material misappropriations of assets due to a lack of internal control may not be prevented or detected in a timely manner.

Causes: Duties in various transaction cycles are not adequately segregated.

Recommendation: While the City has implemented mitigation controls to compensate for some segregation of duties issues since the previous year, we encourage you to limit to the extent possible, performance of incompatible duties by individuals in the City's Finance department.

Names of Responsible Officials and Planned Corrective Actions: The City will continue to evaluate the cost vs. the benefit of hiring additional personnel and further implementing compensation to mitigate the risk that internal control objectives will not be achieved.