



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT**

SUITE 1500

**JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

August 29, 2016

Honorable Mayor and Board
City of Franklin
PO Box 305
109 Third Avenue South
Franklin, TN 37065

Honorable Mayor and Board:

I have performed a limited review of the annual financial report on the City of Franklin for the fiscal year ended June 30, 2015, as audited by Crosslin and Associates, Certified Public Accountants. This report has been filed as part of the public records of the State of Tennessee.

The financial statement of the multi-purpose capital project fund reflected a deficit fund balance of \$(10,104,657) at year end. Per Note 2 to the financial statements, the deficit is due to capital outlays in advance of debt financing and reimbursements from other funds and bonds are expected to fund the deficit. Municipal officials should continue to monitor the fund to ensure that it is being operated in a fiscally responsible matter.

In addition to the above, I would like to bring certain applicable reporting requirements to your attention. Although current financial report revisions are not being required, responsible officials should ensure that future financial reports comply with the following reporting requirements.

The financial report included a roster of officials; however, the roster did not include identification of the employee with financial oversight responsibility (i.e., CMFO). A roster of publicly elected officials, roster of management officials (in the annual financial report issued by a municipality, this would include the employee with financial oversight responsibility designated to meet the requirement of *Tennessee Code Annotated*, Section 6-56-401 et al), roster of board members, and any other deemed appropriate by management is required by the General Report Outline of the *Audit Manual*, page A-16.

The financial report inappropriately reported the fund balance of the sanitation fund as "unrestricted." Section 68-211-835, *Tennessee Code Annotated*, authorizes municipalities to impose and collect solid waste disposal fees and stipulates that such fees may only be used to establish and maintain solid waste collection and disposal services, including but not limited to, convenience centers. Therefore, the fund balance of the sanitation fund should be appropriately reported as "restricted."

Note 4D to the financial statements addressed the City of Franklin Employees' Pension Plan and Trust; however, it did not appear to include all required disclosures regarding the annual money-weighted rate of return. Please refer to the *Codification of Governmental Accounting and Financial Reporting Standards* (2014-2015 Edition), Section Pe5.127, for disclosure requirements considered essential to fair presentation.

The schedule of expenditures of federal awards and state financial assistance was not prepared in accordance with the requirements of the *Audit Manual*. The state grantor, i.e., Tennessee Department of Military, was not reflected for the U.S. Department of Homeland Security federal pass through award identified. The schedule should include federal assistance and state grants and loans with the minimum information required by the *Audit Manual*.

If you have any questions concerning the above, please contact this office.

Sincerely,

A handwritten signature in black ink that reads "Steven R. Watson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steven R. Watson, Auditor
Division of Local Government Audit

1683

xc: Crosslin and Associates
Certified Public Accountants
3803 Bedford Avenue, Suite 103
Nashville, TN 37215