

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

The Bonds will be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: Moody's Investors Service

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 28, 2016

CITY OF FRANKLIN, WISCONSIN
(Milwaukee County)

\$5,935,000*GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016A

BID OPENING: April 4, 2016, 10:00 AM, C.T.

CONSIDERATION: April 4, 2016, 6:30 PM, C.T.

PURPOSE/AUTHORITY/SECURITY: The \$5,935,000* General Obligation Refunding Bonds, Series 2016A (the "Bonds") are authorized pursuant to Chapter 67, Wisconsin Statutes, by the City of Franklin, Wisconsin (the "City"), for the purpose of current refunding certain outstanding obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF BONDS: April 20, 2016

MATURITY: March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2017	\$1,265,000	2019	\$1,205,000	2021	\$1,130,000
2018	1,220,000	2020	1,115,000		

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: September 1, 2016 and semiannually thereafter.

OPTIONAL REDEMPTION: The Bonds are being offered without option of prior optional redemption.

MINIMUM BID: \$5,905,325.

MAXIMUM BID: \$6,231,750.

GOOD FAITH DEPOSIT: A cashier's check in the amount of \$118,700 may be submitted contemporaneously with the bid or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: To be named by the City.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles & Brady LLP will serve as Disclosure Counsel to the City. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Upon award of sale of the Bonds, the Preliminary Official Statement together with any previous addendum of corrections or additions will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in the Rule. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Bonds are required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bond, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of the application Treasury Regulations.

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COMMON COUNCIL

		<u>Term Expires</u>
Stephen R. Olson	Mayor	April 2017
Kristen Wilhelm	Common Council President	April 2017
Mark A. Dandrea	Aldersperson	April 2016
Daniel Mayer	Aldersperson	April 2016
Steve F. Taylor	Aldersperson	April 2017
Doug Schmidt	Aldersperson	April 2016
Susanne Mayer	Aldersperson	April 2017

ADMINISTRATION

Mark Luberda, Director of Administration

Paul Rotzenberg, Director of Finance & Treasurer

Sandra L. Wesolowski, Director of Clerk Services/City Clerk

PROFESSIONAL SERVICES

Jesse Wesolowski, City Attorney, Franklin, Wisconsin

Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin

Ehlers & Associates, Inc., Municipal Advisors, Pewaukee, Wisconsin
(*Other offices located in Roseville, Minnesota, Chicago, Illinois and Denver, Colorado*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Franklin, Wisconsin (the "City") and the issuance of its \$5,935,000* General Obligation Refunding Bonds, Series 2016A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds (the "Award Resolution") to be adopted by the Common Council on April 4, 2016.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Pewaukee, Wisconsin, (262) 785-1520, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the link to the Bond Sales and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of April 20, 2016. The Bonds will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing September 1, 2016, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City will select a bank or trust company or an officer of the City to act as paying agent (the "Paying Agent"). If the City selects a bank or trust company, the City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and appoint a successor.

OPTIONAL REDEMPTION

The Bonds are being offered without option of prior optional redemption.

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Chapter 67, Wisconsin Statutes, for the purpose of current refunding the City's outstanding General Obligation Refunding Bonds, dated January 3, 2007 (the "2007 Bonds"), as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Principal to be Refunded
2007 Bonds	01/03/07	05/12/16	Par	2017	\$1,190,000
				2018	1,180,000
				2019	1,200,000
				2020	1,140,000
				2021	<u>1,185,000</u>
Total 2007 Bonds Being Refunded					<u>\$5,895,000</u>

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$5,935,000
Transfers from 2007 Bonds Debt Service Funds	90,084.33
Total Sources	\$6,025,084.33

Uses

Refunding Costs	\$5,939,180
Contingency	1,766
Discount Allowance	29,675
Finance Related Expenses	54,464
Total Uses	\$6,025,084.33

*Preliminary, subject to change

SECURITY

For the prompt payment of the Bonds with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the City will be irrevocably pledged. The City will levy a direct, annual, irrevocable tax on all taxable property in the City sufficient to pay the interest on the Bonds when it becomes due and also to pay and discharge the principal on the Bonds at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

RATING

General obligation debt of the City is currently rated "Aa1" by Moody's Investor Service.

The City has requested a rating on this issue from Moody's Investors Service, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's Investors Service. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the Underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the City shall covenant to take certain actions pursuant to the Award Resolution adopted by the Common Council by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

The current general fund budget summaries due on September 27, 2011 and September 27, 2012 were not filed until May 17, 2012 and May 30, 2013, respectively. Except to the extent the preceding is deemed to be material, in the past five years the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Ehlers is currently engaged as disclosure dissemination agent for the City.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

LEGAL MATTERS

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding) (See "FORM OF LEGAL OPINION" found in the Appendix B).

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

TAX EXEMPTION

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor can not participate in the underwriting of the Bonds. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin and Illinois to transact the business of a limited purpose Trust Company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2014 have been audited by CliftonLarsonAllen, LLP, Milwaukee, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to the Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by State government. Future actions of the State may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of the Bonds may fall for purposes of resale. Noncompliance by the City with the covenants in the Award Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse affect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the first Monday in May. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in May.

CURRENT PROPERTY VALUATIONS

2015 Equalized Value	\$3,649,185,900
2015 Equalized Value Reduced by Tax Increment Valuation	\$3,522,081,700
2015 Assessed Value with Tax Increment Valuation	\$3,396,543,100

2015 EQUALIZED VALUE BY CLASSIFICATION

	2015 Equalized Value	Percent of Total Equalized Value
Residential	\$ 2,628,835,800	72.039%
Commercial	759,864,000	20.823%
Manufacturing	145,556,400	3.989%
Agricultural	806,800	0.022%
Undeveloped	5,643,000	0.155%
Ag Forest	205,200	0.006%
Forest	486,000	0.013%
Other	16,690,000	0.457%
Personal Property	91,098,700	2.496%
Total	<u>\$ 3,649,185,900</u>	<u>100.000%</u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2011	\$ 3,645,710,088	\$ 3,676,379,700	0.16%
2012	3,653,210,788	3,524,105,900	-4.14%
2013	3,359,728,100	3,414,276,600	-3.12%
2014	3,364,592,800	3,589,694,100	5.14%
2015	3,396,543,100	3,649,185,900	1.66%

Source: Wisconsin Department of Revenue, Bureau of Equalization.

¹ Includes tax increment valuation ("TID IN")

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2015 Estimated Equalized Value¹	Percent of City's Total Equalized Value
Northwestern Mutual	Insurance services	\$ 129,495,312	3.55%
Wal-Mart	Retailer	29,880,531	0.82%
Wheaton Health Care Systems	Medical facilities	28,532,931	0.78%
VTLC Development	Packaging manufacturer	28,516,542	0.78%
Whitnall Pointe Apartments	Apartments	21,807,547	0.60%
Manchester Oaks	Apartments	20,878,094	0.57%
Baptista Bakery, Inc.	Manufacturing	15,832,088	0.43%
Menard Inc.	Retailer	14,489,556	0.40%
HTA - Wisconsin Mob 2 LLC	Medical facilities	13,888,215	0.38%
Franklin Wyndham, LLC	Land held for development	13,801,631	0.38%
Total		\$ 317,122,447	8.69%
City's Total 2015 Equalized Value (TID IN)		\$3,649,185,900	

Source: City of Franklin, Wisconsin

¹ Estimated by dividing the 2015 Assessed Values by the ratio of 2015 Assessed Value to 2015 Equalized Value for the City.

DEBT

DIRECT DEBT¹ (includes the Bonds)

General Obligation Debt (see schedules following)

Total General Obligation Debt*	<u>\$ 33,947,276</u>
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*Preliminary, subject to change

¹ Outstanding debt is as of the dated date of the Bonds and refunding of the 2007 Bonds.

**City of Franklin, Wisconsin
Schedule of Bonded Indebtedness
General Obligation Debt
(As of April 20, 2016)**

Fiscal Year Ending	GO Sewerage System Promissory Notes, Series 2012		GO Notes, Series 2014A		GO Water System Bonds, Series 2014B		GO Refunding Bonds, Series 2016A		Principal Outstanding*	Principal & Interest*	Total Interest*	Total Principal*	Principal %Paid	Year
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest						
2016	1/25/2012 \$24,565,423	5/1	1,157,048	536,193	1,820,000	61,644	55,000	16,794	1,157,048	1,793,600	636,552	1,157,048	3.41%	2016
2017			1,185,535	507,356	1,820,000	95,988	55,000	33,038	4,325,535	5,016,463	690,928	4,325,535	16.15%	2017
2018			1,214,723	477,809	1,140,000	51,588	55,000	31,938	3,629,723	4,234,421	604,699	3,629,723	26.84%	2018
2019			1,244,629	447,534	1,140,000	32,838	55,000	30,838	2,669,629	3,212,688	543,059	2,669,629	34.71%	2019
2020			1,275,272	416,514	180,000	29,163	55,000	29,738	2,625,272	3,120,378	495,106	2,625,272	42.44%	2020
2021			1,306,669	384,730	180,000 (1)	25,113	60,000	28,288	2,676,669	3,121,579	444,910	2,676,669	50.32%	2021
2022			1,338,839	352,164	335,000 (1)	19,319	60,000	26,488	1,733,839	2,131,810	397,970	1,733,839	55.43%	2022
2023			1,371,802	318,796	330,000	11,838	60,000	24,688	1,790,575	2,117,123	355,321	1,790,575	60.62%	2023
2024			1,405,575	284,606	325,000	4,063	60,000 (1)	22,888	1,790,575	2,102,132	311,556	1,790,575	65.90%	2024
2025			1,440,181	249,575			65,000 (1)	21,013	1,505,181	1,775,768	270,588	1,505,181	70.33%	2025
2026			1,475,638	213,682			65,000 (1)	19,063	1,540,638	1,773,382	232,744	1,540,638	74.87%	2026
2027			1,511,968	176,904			65,000 (1)	17,113	1,576,968	1,770,985	194,017	1,576,968	79.51%	2027
2028			1,549,193	139,221			70,000 (1)	15,088	1,619,193	1,773,501	154,309	1,619,193	84.28%	2028
2029			1,587,334	100,611			70,000 (1)	12,988	1,657,334	1,770,932	113,598	1,657,334	89.17%	2029
2030			1,626,414	61,049			75,000 (1)	10,813	1,701,414	1,773,276	71,862	1,701,414	94.18%	2030
2031			1,666,456	20,514			75,000 (1)	8,516	1,741,456	1,770,486	29,030	1,741,456	99.31%	2031
2032							80,000 (1)	6,172	80,000	83,750	3,750	80,000	99.53%	2032
2033							80,000 (1)	3,750	80,000	83,750	1,250	80,000	99.76%	2033
2034							80,000 (1)	1,250	80,000	81,250	0	80,000	100.00%	2034
			22,357,276	4,687,257	4,475,000	331,550	1,180,000	360,457	33,947,276	39,504,696	5,557,420	33,947,276		
									5,935,000	178,156		5,935,000		

*Preliminary, subject to change

(1) Mandatory redemption amounts

DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 3,649,185,900
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 182,459,295
Less: General Obligation Debt*	<u>(33,947,276)</u>
Unused Debt Limit*	<u>\$ 148,512,019</u>

*Preliminary, subject to change

OVERLAPPING DEBT¹

Taxing District	2015 Equalized Value	% In City	Total G.O. Debt ²	City's Proportionate Share
Milwaukee County	\$ 58,553,179,100	6.23%	\$662,419,246	\$ 41,268,719
Milwaukee Area Technical College District	72,680,645,252	5.02%	113,325,000	5,688,915
Franklin Public School District	2,695,113,010	100.00%	31,360,000	31,360,000
Oak Creek/Franklin Joint School District	3,735,734,597	19.59%	95,215,000	18,652,619
Whitnall School District	1,614,569,712	13.77%	225,000	30,983
Milwaukee Metro Sewer District	57,445,674,300	6.35%	954,550,006	<u>60,613,925</u>
City's Share of Total Overlapping Debt				<u>\$ 157,615,161</u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

² Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS*

	G.O. Debt	Debt/Equalized Value \$3,649,185,900	Debt/ Per Capita 35,655¹
Total General Obligation Debt*	\$ 33,947,276	0.93%	\$ 952.10
City's Share of Total Overlapping Debt*	<u>157,615,161</u>	<u>4.32%</u>	<u>4,420.56</u>
Total*	\$ 191,562,437	5.25%	\$ 5,372.67

*Preliminary, subject to change

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

In the next 12 months, the City plans to enter into an additional financing for approximately \$1,000,000 to finance 2016 budgeted capital projects and the City may enter into an additional financing to finance an economic development project.

¹ Estimated 2015 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only ¹	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2011/12	\$20,467,000	99.98%	\$5.74
2012/13	20,509,000	99.80%	5.99
2013/14	20,509,000	99.91%	6.19
2014/15	20,509,000	99.92%	5.90
2015/16	20,509,000	In Process	5.82

Property tax statements are distributed to taxpayers by the town, village, and city clerks in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. The City has adopted a payment plan which provides that real property taxes are to be paid in full on January 31 or in installments with one-half of the taxes due on January 31, twenty-five percent due on March 31 and the remainder due on May 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has

¹ Amounts shown are net of offsets in the City's levies for its General Obligation Sewerage System Promissory Notes, Series 2012, dated January 25, 2012 (the "2012 Notes") and General Obligation Water System Bonds, Series 2014B, dated December 18, 2014 (the "2014B Notes"). The City uses revenues under an intergovernmental agreement and revenues from the City's water utility offset the debt service for the 2012 Notes and 2014B Notes, respectively. The actual amount of these offsetting revenues is not guaranteed. Under State law, the City is required to levy an amount sufficient to meet the debt service on its outstanding general obligation debt, but such levy may be abated by the use of such offsetting revenues, if and to the extent available. If such revenues are not available in the future, the City would be required to levy for the full amount of such debt service, but such levies would be outside of the City's levy limits as general obligation debt. See "LEVY LIMITS" herein.

ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax incremental valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total Full Value Effective Rate³
2011/12	\$12.87	\$4.72	\$5.74	\$1.64	\$23.94
2012/13	13.67	5.05	5.99	1.80	25.39
2013/14	14.27	5.13	6.19	1.88	26.35
2014/15	12.97	5.10	5.90	1.89	24.82
2015/16	13.06	5.13	5.82	1.92	24.73

Source: Property Tax Rates were extracted from Final Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the

¹ The Schools tax rate reflects the composite rate of all local school districts and the technical college district.

² Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included.

³ Property tax less state property tax credit (not including lottery credit).

maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Bonds were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Bonds.

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1956 and is governed by a Mayor and a 6-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to three-year terms. The appointed City Clerk is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City has 199 full-time and 43 part-time employees. The City maintains three pension plans covering three separate groups of employees. Public safety employees are covered by the Wisconsin Retirement System, public works & utility employees are covered by a separate defined benefit plan and all other general government employees by a defined contribution plan.

All eligible public safety City employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All Public Safety employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All Public Safety employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the Protective Occupation were required by statute to contribute 5.8% of their salary, 5.8% for Protective Occupations with Social Security. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective employees are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Employers may not make these contributions to the plan on behalf of the protective occupation employees unless provided for by an existing collective bargaining agreement. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Contribution rates for 2016 are as follows:

	<u>2016</u>	
	<u>Employee</u>	<u>Employer</u>
Protective with Social Security	6.60%	10.01%

The payroll for City employees covered by WRS for the year ended December 31, 2015 was \$8,459,850; the City's total payroll was \$15,083,189. The total required contribution for the year ended December 31, 2015 was \$1,516,851, or 17.93% of covered payroll. \$575,270 was paid by employees while \$941,581 was paid by the City.

Recognized and Certified Bargaining Units

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing the base wages only by any increase in the previous year's consumer price index (unless the City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining units represent employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Police	December 31, 2015*
Fire	December 31, 2015*

*In negotiation

Other Pension Benefits

The City provides other pension benefits to public works employees who have terminated their employment with the City and have satisfied specified eligibility standards through a single-employer defined benefit plan. The amount of such benefits are based on years of service and average compensation. Membership of the plan consisted of 17 retirees receiving benefits, 5 terminated vested retirees and 32 active plan members as of January 1, 2015, the date of the latest actuarial valuation.

Pension benefit calculations are required to be updated every two years and prepared in accordance with Governmental Accounting Standards Board Statement No. 68 ("GASB 68"). An actuarial study for the plan was most recently completed by The Principal Financial Group with an actuarial valuation date of January 1, 2015 (the "Pension Actuarial Report").

Prior to the implementation of GASB 68, the City was required to expense the estimated yearly cost of providing post-retirement benefits and such annual accrual expense is referred to as the "annual required contribution" ("ARC"). As shown in the City's audited financial statements for the year ended December 31, 2014 ("Fiscal Year 2014"), the City's ARC for Fiscal Year 2014 was \$293,632. For Fiscal Year 2014, contributions to the plan totaled \$293,632, which was 100% of the ARC. Under GASB 68, an actuarially determined contribution ("ADC") is calculated in lieu of an ARC as a target or recommended contribution to the plan for the reporting period, determined in conformity with actuarial standards based on the most recent measurement available. As shown in the Pension Actuarial Report, the

City's ADC for the year ended December 31, 2015 has been calculated as \$339,927. The City's current funding practice has been to fully fund ARC, and the City's expects to fully fund the ADC going forward.

As shown in the Pension Actuarial Report, as of January 1, 2015, the actuarial accrued liability for benefits was \$8,013,087 and the actuarial value of assets was \$6,868,528, resulting in an unfunded actuarial accrued liability ("UAAL") of \$1,144,559 and a funded ratio of actuarial value of assets to actuarial accrued liability (the "Funded Ratio") of 85.7%.

For more information, see Note 4(A) in "Appendix A —Financial Statements." The Pension Actuarial Report is available upon request.

The City also provides a defined contribution pension plan benefit to eligible non-protective employees (other than public works employees). Eligibility begins after six months of employment with the City. Employees are required to make contributions of 5% of wages. For Fiscal Year 2015, the City contributed \$198,434 and employees contributed \$198,434 to the plan. For more information, see Note 4(B) in "Appendix A —Financial Statements."

OTHER POST EMPLOYMENT BENEFITS

The City provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) to former employees and their dependents through a single-employer defined benefit plan. Membership of the plan consisted of 24 retirees receiving benefits and 178 active plan members as of December 15, 2015. Eligible retirees may continue to participate in the City's group health plan. The City contributes a fixed portion of the premiums determined at retirement based on the employment category of retiree, and the retiree is responsible for paying the balance of the premiums.

OPEB calculations are required to be updated every two years and prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") regarding retiree health and life insurance benefits, and related standards. An actuarial study was last completed for the plan by Actuarial & Health Care Solutions, LLC in December 2015 with an actuarial valuation date of January 1, 2016 (the "OPEB Actuarial Report").

As shown in the City's audited financial statements for Fiscal Year 2014, the City's ARC for Fiscal Year 2014 was \$551,716. For the year ended December 31, 2014, contributions to the plan totaled \$551,716, which was 100% of the ARC. The City's current funding practice is to fully fund the ARC.

The plan Funded Ratio as of the most recent actuarial valuation date, January 1, 2016, was 78.0%. As of January 1, 2016, the actuarial accrued liability was \$5,815,218 and the actuarial value of assets was \$4,537,189, resulting in an UAAL of \$1,278,029.

For more information, see Note 4(C) in "Appendix A —Financial Statements." The OPEB Actuarial Report is available upon request.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Bonds are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Bonds could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Bonds, and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds. Further, under such circumstances, there could be no assurance that the Bonds would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Bonds could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Bonds.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Bonds would not occur.

FUNDS ON HAND (as of January 31, 2016)

Fund	Total Cash and Investments
General	\$ 10,964,030
Special Revenue	3,274,899
Debt Service	2,009,629
Capital Projects	16,921,316
Enterprise Funds	2,631,890
Internal Service Funds	2,577,073
Fiduciary Funds	4,403,926
Total Funds on Hand	<u>\$ 42,782,763</u>

ENTERPRISE FUNDS

Revenues available for debt service for the City's enterprise fund have been as follows as of December 31 each year:

	2012	2013	2014
Water			
Total Operating Revenues	\$ 5,361,646	\$ 5,403,994	\$ 5,421,719
Less: Operating Expenses	<u>(5,064,149)</u>	<u>(5,046,704)</u>	<u>(5,055,935)</u>
Operating Income	\$ 297,497	\$ 357,290	\$ 365,784
Plus: Depreciation	1,061,625	1,097,315	1,097,571
Interest Income/(Loss)	<u>(1,808)</u>	<u>(5,289)</u>	<u>(4,504)</u>
Revenues Available for Debt Service	<u><u>\$ 1,357,314</u></u>	<u><u>\$ 1,449,316</u></u>	<u><u>\$ 1,458,851</u></u>
Sanitary Sewer			
Total Operating Revenues	\$3,142,062	\$ 3,243,737	\$ 3,266,897
Less: Operating Expenses	<u>(3,343,149)</u>	<u>(3,550,443)</u>	<u>(3,593,796)</u>
Operating Income	\$ (201,087)	\$ (306,706)	\$ (326,899)
Plus: Depreciation	642,839	650,060	661,745
Interest Income	<u>320,477</u>	<u>574,733</u>	<u>646,731</u>
Revenues Available for Debt Service	<u><u>\$ 762,229</u></u>	<u><u>\$ 918,087</u></u>	<u><u>\$ 981,577</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund for the fiscal years shown below. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete audited financial statements are available upon request. See Appendix A for the City's 2014 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2012 Audited	2013 Audited	2014 Audited	2015 Unaudited ¹	2016 Adopted Budget ²
Revenues					
Taxes	\$ 16,913,739	\$ 17,078,994	\$ 16,926,045	\$ 16,994,208	\$ 17,033,800
Intergovernmental revenue	2,802,048	2,571,374	2,536,187	2,775,350	2,321,200
Licenses and permits	755,027	912,357	808,302	669,366	843,550
Fines, forfeitures and penalties	457,499	411,795	421,976	483,346	440,000
Public charges for services	1,414,592	1,473,039	1,367,737	1,541,244	1,544,975
Intergovernmental charges for services	103,615	162,308	136,372	192,189	203,200
Investment earnings	213,200	(11,514)	290,132	242,208	205,200
Miscellaneous revenues	167,413	156,414	143,014	155,758	163,900
Total Revenues	<u>\$ 22,827,133</u>	<u>\$ 22,754,767</u>	<u>\$ 22,629,765</u>	<u>\$ 23,053,669</u>	<u>\$ 22,755,825</u>
Expenditures					
Current:					
General government	\$ 2,631,412	\$ 2,709,182	\$ 2,786,740	\$ 2,720,510	\$ 3,166,630 ³
Public safety	16,384,500	15,447,159	15,367,022	15,982,508	16,128,832
Public works	3,354,749	3,386,737	3,560,384	3,046,335	3,612,003
Health and human services	633,018	635,959	633,964	620,906	684,191
Culture, recreation and education	160,840	150,887	163,000	190,279	191,911
Conservation and development	377,644	360,649	355,354	568,380	579,858
Total Expenditures	<u>\$ 23,542,163</u>	<u>\$ 22,690,573</u>	<u>\$ 22,866,464</u>	<u>\$ 23,128,918</u>	<u>\$ 24,363,425</u>
Excess of revenues over (under) expenditures	\$ (715,031)	\$ 64,194	\$ (236,699)	\$ (75,249)	\$ (1,607,600)
Other Financing Sources (Uses)					
Operating transfers in	1,340,293	1,325,220	1,112,244	1,044,460	1,100,000
Operating transfers out	(244,000)	(109,982)	(24,000)	(574,000)	(1,200,000)
Total Other Financing Sources (Uses)	<u>\$ 1,096,293</u>	<u>\$ 1,215,238</u>	<u>\$ 1,088,244</u>	<u>\$ 470,460</u>	<u>\$ (100,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 381,262	\$ 1,279,432	\$ 851,545	\$ 395,211	\$ (1,707,600)
General Fund Balance January 1	<u>6,120,873</u>	<u>6,502,135</u>	<u>7,781,567</u>	<u>8,633,112</u>	<u>9,028,323</u>
General Fund Balance December 31	<u>\$ 6,502,135</u>	<u>\$ 7,781,567</u>	<u>\$ 8,633,112</u>	<u>\$ 9,028,323</u>	<u>\$ 7,320,723</u>
DETAILS OF DECEMBER 31 FUND BALANCE					
Reserved	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved:					
Designated	0	0	0	0	0
Undesignated	0	0	0	0	0
Nonspendable	62,936	550,906	2,277,071	2,214,168	2,214,168
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	0	0	207,270	146,036	0
Unassigned	6,439,199	7,230,661	6,148,771	6,668,119	5,106,555
Total	<u>\$ 6,502,135</u>	<u>\$ 7,781,567</u>	<u>\$ 8,633,112</u>	<u>\$ 9,028,323</u>	<u>\$ 7,320,723</u>

¹ Unaudited data is as of December 31, 2015.

² The 2016 budget was adopted on November 17, 2016.

³ 2016 Budget includes \$375,000 restricted contingency.

GENERAL INFORMATION

LOCATION

The City of Franklin, with a 2010 U.S. Census population of 35,451, and a current estimated population of 35,655, comprises an area of 34.5 square miles and is located in the southwest corner of Milwaukee County.

LARGER EMPLOYERS

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Northwestern Mutual	Insurance/investment services	3,230
Wheaton Franciscan Healthcare	Medical and surgical hospital	798
Franklin Public Schools	K-12 education	550
Krones, Inc.	High speed labeling/filler machines	509
Milwaukee County Corrections South	Government	361
Baptista's Bakery	Commercial bakery	388
General Automotive Mfg	Off-road engine components manufacturing	323
Wal-Mart	Retailer	272
Conway Trucking	Animal processing	256
Carlisle Interconnect Technologies	Wire harnesses	255

Source: ReferenceUSA, written and telephone survey (February 2016), Franklin 2014 CAFR.

BUILDING PERMITS

	2012	2013	2014	2015
<u>New Single Family Homes</u>				
No. of building permits	52	56	33	27
Valuation	\$12,472,659	\$16,718,795	\$10,688,902	\$10,899,139
<u>New Multiple Family Buildings</u>				
No. of building permits	1	8	9	7
Valuation	\$1,500,000	\$2,774,000	\$4,092,000	\$2,555,000
<u>New Commercial/Industrial</u>				
No. of building permits	3	13	51	32
Valuation	\$3,223,983	\$2,236,192	\$14,382,700	\$3,862,100
<u>All Building Permits</u> <i>(including additions and remodelings)</i>				
No. of building permits	2,617	2,775	2,905	2,930
Valuation	\$63,450,286	\$87,274,798	\$41,246,443	\$46,611,505

Source: the City

U.S. CENSUS DATA

Population Trend: City of Franklin

2000 U.S. Census	29,494
2010 U.S. Census	35,451
2015 Estimated Population	35,655
Percent of Change 2000 - 2010	+ 20.20%

Income and Age Statistics

	City of Franklin	Milwaukee County	State of Wisconsin	United States
2014 per capita income	\$34,377	\$24,622	\$27,907	\$28,555
2014 median household income	\$73,122	\$43,385	\$52,738	\$53,482
2014 median family income	\$91,721	\$55,213	\$67,232	\$65,443
2014 median gross rent	\$948	\$802	\$772	\$920
2014 median value owner occupied units	\$226,500	\$154,400	\$165,900	\$175,700
2014 median age	40.8 yrs.	34.0 yrs.	38.8 yrs.	37.4 yrs.

	State of Wisconsin	United States
City % of 2014 per capita income	123.18%	120.39%
City % of 2014 median family income	136.42%	140.15%

Housing Statistics

	<u>City of Franklin</u>		
	2010	2014	Percent of Change
All Housing Units	13,000	13,794	6.11%

Source: 2000 and 2010 Census of Population and Housing, and 2014 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Year	<u>Average Employment</u>		City	<u>Average Unemployment</u>	
	City	Milwaukee County		Milwaukee County	State of Wisconsin
2011	16,823	433,336	6.9%	9.3%	7.8%
2012	16,917	435,440	6.3%	8.6%	7.0%
2013	17,243	439,536	6.2%	8.4%	6.8%
2014	14,547	447,273	5.0%	7.0%	5.5%
2015,	17,707	451,371	4.0%	5.2%	4.2%

Source: Wisconsin Department of Workforce Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the auditor, to the extent and for the periods indicated thereon. The City has not requested the auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF FRANKLIN, WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2014



City of Franklin

**PREPARED BY THE
DEPARTMENT OF FINANCE**

**DIRECTOR OF FINANCE & TREASURER
PAUL A ROTZENBERG, CPA**

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INTRODUCTORY SECTION

May 5, 2015

Citizens of Franklin, Honorable Mayor and Common Council members:

Introduction

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2014, is hereby submitted. State law requires that all local governments with a population over 25,000 publish a complete set of financial statements that are presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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This report consists of management's representations concerning the finances of the City of Franklin (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to complete sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included in this report.

The City's financial statements have been audited by CliftonLarsonAllen LLP, a firm of certified public accountants experienced in auditing governmental entities. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2014, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City Profile

The City of Franklin, incorporated in 1966, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 35,702. Over the last ten years the City has experienced an average annual population increase of 1.5% per year. The city is a residential community (73.8%) with a commercial and industrial base (25.5%). It is considered to be one of the more desirable communities in the Milwaukee metropolitan area in which to live and work. The City provides a typical range of municipal services for a suburban community including police, fire protection, emergency medical/paramedic, maintenance of streets and other infrastructure, library, public health services, recreational activities, building inspection, zoning control, refuse collection, recycling collection, sanitary sewer, storm sewer and water services, both construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries to support the services provided.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of a mayor and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring a city attorney. The City's Mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. The Council is elected, by district, on a non-partisan basis. The Mayor and Council members serve staggered three-year terms. The City is organized into departments, headed by ten officials appointed by the Mayor or Director of Administration and confirmed by the Common Council. Numerous boards, commissions and committees allow for citizen involvement in government by providing a forum for policy input to the Council and guidance to the departments. Library service is provided through a separate Library Board that functions like a department of the City and engages the Library Director. Water service is provided through a separate Water Utility that functions like a department of the City. These two areas therefore have been included as an integral part of the City's financial statements. The City also is financially accountable for a legally separate Community Development Authority (Authority). The Authority's activities are reported within the City's financial statements. Additional information on the Authority can be found in Note 1 in the notes to the financial statements.

The budgetary process serves as the foundation of the City's financial planning and control system. The objective of the budgetary process is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Common Council. The preparation of a forecast for the existing programs for the following year is prepared during July and August. Departmental requests for personnel changes and new capital outlay expenditures are made by the middle of August. The Mayor then reviews the forecast including recommended personnel and capital outlay expenditures and determines by mid August the personnel and capital outlay expenditures that will be included in the initial departmental requested budgets. The departments take this information and submit their requested budgets by the end of August. The budgets are reviewed and the Mayor submits his recommended budget by the middle of September. The Council reviews the recommended budget and agrees on a proposed budget by mid October. The Council is required to hold a public hearing on the proposed budget in early November, and then adopts a final budget in mid November. The adopted budget is prepared by fund, function (e.g. Public Safety), and department (e.g. Police). Transfers of appropriations between funds, functions or department require the approval of the governing council. Budget-to-actual comparisons are provided in this report for each governmental fund with an adopted

budget. The General Fund comparison is presented in Exhibit F as part of the basic financial statements for the governmental funds and in Schedules 3 & 4 of the supplementary information. For governmental funds other than the General Fund with adopted budgets, this comparison is presented in the supplementary information section of this report.

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the environment that the City operates.

Economic Condition and Outlook

The economic activity in Franklin in both the residential and the non-residential sectors was stable. New construction was lower in 2014 compared to 2013 as evidenced by reduced construction permit revenues. Prospects in 2015 for residential, commercial and industrial development are anticipated to be on a par to 2014, with growth dependent upon the development of new subdivisions and business parks.

Estimated actual property values have grown at an average annual rate of 2.1% since 2005. The new growth net of TIF Districts was \$46.8 million in 2014, \$34.6 million in 2013, and \$19.2 million in 2012. The growth in 2015 is expected to be in the \$15 to \$20 million dollar range reflecting the level of economic activity. The historical growth has allowed the City to maintain a relatively low municipal tax rate while still funding the increased cost of services required as a result of the City's growth.

Residential Growth

Over the past ten years, residential valuation has grown at an average annual rate of 1.8%. Lingering effects of the economic slowdown will keep growth from new construction in 2015 at about the same level as 2014. Longer range, the City has the most developable land in the County and remains attractive to builders and potential residents.

Commercial and Industrial Growth

Over the past ten years, commercial and industrial valuation has increased at an average annual rate of 3.2%.

In 2005, two TIF Districts (#3 & #4) were established on the eastern side of the City. The two districts have equalized value tax increments of \$73 and \$44 million, respectively.

Anticipated residential growth will continue to place demands on the commercial sector for goods and services that, in turn, is expected to continue the trend of commercial growth. Expansion of the commercial and industrial tax base is a goal of the City with respect to the overall tax rate. Currently 73.8% of the City's property value is residential compared to 75.7% ten years ago. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

2014 was a year where overall revenue fell slightly short of projections. The one notable exception was investment earnings which benefited from increased market values due to generally falling interest rates. The growth in fund balance was achieved due to the under spending in approved budgets by departments.

2014 was not a City-wide property reassessment year. The last reassessment was done in 2010. A re-valuation was completed in 2013. Performing revaluations on a regular basis is in line with the Common Council policy to schedule a revaluation every three years to keep property values in line with current market values. The State determined that the local

Mayor, Common Council and Citizens
May 5, 2015

assessments after reassessments were 93.7% of fair value. The estimated actual value of City properties was approximately \$3.6 billion.
The challenge for the operating departments in 2014 was to continue to maintain service levels at a time of flat revenues and growth of 1.3% in new properties.

Internal Controls

The City's internal control structure is subject to ongoing evaluation by management. The City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with laws, regulations and good financial policies. The results of the City's audit for the fiscal year ended December 31, 2014 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws or regulations. As a recipient of federal and state financial assistance, if the level of grant expenditures exceeds an established level, currently \$500,000, a single audit of grants is required. The City was not required to have a single audit of grants for 2014.

Financial Planning

Long range financial planning is in place, especially for the capital funds and debt service funds, to ensure that resources are in place to meet committed projects and ensure that there is adequate funding for projects prior to their approval and that adequate funding is in place for debt that has been or will be incurred, with an appropriate plan for repayment.

Financial Policies

The City maintains policies on fund balance level, debt policy, investment policies, budget forecasting policy and a capitalization policy. These policies, together with conservative management, has served the City well. The existence of a fund balance enabled the fund balance to be utilized in 2009 during the revenue decline and replenished in 2010 and 2011 when revenue stabilized. The City tapped the debt markets in 2014, for the first time since 2008, to finance two major capital projects. Debt Service planning has permitted a steadily declining Debt Service levy since 2008.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the 22nd consecutive year that the City has received this award.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements. We will be submitting the CAFR to the GFOA to determine its eligibility for a 2014 Certificate.

Acknowledgments

Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also

Mayor, Common Council and Citizens
May 5, 2015

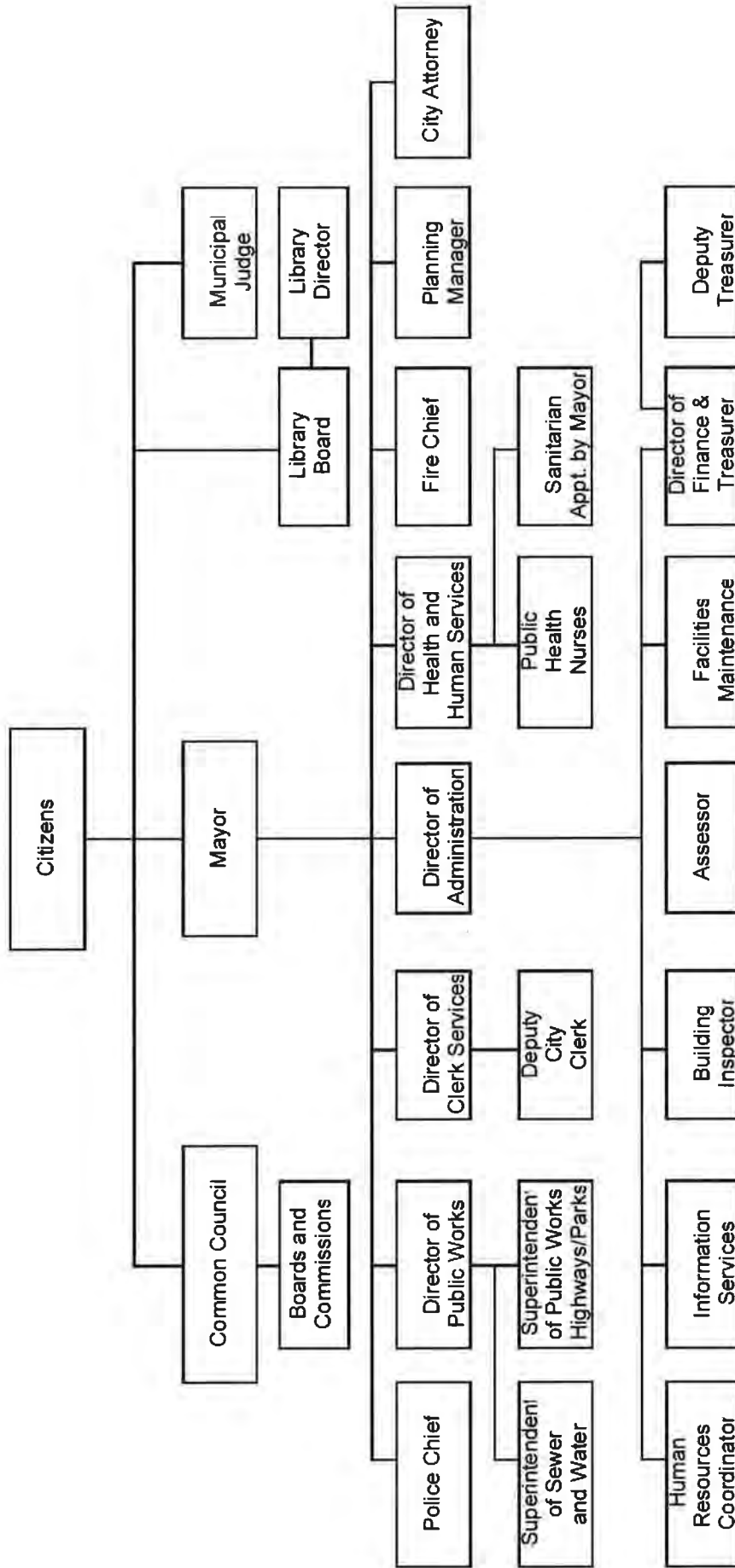
extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance Committee for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Paul Rotzenberg, CPA
Director of Finance & Treasurer

**CITY OF FRANKLIN, WISCONSIN
Organization Chart**



**CITY OF FRANKLIN, WISCONSIN
LIST OF PRINCIPAL OFFICIALS**

Elected Officials

<u>Title</u>	<u>Name</u>
Mayor	Steve Olson
Aldermen:	
District No. 1	Mark Dandrea
District No. 2	Daniel Mayer
District No. 3	Kristen Wilhelm
District No. 4	Janet Evans
District No. 5	Doug Schmidt
District No. 6	Susanne Mayer
Municipal Judge	Fred Klimetz

Non-elected Officials

Assessor	Mark Link
Building Inspector	Fred Baumgart
City Attorney	Jesse Wesolowski
City Clerk	Sandi Wesolowski
City Engineer/Public Works Director	Glen Morrow
Director of Administration	Mark Luberdia
Director of Finance & Treasurer	Paul Rotzenberg
Director of Health & Human Services	Bill Wucherer
Fire Chief	Adam Remington
Human Resources Coordinator	Dana Zahn
Library Director	Rachel Muchin Young
Planning Manager	Joel Dietl
Police Chief	Rick Oliva
Superintendent of Public Works	Jerry Schaefer
Superintendent of Sewer & Water	Mike Roberts



Government Finance Officers Association

**Certificate of
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**City of Franklin
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Common Council
City of Franklin, Wisconsin
Franklin, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of and for the year ended December 31, 2014, and the budgetary comparison for the General Fund for the year then ended, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 considers 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 express no 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 opinions.

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 major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Franklin, Wisconsin's 2013 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated May 5, 2014. In our opinion, the summarized comparative information presented for the Water Utility and Sanitary Sewer Utility Enterprise Funds presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 12-25 and 75 be presented to supplement the 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 statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency 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 or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Wisconsin's basic financial statements. The combining and individual fund financial statements and schedules, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2015, on our consideration of the City of Franklin, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Franklin, Wisconsin's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
May 5, 2015

City of Franklin, Wisconsin
Management's Discussion and Analysis
(Unaudited)

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 of the City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2014, by \$215,605,434 (net position). Of this amount, \$12,864,290 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by a net amount of \$5,214,378. Net investment in capital assets increased by \$781,968, while unrestricted net position increased by \$4,956,744 and restricted net position decreased by \$524,334. The increase in investment in capital assets was related to capital asset additions offset by increase in debt, net of unspent bond proceeds and accumulated depreciation. The unrestricted increase was mainly due to the repayment of noncapital debt. The restricted decrease was due to use of development revenues.
- The City's governmental funds reported, as of December 31, 2014, combined ending fund balances of \$18,030,657, a decrease of \$748,020 from the prior year.
- The Nonspendable fund balances were \$2,277,971 an increase of \$1,724,590 due to interfund advances from the General Fund to the Sewer Utility.
- The restricted fund balances in total was \$6,893,569 a decrease of \$6,491,754, including a decrease in restricted for debt service of \$6,255,707 and a decrease in Development Funds of \$881,829. Debt Services had a \$9,695,000 debt payment and the Development funds transferred \$873,727 to the Enterprise Funds.
- The assigned fund balances in total of \$4,906,729 had an increase of \$2,115,618 resulting from proceeds of a \$1,990,000 debt offering late in the year.
- The unassigned fund balance as of December 31, 2014 for the general fund was \$6,148,771 or approximately 24 percent of total anticipated 2015 general fund expenditures.
- The City's Governmental activities debt decreased by \$4,945,000. Repayments totaled \$10,265,000, while a new issue added \$5,320,000 in outstanding Governmental activity debt. The total general obligation debt that has to be repaid by the general taxpayer is less than one quarter of one percent of the City's equalized valuation. See table 11 for complete details.
- The City's Business-type activities approved the construction of an expanded Water & Waste Water Facilities Building in October, 2014. On December 18, 2014 the Water Fund sold \$1,290,000 of General Obligation 20 year Bonds to finance a portion of that \$3.2 million project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components:

- 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the difference between the categories reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Table 1 provides a ten year history of Net Position.

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 reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave). Table 2 provides a ten year history of the statement of activities.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The governmental activities of the City include general government, public safety, public works, health & human services, culture & recreation and conservation & development. The business-type activities include the Franklin Water Utility and the Sanitary Sewer fund.

The government-wide financial statements include not only the City itself (known as the primary government) but also a legally separate Community Development Authority for which the City is financially accountable. Financial information for this blended component unit is reported as part of the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated 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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds

with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General, Debt Service and TIF Districts Funds, that are considered to be major funds. Data from the remaining 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report.

The basic governmental fund financial statements can be found on Exhibits C, D, E and F of this report. These statements include a budgetary comparison of the General Fund.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Library Operating Fund, Solid Waste Fund, Capital Outlay Fund, Equipment Replacement Fund, Street Improvement Fund, Capital Improvement Fund, Development Fund, Sanitary Sewer Fund and the Franklin Water Utility. A budgetary comparison statement has been provided for all governmental funds demonstrating compliance with their budgets.

Proprietary funds

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Franklin Water Utility, the Sanitary Sewer Fund and the Internal Service Fund.

The proprietary fund financial statements can be found on Exhibits G, H & I of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The fiduciary funds maintained by the City are the Property Tax Agency Fund, that records the tax roll and tax collections for the City and other taxing jurisdictions, an other agency fund to record that activity and a post employment benefits trust to hold funds until needed to pay designated health benefits for eligible current and future retirees.

The basic fiduciary fund financial statements can be found on Exhibit J & K of this report.

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 to the financial statements are found on pages 40 – 74 of this report.

Other information

In addition to the basic financial statements, notes and accompanying notes, this report also presents certain required supplementary information concerning the City of Franklin's progress in funding its pension obligations to its public works employees and its retiree health obligations to eligible full time employees. Required supplementary information can be found on page 75 of this report.

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 12.2 can be found on pages 76 – 95 of this report.

Government-wide Financial Analysis

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 \$215,605,434 and \$210,391,056 at the end of 2014 and 2013, respectively.

**CITY OF FRANKLIN NET POSITION
December 31, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 49,630,395	\$ 48,485,662	\$ 5,144,787	\$ 4,470,841	\$ 54,775,182	\$ 53,956,503
Long term Note Rec			26,055,931	25,451,385	26,055,931	25,451,385
Capital assets	114,884,684	114,469,508	88,967,257	88,095,184	203,451,941	203,564,682
Total assets	164,515,079	163,955,170	119,787,865	118,017,410	284,281,224	282,982,580
Deferred Outflows	163,578	187,474	-	-	163,578	187,474
Current liabilities	3,781,961	2,180,414	3,230,972	1,441,237	7,012,933	3,631,651
Long-term liabilities	13,781,608	19,738,576	23,640,538	25,185,917	37,422,144	44,924,483
Total liabilities	17,563,569	21,928,990	26,871,510	26,627,154	44,435,077	48,556,134
Deferred inflows	24,414,291	24,222,654	-	-	24,414,291	24,222,654
Net position:						
Net investment in capital assets	106,031,677	104,721,982	88,567,257	86,095,184	194,598,134	183,817,166
Restricted	7,828,452	8,386,114	313,558	277,230	8,142,010	8,663,344
Unrestricted	6,848,690	4,698,704	4,015,630	3,017,842	12,864,290	7,907,546
Total net position	\$ 122,708,819	\$ 118,006,800	\$ 92,596,445	\$ 92,390,256	\$ 215,605,434	\$ 210,391,056

The largest portion of the City's net position (approximately 90 and 92 percent, in 2014 and 2013, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, net position is not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$194,599,134 and \$193,817,164 in 2014 and 2013, respectively of the year end net position. The changes in capital assets were as follows:

	Net Capital Asset Additions	Change in Capital Related Debt	Net Increase (Decrease)
2014	\$ 4,715,188	\$ (4,827,939)	\$ 781,970
2013	\$ 3,188,328	\$ (4,698,277)	\$ 321,656

The major 2014 City projects were Pleasant View neighborhood park access and improvements, a water main extension on West St. Martin's Road, a snow plow and a police dispatch center.

The major 2013 City projects were an ambulance, snow plow, street improvements and the 76th Street sewer & water mains from Faith to Puetz. Debt repayments in 2013 resulted in a significant decrease in capital related debt.

Infrastructure by developers and others contributed to the capitalized infrastructure of the governmental activities of approximately \$284,994 in 2014 and \$122,295 in 2013.

Capital assets contributed to the business-type activities by the municipality were \$317,738 in 2013 and \$1,197,101 in 2013.

An additional portion of the City's net position (3.8% and 4.1% in 2014 and 2013, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$8,142,010 and \$8,666,344 respectively in those net positions that were restricted to specific purposes.

The 2014 decrease of \$524,334 in restricted net position reported is due to transfers to the Enterprise funds from the Development fund.

The 2013 increase of \$425,132 in restricted net position reported is due principally to development activities.

The remaining balance in unrestricted net position of \$12,864,290 and \$7,907,546, in 2014 and 2013, respectively may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years the City reported positive balances in the unrestricted net position for both the governmental and for its business-type activities.

The 2014 \$4,956,744 increase in Unrestricted net position was the result of retirement of non-capital debt.

There was a 2013 increase of \$3,950,784 in unrestricted net position reported in connection with government-wide activities. The major component was the increase in funds that were used for debt retirement purposes.

Government-wide activities

The details of changes in net position follow:

City of Franklin Changes in Net Position For the Years Ending December 31, 2014 and 2013

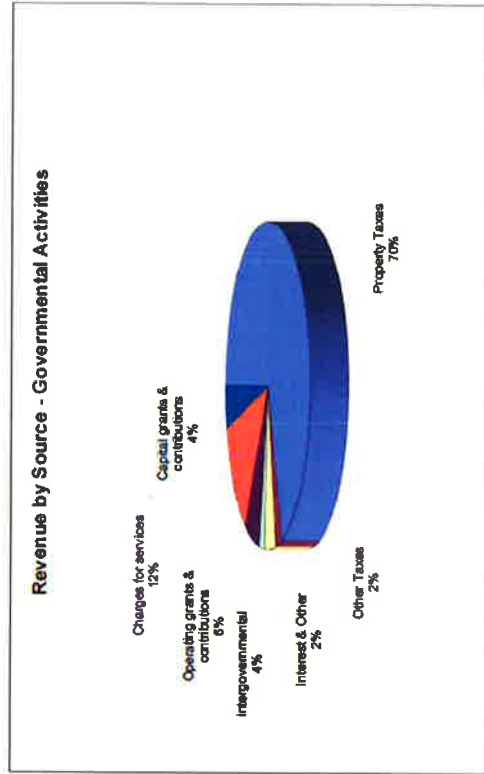
	Governmental Activities		Business-type Activities		Total
	2014	2013	2014	2013	
Revenue					
Program revenue	\$ 4,237,867	\$ 4,241,404	\$ 8,888,616	\$ 8,847,731	\$ 12,926,483
Charges for services	1,901,262	1,838,690	-	-	1,901,262
Operating grants & contributions	1,437,324	1,699,659	238,857	-	1,676,081
Capital grants & contributions	-	-	-	-	-
General revenue	24,200,884	24,097,612	-	-	24,200,884
Property taxes	726,774	723,985	-	-	726,774
Other taxes	1,519,846	1,620,331	-	-	1,519,846
Intergovernmental	695,541	87,278	642,227	589,444	1,337,768
Investment earnings	60,158	69,215	50,678	40,398	111,036
Other	34,779,868	34,337,834	9,620,278	9,257,573	44,400,136
Total revenue	29,827,068	29,712,396	9,259,690	9,185,467	39,887,833
Expenses:					
General government	2,919,940	2,915,267	-	-	2,919,940
Public safety	16,194,631	16,484,847	-	-	16,194,631
Public works	7,231,238	6,550,807	-	-	7,231,238
Health & human services	673,332	688,088	-	-	673,332
Culture & recreation	1,865,832	1,836,700	-	-	1,865,832
Conservation & development	459,884	422,095	-	-	459,884
Interest on long-term debt	592,211	602,562	-	-	592,211
Water	-	-	5,077,744	5,051,835	5,077,744
Sewer	-	-	4,160,946	4,133,632	4,160,946
Total expenses	29,827,068	29,712,396	9,259,690	9,185,467	39,887,833
Increase in net position before transfers	4,852,790	4,625,468	361,398	72,108	5,214,378
Transfers	(144,801)	(68,736)	144,801	68,726	-
Change in net position	4,708,189	4,556,742	506,189	139,832	5,214,378
Net position - beginning	118,000,600	113,442,058	92,390,256	92,251,424	210,391,056
Net position - ending	\$ 122,708,989	\$ 118,000,600	\$ 92,896,445	\$ 92,390,256	\$ 215,605,434

Governmental activities in 2014 increased the City's net position by \$4,708,189 or 90% of the total growth in the net position. Elements of this increase are:

- A \$908,184 surplus in General Government activity
- An increase from Debt Service of \$2,439,390
- Net increase from internal service activities of \$333,710
- Net decrease in development activities of \$734,486

Governmental activities in 2013 increased the City's net position by \$4,558,742 or 97% of the total growth in the net position. Elements of this increase are:

- A \$1,407,150 surplus in General Government activity
- Increase due to the decrease in Long term Debt of \$1,649,959
- Decrease in governmental activities capital assets net of depreciation of \$1,040,447
- Net increase in TIF District activities of \$2,307,794
- Net increase from internal service activities of \$77,500
- Net decrease from special assessment activities of \$51,651
- Net increase from development activities of \$437,437
- Net increase from non major funds activities of \$76,824

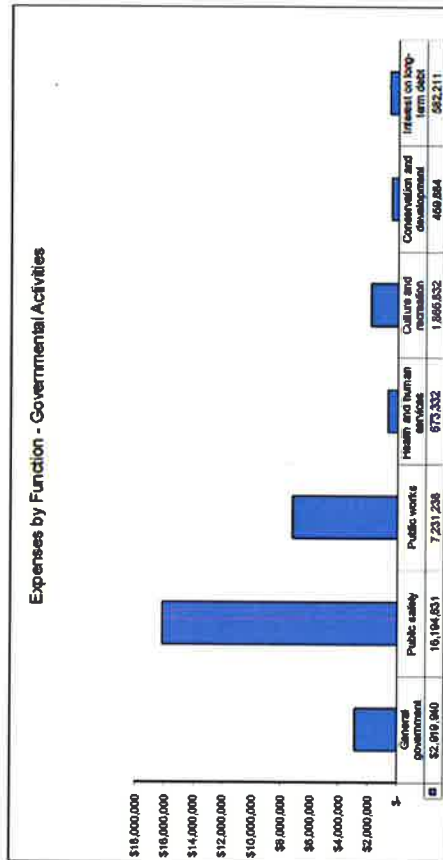


Business-type activities

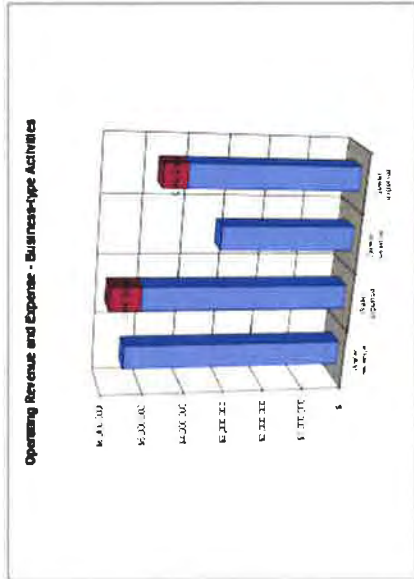
In 2014, business-type activities increased the City's net position by \$506,189 or 10%. The key elements of this increase were contributions from developers.

In 2013, business-type activities increased the City's net position by \$138,832 or 3 percent from the prior year. The key elements of this increase follow:

- The increase from operating activities (the change in net position excluding capital contributions and its related depreciation expense) was \$257,522. The goal of the business activities is to provide these services at least a break even basis to minimize the cost to the users. Both the water and sewer activities are currently meeting this goal.
- Depreciation expense related to contributed assets - \$1,315,791

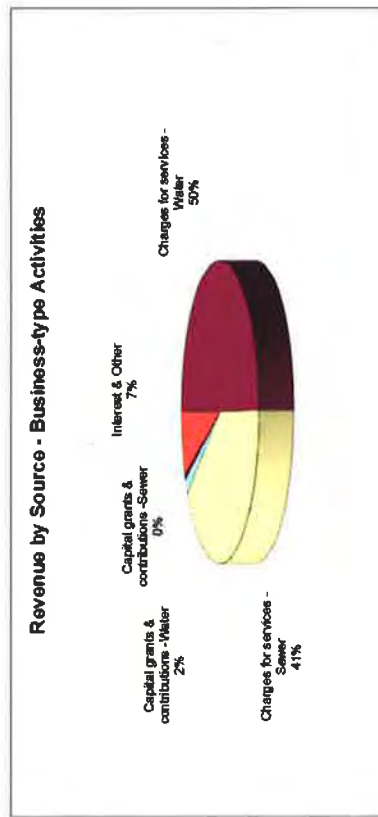


The following graph compares the 2014 charges for services to the operating expenses for water and sewer activities.



Water and Sewer expenses can exceed revenue due to the current policy of including only depreciation from City spending on capital assets in the rate formula. The large amount of new infrastructure that has been installed in recent years is the reason for this policy. When maintenance and replacement costs increase, this policy may need to be reevaluated.

As shown on the following chart, the Business-type revenue includes capital grants and contributions, investment earnings and miscellaneous income in addition to charges for services (operating revenue).



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,030,657, a decrease of \$749,020 from the prior year. At year end the unassigned fund balance was \$3,952,388. Of this total \$6,148,771 was for general fund activities. This amount was offset by deficits in the Debt Service, TIF Districts and Nonmajor Governmental Funds. The Debt Service fund has an interfund loan with favorable financing and the deficit will diminish as revenue is received from future year property taxes to repay the financing. The TIF Districts deficit also have interfund loans with favorable financing and will diminish as revenue is received and used to repay the financing.

The City has assigned fund balances for activities of the Capital Projects of \$4,699,459. In addition, \$207,270 of General Fund Balance has been assigned for encumbrances into 2015.

Outside party restrictions have resulted in restricted fund balances:

- 1) to pay debt service - \$546,238,
- 2) for utility improvements - \$672,431,
- 3) for development purposes - \$4,170,339,
- 4) for TIF Districts of \$347,978,
- 5) for library services \$596,277 and
- 6) for donations, grant funds, solid waste and recreational activities - totaling \$560,306.

The City also has nonspendable fund balances to indicate that it is not available for new spending because it has already been committed for prepaid expenses and inventories (\$79,355) and for advances to other funds (\$2,198,616). The advances are scheduled for repayment in 2017.

The General Fund is the chief operating fund of the City. As of December 31, 2014, the total fund balance of the general fund was \$8,633,112 of which \$6,148,771 was unassigned. This unassigned fund balance represents approximately 25% of 2015 general fund budgeted expenditures.

The total fund balance of the General Fund increased by \$851,545 during fiscal year 2014. Actual revenue was more than budget revenue by \$73,279 or 0.3 percent. Changes in employee benefits reduced Public Safety costs significantly. Employees are paying a larger share of health benefit premiums and retirement costs. Also, an actuarial assumption change reduced the retiree health cost.

The Debt Service Fund has a total deficit fund balance of \$424,721, \$546,238 is restricted for the payment of debt service and a deficit of \$970,959 is related to advances made from

the Internal Services fund. The fund balance increase of \$1,068,046 related to the repayment of interfund advances.

The TIF Districts Fund has total deficit fund balance of \$865,894 and a restricted fund of \$347,978 and a deficit fund balance of \$1,213,872 related to interfund advances.

The Nonmajor Governmental Funds have a total fund balance of \$10,688,160. The fund balance increase of \$1,311,904 came principally from a new debt issue proceeds of \$1,990,000. The major fund balances relate to future development and planned replacement equipment expenditures.

The City's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility at the end of the year amounted to \$1,464,723, an increase of \$830,499 from the prior year. The increase was a result of an \$873,727 transfer from the Development fund and debt issued.

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$2,550,907, an increase of \$167,289 from the prior year. Total net position increased due to operations.

The enterprise funds financial statements can be found on Exhibits G, H and I of this report.

General Fund Budgetary Highlights

Revenue exceeded the budget by \$73,279. Investment earnings exceeded budget by \$151,632 on unrealized gains related to falling market rates on fixed income investments. An insurance dividend caused Miscellaneous Revenue to exceed budget by \$68,314.

Actual expenditures were less than budgeted expenditures by \$1,870,998. The largest favorable variances were in General Government and Public Safety. The City established a \$950,000 restricted contingency reserve to preserve shared revenue from the State. That contingency was not needed. Within Public Safety, a change in actuarial assumptions reduced the retiree health costs from what had been in the budget. The combined impact was a significant reduction in expenditures.

A \$851,545 surplus compares favorably to the Originally budgeted \$950,000 deficit. Reduced expenditures are the driver behind these results.

Capital assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$203,451,941 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

City's Investment In Capital Assets

	Governmental Activities		Business-type Activities		Total
	2014	2013	2014	2013	
Land	\$ 24,948,631	\$ 24,958,327	\$ 521,225	\$ 521,225	\$ 25,479,856
Buildings and Improvements	24,717,845	24,225,492	3,434,412	3,438,927	28,152,267
Improvements other than buildings	83,860,788	92,173,188	110,447,988	109,764,750	204,308,776
Machinery and equipment	17,514,587	17,571,157	2,694,341	2,799,107	20,370,264
Construction in process	423,313	152,923	351,610	57,942	774,923
Total capital assets	161,468,174	159,081,087	117,449,578	116,581,951	278,915,750
Less Accumulated depreciation	(46,581,490)	(44,611,579)	(28,882,319)	(27,489,767)	(75,463,809)
Capital assets net of depreciation	\$ 114,884,684	\$ 114,469,508	\$ 88,567,257	\$ 89,095,184	\$ 203,451,941

The total decrease in the City's net investment in capital assets net of depreciation for the current fiscal year was \$112,751 or 0.05%.

For further details on capital asset activity, refer to Note 1(D)5 and Note 4(D) of the Notes to Financial Statements and Schedules 12 - 12.2.

Long-term debt

State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. At December 31, 2014, the City had general obligation note and bond issues outstanding totaling \$37,711,522. The current legal debt limitation for the City is \$141,773,183. The City's current outstanding general obligation debt is 21% of the statutory debt limit. In the last 15 years the City has not exceeded 29% of the statutory debt limit.

By City policy, outstanding general obligation debt is limited to 2% of total equalized value or \$7,193,862. This represents 52% of the policy limit.

The City's present rating from Moody's for its general obligation debt is "Aa2".

In December 2014, a new \$5,320,000 ten year debt issue was sold. TIF District #3 sold \$3,330,000 for infrastructure costs on the 27th Street project, while the City will use \$1,990,000 for Capital Improvement projects. The Franklin Water Utility borrowed \$1,290,000 on a 20 year bond to finance construction of the Water & Waste Water Building. The utility's plan is to make future infrastructure improvements including water main replacement and new water service from current reserves and from City collected impact fees.

In January, 2012, the Franklin Sewer Fund signed a Clean Water Fund Note with a notional amount of \$27,562,754 to fund the construction of a sewer interceptor in the City. The note had a balance of \$23,486,522 at December 31, 2014. The Notes have a 20 year repayment schedule to May, 2031. The City has an intergovernmental agreement with the Metropolitan Milwaukee Sewer District to pay the City the required interest and principal with payments on the Clean Water Fund loan beginning in 2015.

	City of Franklin's Outstanding Debt (All purposes)				
	Governmental		Business-type		Total
	2014	2013	2014	2013	
General obligation					
Bonds	\$ 7,615,000	\$ 8,185,000	\$ 24,776,522	\$ 24,565,423	\$ 32,750,423
Notes	5,320,000	9,695,000	-	-	9,695,000
Total	\$ 12,935,000	\$ 17,880,000	\$ 24,776,522	\$ 24,565,423	\$ 42,445,423

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 11 – 13 in the statistical section of the report.

Other Changes of Significance

Post Employment Health Care Benefits

The City of Franklin provides retiree health care benefits to certain retiree groups from the date of retirement until age 65. Prior to 2008 the City's portion of health care cost was recognized as an expenditure in the period premiums were paid. Funding for those costs was provided out of the current operating budget of the City. This was referred to as financing on a pay as you go basis.

The Government Accounting Standards Board (GASB) issued Statement #45 effective for the City of Franklin on January 1, 2008 that said that the expense of these benefits has to be recognized over the working lives of the employees. The Common Council concluded that the City of Franklin should not only recognize the expense on its financial statements but should fund those amounts out of its general revenue starting in 2008 with the establishment of a section 115 trust. The actuarial computed annual required contribution under GASB #45 for 2014 was \$551,716 and for 2013 was \$523,342.

More detailed information can be found in footnote 5C.

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2014 for the City was 4.2%, Milwaukee County which includes the City, was 6.0%. This compares with an unemployment rate of 5.2% for the State of Wisconsin.
- The local tax rate decreased 0.2% for operations for the current and in the prior two years changed (0.30)%, and (7.04)%, respectively.

- The tax levy was unchanged the past two years and increased \$42,000 two years ago.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance & Treasurer, City of Franklin 9229 West Loomis Road, Franklin, WI 53132.

General information or more detailed financial and budget information relating to the City of Franklin can be found at the City's website, www.franklinwi.gov - Finance Department tab.

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 20,251,612	\$ 4,235,905	\$ 24,487,517
Receivables			
Accounts receivable	701,564	2,470,942	3,172,506
Interest receivable	58,267	-	58,267
Taxes receivable	24,672,828	300,182	24,973,010
Note receivable	-	-	-
Special assessments receivable	1,382,528	-	1,382,528
Internal balances	(18,687)	18,687	-
Due from other governments	255,002	4,109	259,111
Prepaid items	124,936	-	124,936
Inventories	11,919	-	11,919
Long term advances	2,198,616	(2,198,616)	-
Restricted cash and investments	-	313,558	313,558
Due from other governments - long term	-	26,055,931	26,055,931
Capital assets (net of accumulated depreciation)			
Land	24,949,631	521,225	25,470,856
Buildings and improvements	15,613,602	2,194,780	17,808,382
Machinery and equipment	6,626,273	1,061,170	7,687,443
Improvements other than buildings	67,271,865	84,438,472	151,710,337
Construction in progress	423,313	351,610	774,923
Total assets	164,523,269	119,767,955	284,291,224
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding costs	163,578	-	163,578
LIABILITIES			
Accounts payable	1,140,160	1,650,608	2,790,768
Accrued liabilities	973,938	237,344	1,211,282
Due to other governments	115,089	-	115,089
Accrued interest	102,142	97,824	199,966
Special deposits	141,751	100	141,851
Noncurrent liabilities			
Due within one year	1,308,881	1,245,096	2,553,977
Due in more than one year	13,781,606	23,640,538	37,422,144
Total liabilities	17,563,567	26,871,510	44,435,077
DEFERRED INFLOWS OF RESOURCES			
Subsequent year property taxes	24,414,291	-	24,414,291
NET POSITION			
Net Investment in capital assets	106,031,877	88,567,257	194,599,134
Restricted for			
Debt service	580,605	-	580,605
Utility improvements	1,918,450	-	1,918,450
Development	4,170,339	-	4,170,339
Library	598,752	-	598,752
Other	560,306	-	560,306
Sewer equipment replacement	-	313,558	313,558
Unrestricted	8,848,660	4,015,630	12,864,290
Total net position	\$ 122,708,989	\$ 92,896,445	\$ 215,605,434

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Activities
Year Ended December 31, 2014

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,919,940	\$ 213,328	\$ -	\$ -	\$ (2,706,612)	\$ -	\$ (2,706,612)
Public safety	16,194,631	2,268,334	233,471	34,064	(13,658,762)	-	(13,658,762)
Public works	7,231,238	1,470,630	1,439,024	1,307,834	(3,013,750)	-	(3,013,750)
Health and human services	673,332	115,650	11,601	88,626	(457,455)	-	(457,455)
Culture and recreation	1,865,832	118,008	217,166	7,000	(1,523,658)	-	(1,523,658)
Conservation and development	459,884	51,917	-	-	(407,967)	-	(407,967)
Interest on long term debt	582,211	-	-	-	(582,211)	-	(582,211)
Total governmental activities	29,927,068	4,237,867	1,901,262	1,437,524	(22,350,415)	-	(22,350,415)
Business-type activities:							
Water	5,077,744	5,421,719	-	176,676	-	520,651	520,651
Sewer	4,180,946	3,266,897	-	61,881	-	(852,168)	(852,168)
Total business-type activities	9,258,690	8,688,616	-	238,557	-	(331,517)	(331,517)
Total primary government	\$ 39,185,758	\$ 12,926,483	\$ 1,901,262	\$ 1,676,081	(22,350,415)	(331,517)	(22,681,932)
General revenue:							
Property taxes levied for general purposes					20,073,959	-	20,073,959
Property taxes levied for debt service					1,600,000	-	1,600,000
Property taxes levied for TIF Districts					2,526,925	-	2,526,925
Other taxes					726,774	-	726,774
Intergovernmental revenue not restricted to specific programs					1,519,848	-	1,519,848
Investment earnings					695,541	642,227	1,337,768
Miscellaneous revenue					43,170	50,878	94,048
Gain on sale of capital assets					16,988	-	16,988
Transfers					(144,601)	144,601	-
Total general revenue and transfers					27,058,604	837,706	27,896,310
Change in net position					4,708,189	506,189	5,214,378
Net position - beginning					118,000,800	92,390,256	210,391,056
Net position - ending					\$ 122,708,989	\$ 92,896,445	\$ 215,605,434

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2014

	<u>General</u>	<u>Debt Service</u>	<u>TIF Districts</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 6,924,141	\$ 578,269	\$ 3,778,805	\$ 7,561,443	\$ 18,842,658
Receivables					
Accounts receivable	581,538	-	-	108,329	689,867
Interest receivable	58,267	-	-	-	58,267
Taxes receivable	16,232,330	1,672,010	2,690,637	4,077,851	24,672,828
Special assessments receivable	-	136,509	-	1,246,019	1,382,528
Due from other funds	11,552	-	-	-	11,552
Due from other governments	65,505	-	17,866	171,631	255,002
Prepaid items	66,536	-	-	900	67,436
Inventories	11,919	-	-	-	11,919
Advances to other funds	2,198,616	-	-	3,325,000	5,523,616
TOTAL ASSETS	\$ 26,150,404	\$ 2,386,788	\$ 6,487,308	\$ 16,491,173	\$ 51,515,673
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 544,615	\$ -	\$ 74,565	\$ 648,103	\$ 1,267,283
Accrued liabilities	455,408	-	-	15,427	470,835
Due to other funds	11,230	-	-	19,009	30,239
Due to other governments	112,703	-	-	2,386	115,089
Special deposits	141,751	-	-	-	141,751
Advance from other funds	-	1,075,000	4,588,000	-	5,663,000
Total liabilities	1,265,707	1,075,000	4,662,565	684,925	7,688,197
DEFERRED INFLOWS OF RESOURCES					
Unearned & unavailable revenue	16,251,585	1,736,509	2,690,637	5,118,088	25,796,819
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventories and prepaid items	78,455	-	-	900	79,355
Advances to other funds	2,198,616	-	-	-	2,198,616
Restricted:					
Debt service	-	546,238	-	-	546,238
Utility improvements	-	-	-	672,431	672,431
Development	-	-	-	4,170,339	4,170,339
TIF Districts	-	-	347,978	-	347,978
Donations	-	-	-	122,550	122,550
Health services	-	-	-	175,220	175,220
Library services	-	-	-	596,277	596,277
Solid waste	-	-	-	216,385	216,385
Recreational services	-	-	-	46,151	46,151
Assigned:					
Purchases on Order	207,270	-	-	-	207,270
Capital projects	-	-	-	4,699,459	4,699,459
Unassigned (deficit)	6,148,771	(970,959)	(1,213,872)	(11,552)	3,952,388
Total fund balances (deficit)	8,633,112	(424,721)	(865,894)	10,688,160	18,030,657
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)	\$ 26,150,404	\$ 2,386,788	\$ 6,487,308	\$ 16,491,173	\$ 51,515,673

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2014

Fund balances - total governmental funds \$ 18,030,657

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

Capital assets used in governmental funds are not financial resources
and are therefore are not reported in the funds 114,884,684

Some receivables that are not currently available are reported as
deferred inflows of resources in the fund financial statements
but are recognized as revenues when earned in the government-wide
statements
Special assessments 1,382,528

Internal Service Fund net position 3,440,171

Long-term liabilities applicable to the City's governmental activities are not
due and payable in the current period, and accordingly, are not reported
as fund liabilities. Interest on long-term debt is not accrued in
governmental funds, but rather is recognized as an expenditure when due
General obligation debt (13,187,273)
Compensated absences (1,824,334)
Net pension obligation (78,880)
Unamortized refunding costs 163,578
Accrued Interest (102,142)

Net change in net position of governmental activities \$ 122,708,989

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2014

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$16,926,045	\$ 1,600,000	\$ 2,544,926	\$ 3,856,687	\$ 24,927,658
Intergovernmental revenue	2,536,187	-	432,128	439,760	3,408,075
Licenses and permits	808,302	-	-	-	808,302
Fines, forfeitures and penalties	421,976	-	-	-	421,976
Public charges for services	1,367,737	-	-	1,264,074	2,631,811
Special assessments	-	68,166	-	988,922	1,057,088
Intergovernmental charges for services	136,372	-	-	-	136,372
Investment earnings	290,132	21,966	108,838	318,994	739,930
Miscellaneous revenue	143,014	-	-	268,287	411,301
Total revenue	<u>22,629,765</u>	<u>1,690,132</u>	<u>3,085,892</u>	<u>7,136,724</u>	<u>34,542,513</u>
EXPENDITURES					
Current					
General government	2,786,740	-	-	-	2,786,740
Public safety	15,367,022	-	-	23,117	15,390,139
Public works	3,560,384	-	-	1,580,266	5,140,650
Health and human services	633,964	-	-	32,511	666,475
Culture, recreation and education	163,000	-	-	1,412,381	1,575,381
Conservation and development	355,354	-	105,827	-	461,181
Capital outlay	-	-	330,265	3,637,181	3,967,446
Debt service					
Principal	-	570,000	9,695,000	-	10,265,000
Interest	-	345,644	385,644	-	731,288
Debt issuance costs	-	-	45,751	27,340	73,091
Total expenditures	<u>22,866,464</u>	<u>915,644</u>	<u>10,562,487</u>	<u>6,712,796</u>	<u>41,057,391</u>
Excess (deficiency) of revenue over expenditures	<u>(236,699)</u>	<u>774,488</u>	<u>(7,476,595)</u>	<u>423,928</u>	<u>(6,514,878)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	39,894	39,894
Transfers in	1,112,244	226,811	-	785,952	2,125,007
Transfers out	(24,000)	-	-	(1,927,870)	(1,951,870)
General obligation debt issued	-	-	3,330,000	1,990,000	5,320,000
Premium (discount) on debt issued	-	66,747	166,080	-	232,827
Total other financing sources and uses	<u>1,088,244</u>	<u>293,558</u>	<u>3,496,080</u>	<u>887,976</u>	<u>5,765,858</u>
Net change in fund balances	851,545	1,068,046	(3,980,515)	1,311,904	(749,020)
Fund balances (deficit) - beginning	<u>7,781,567</u>	<u>(1,492,767)</u>	<u>3,114,621</u>	<u>9,376,256</u>	<u>18,779,677</u>
Fund balances (deficit) - ending	<u>\$ 8,633,112</u>	<u>\$ (424,721)</u>	<u>\$ (865,894)</u>	<u>\$ 10,688,160</u>	<u>\$ 18,030,657</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Reconciliation of the Statement of Revenue
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended December 31, 2014

Net change in fund balances - total governmental funds	\$ (749,020)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense or losses when disposed of.	
Capital outlays	3,539,449
Depreciation	(3,068,623)
Net book value of assets disposed	(22,906)
Capital assets contributed from governmental activities to the water and sewer utility.	(317,738)
Contributed capital assets are reported as revenues in the statement of activities.	284,994
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net position.	
Principal paid on long-term debt	10,265,000
Proceeds from long-term debt, net of premium/discount	(5,320,000)
Government funds report the effects of premiums, discounts and refunding losses when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	
	(276,169)
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 the government funds	
Compensated absences	(50,638)
Net pension obligation	6,000
Accrued interest payable	144,586
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	
Net special assessments	(20,248)
Accrued interest receivables	(40,268)
Internal service fund change in net position	<u>333,770</u>
Net change in net position of governmental activities	\$ <u>4,708,189</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances
Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2014

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Taxes	\$ 17,990,900	\$ 17,990,900	\$ 17,972,909	\$ (17,991)
Intergovernmental revenue	2,549,550	2,549,550	2,536,187	(13,363)
Licenses and permits	864,300	864,300	808,302	(55,998)
Fines, forfeitures and penalties	444,000	444,000	421,976	(22,024)
Public charges for services	1,416,400	1,416,400	1,367,737	(48,663)
Intergovernmental charges for services	125,000	125,000	136,372	11,372
Investment earnings (loss)	138,500	138,500	290,132	151,632
Miscellaneous revenue	74,700	74,700	143,014	68,314
Total revenue	<u>23,603,350</u>	<u>23,603,350</u>	<u>23,676,629</u>	<u>73,279</u>
EXPENDITURES				
Current				
General government	3,651,466	3,399,566	2,956,472	443,094
Public safety	16,113,922	16,188,422	15,365,096	823,326
Public works	3,526,318	3,679,218	3,585,021	94,197
Health and human services	657,804	664,904	633,964	30,940
Culture and recreation	172,082	191,082	188,345	2,737
Conservation and development	471,758	471,758	355,354	116,404
Total expenditures	<u>24,593,350</u>	<u>24,594,950</u>	<u>23,084,252</u>	<u>1,510,698</u>
Excess (deficiency) of revenue over (under) expenditures	(990,000)	(991,600)	592,377	1,583,977
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	400,000	65,380	(334,620)
Transfers out	(400,000)	(400,000)	-	400,000
Net change in fund balance - budgetary basis	(990,000)	(991,600)	657,757	1,649,357
Adjustments to generally accepted accounting principles basis				
2014 encumbrances	-	207,270	207,270	-
2013 encumbrances	-	(13,482)	(13,482)	-
Net change in fund balance - generally accepted accounting principles basis	(990,000)	(797,812)	851,545	1,649,357
Fund Balances - beginning	<u>7,781,567</u>	<u>7,781,567</u>	<u>7,781,567</u>	<u>-</u>
Fund Balances - ending	<u>\$ 6,791,567</u>	<u>\$ 6,983,755</u>	<u>\$ 8,633,112</u>	<u>\$ 1,649,357</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
December 31, 2014
 (with comparative information for December 31, 2013)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Prior Year	Current Year	
	Current Year	Prior Year	Current Year	Prior Year	Prior Year	Current Year	Totals
ASSETS							
Current assets							
Cash and investments	\$ 2,403,805	\$ 54,122	\$ 1,832,100	\$ 1,696,169	\$	\$ 4,235,905	\$ 1,408,954
Receivables							
Accounts receivable	1,281,230	1,306,706	1,189,712	889,673		2,470,942	11,697
Taxes receivable	189,877	181,829	110,305	133,253		300,182	-
Due from other funds	20,919	76,124	73,532	54,698		94,451	-
Due from other governments	-	-	4,109	-		4,109	-
Prepaid expenses	-	502	-	-		-	57,500
Advance to other funds	-	-	-	-		-	2,338,000
Total current assets	3,895,831	1,619,283	3,209,758	2,773,793	2,773,793	7,105,589	3,816,151
Noncurrent assets							
Restricted cash and investments	-	-	313,558	277,230		313,558	-
Due from other governments	-	-	26,055,931	25,451,385		26,055,931	-
Capital assets							
Land	162,885	162,885	358,340	358,340		521,225	-
Buildings and improvements	1,812,979	1,833,594	1,621,433	1,605,333		3,434,412	-
Improvements other than buildings	56,332,711	55,799,708	54,115,277	53,965,042		110,447,988	-
Machinery and equipment	1,923,630	2,018,893	770,711	780,214		2,694,341	-
Construction in progress	183,552	30,742	168,058	27,200		351,610	-
Less accumulated depreciation	(15,338,874)	(14,562,515)	(13,543,445)	(12,924,252)		(28,882,319)	-
Total capital assets (net of accumulated depreciation)	45,076,883	45,283,307	43,490,374	43,811,877	43,811,877	88,567,257	-
Total noncurrent assets	45,076,883	45,283,307	69,859,863	69,540,492	69,540,492	114,936,746	-
Total assets	48,972,714	46,902,590	73,069,621	72,314,285	72,314,285	122,042,335	3,816,151

Continued

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
December 31, 2014
(with comparative information for December 31, 2013)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	-	
LIABILITIES							
Current liabilities							
Accounts payable	\$ 810,929	\$ 735,649	\$ 839,679	\$ 583,618	\$ 1,650,608	\$ 5,480	
Accrued liabilities	215,271	689	22,073	18,094	237,344	370,500	
Accrued interest payable	1,451	-	96,373	100,687	97,824	-	
Due to other funds	65,554	188,494	10,210	10,971	75,764	-	
Special deposits	100	2,500	-	-	100	-	
Current portion of long-term obligations	85,424	29,146	1,159,672	1,130,218	1,245,096	-	
Total current liabilities	<u>1,178,729</u>	<u>956,478</u>	<u>2,128,007</u>	<u>1,843,588</u>	<u>3,306,736</u>	<u>375,980</u>	
Noncurrent liabilities							
General obligation notes payable	1,221,494	-	22,357,276	23,464,351	23,578,770	-	
Accrued compensated absences	30,885	28,581	30,883	28,581	61,768	-	
Total noncurrent liabilities	<u>1,252,379</u>	<u>28,581</u>	<u>22,388,159</u>	<u>23,492,932</u>	<u>23,640,538</u>	<u>-</u>	
Long-term advances	-	-	2,198,616	505,040	2,198,616	-	
Total liabilities	<u>2,431,108</u>	<u>985,059</u>	<u>26,714,782</u>	<u>25,841,560</u>	<u>29,145,890</u>	<u>375,980</u>	
NET POSITION							
Net Investment in capital assets	45,076,883	45,283,307	43,490,374	43,811,877	88,567,257	-	
Restricted for							
Sewer equipment replacement	-	-	313,558	277,230	313,558	-	
Unrestricted	1,464,723	634,224	2,550,907	2,383,618	4,015,630	3,440,171	
Total net position	<u>\$ 46,541,606</u>	<u>\$ 45,917,531</u>	<u>\$ 46,354,839</u>	<u>\$ 46,472,725</u>	<u>\$ 92,896,445</u>	<u>\$ 3,440,171</u>	

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2014
 (with comparative information for December 31, 2013)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	-	
OPERATING REVENUE							
Metered sales							
Residential	\$ 2,672,235	\$ 2,736,899	\$ 1,849,264	\$ 1,824,397	\$ 4,521,499	\$ -	
Commercial	1,386,801	1,334,947	836,370	825,555	2,223,171	-	
Industrial	389,416	342,385	396,238	380,382	785,654	-	
Public authority	283,623	326,649	152,953	178,849	436,576	-	
Total metered sales	4,732,075	4,740,880	3,234,825	3,209,183	7,966,900	-	
Unmetered sales	8,557	6,500	-	-	8,557	-	3,264,801
Public fire protection service	511,413	492,653	-	-	511,413	-	
Private fire protection service	118,154	113,944	-	-	118,154	-	
Forfeited discounts, penalties and other	51,520	50,017	32,072	34,554	83,592	-	
Total operating revenue	5,421,719	5,403,994	3,266,897	3,243,737	8,688,616	-	3,264,801
OPERATING EXPENSES							
Cost of sales and services	3,521,334	3,498,853	2,730,849	2,683,240	6,252,183	-	3,047,834
Depreciation	1,097,571	1,097,315	661,745	650,060	1,759,316	-	
Administration	437,030	450,536	201,202	217,143	638,232	-	
Total operating expenses	5,055,935	5,046,704	3,593,796	3,550,443	8,649,731	-	3,047,834
Operating income (loss)	365,784	357,290	(326,899)	(306,706)	38,885	-	216,967
NONOPERATING REVENUE (EXPENSES)							
Investment earnings (loss)	(4,504)	(5,289)	646,731	574,733	642,227	-	116,803
Sundry	49,263	37,998	1,615	2,400	50,878	-	
Interest expense	(21,809)	(5,131)	(587,150)	(583,189)	(608,959)	-	
Total non-operating revenue (expenses)	22,950	27,578	61,196	(6,056)	84,146	-	116,803
Income (loss) before capital contributions and transfers	388,734	384,868	(265,703)	(312,762)	123,031	-	333,770
Capital contributions	406,060	487,927	150,235	709,174	556,295	-	
Transfers in	873,727	-	-	-	873,727	-	
Transfers out	(1,044,446)	(1,127,801)	(2,418)	(2,574)	(1,046,864)	-	
Change in net position	624,075	(255,006)	(117,886)	393,838	506,189	-	333,770
Net position - beginning	45,917,531	46,172,537	46,472,725	46,078,887	92,390,256	-	3,106,401
Net position - ending	\$ 46,541,606	\$ 45,917,531	\$ 46,354,839	\$ 46,472,725	\$ 92,896,445	\$ 3,440,171	

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2014
(with comparative information for the year ended December 31, 2013)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year			
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 5,224,511	\$ 5,103,328	\$ 2,991,421	\$ 3,268,947	\$ 8,215,932	\$ 3,356,195	
Receipts for interfund services provided	289,324	257,452	-	-	289,324	-	
Payments to suppliers	(3,151,993)	(3,496,671)	(2,170,464)	(3,867,158)	(5,322,457)	(3,157,813)	
Payments to employees	(487,161)	(475,266)	(431,693)	(482,960)	(918,854)	-	
Payments for interfund services used	(95,400)	(95,999)	(95,400)	(96,000)	(190,800)	-	
Net cash flows provided by (used in) operating activities	1,759,281	1,292,844	293,864	(1,177,171)	2,053,145	198,382	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer out - paid for tax equivalent	(1,044,446)	(1,127,801)	(2,418)	(2,574)	(1,046,864)	-	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt	1,276,494	-	23,211	2,500,590	1,299,705	-	
Transfers from other funds	873,727	-	-	-	873,727	-	
Advances from other funds	-	-	1,693,576	505,040	1,693,576	-	
Payments on capital debt	-	-	(1,102,112)	-	(1,102,112)	-	
Advances to other governments	-	-	(604,546)	(1,451,437)	(604,546)	-	
Interest on capital debt	(20,358)	(5,131)	(591,464)	(568,288)	(611,822)	-	
Acquisition of capital assets	(490,511)	(156,066)	(184,583)	(91,309)	(675,094)	-	
Net cash provided (used) by capital and related financing activities	1,639,352	(161,197)	(765,918)	894,596	873,434	-	
CASH FLOWS FROM INVESTING ACTIVITIES							
Payments received on advances to other funds	-	-	-	-	-	925,000	
Advances to other funds	(4,504)	(5,289)	646,731	574,733	642,227	(1,100,000)	
Investment earnings	(4,504)	(5,289)	646,731	574,733	642,227	116,803	
Net cash provided (used) by investing activities	-	-	-	-	-	(58,197)	
Net increase (decrease) in cash and cash equivalents	2,349,683	(1,443)	172,259	289,594	2,521,942	140,185	
Cash and cash equivalents - Beginning	54,122	55,565	1,973,399	1,683,815	2,027,521	1,268,769	
Cash and cash equivalents - Ending	\$ 2,403,805	\$ 54,122	\$ 2,145,658	\$ 1,973,399	\$ 4,549,463	\$ 1,408,954	
Cash and investments - Unrestricted	\$ 2,403,805	\$ 54,122	\$ 1,832,100	\$ 1,696,169	\$ 4,235,905	\$ 1,408,954	
Cash and investments - Restricted	-	-	313,558	277,230	313,558	-	
	\$ 2,403,805	\$ 54,122	\$ 2,145,658	\$ 1,973,399	\$ 4,549,463	\$ 1,408,954	

See accompanying notes to the financial statements.

Continued

CITY OF FRANKLIN, WISCONSIN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2014

(with comparative information for the year ended December 31, 2013)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
Reconciliation of operating income (loss) to net cash provided by operating activities							
Operating income (loss)	\$ 365,784	\$ 357,289	\$ (326,899)	\$ (306,706)	\$ 38,885	\$ 216,967	
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities							
Depreciation	1,097,571	1,097,315	661,745	650,060	1,759,316	-	
Depreciation allocated to other funds	5,424	5,528	(5,424)	(5,528)	-	-	
Nonoperating revenues	49,263	37,998	1,615	2,400	50,878	-	
(Increase) decrease in assets							
Accounts receivable	25,476	(56,055)	(300,039)	24,395	(274,563)	91,394	
Taxes receivable	(8,048)	(30,685)	22,948	(1,585)	14,900	-	
Prepaid expense	502	(502)	-	-	502	-	
Due from other funds	55,205	(76,124)	(18,834)	(23,698)	36,371	-	
Due from other governments	-	-	(4,109)	-	(4,109)	-	
Increase (decrease) in liabilities							
Accounts payable	75,280	11,587	256,061	(1,534,108)	331,341	(101,379)	
Accrued liabilities	214,582	(2,382)	3,979	1,676	218,561	(8,600)	
Due to other governments	-	86,654	-	-	-	-	
Due to other funds	(122,940)	(142,932)	(761)	10,971	(123,701)	-	
Customer deposits	(2,400)	200	-	-	(2,400)	-	
Compensated absences	3,582	4,952	3,582	4,952	7,164	-	
Total adjustments	1,393,497	935,554	620,763	(870,465)	2,014,260	(18,585)	
Net cash flows provided by (used in) operating activities	\$ 1,759,281	\$ 1,292,843	\$ 293,864	\$ (1,177,171)	\$ 2,053,145	\$ 198,382	
Noncash Capital Activities							
Cost of Utility plant installed and/or financed by external parties or the City	\$ 406,060	\$ 487,927	\$ 150,235	\$ 709,174	\$ 556,295	\$ -	

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Agency Funds	City of Franklin Post Employment Benefits Trust
ASSETS		
Cash	\$ 53,136,094	\$ 18,518
Investments:		
Fixed Income Securities - Corporate Bonds	-	1,015,797
Domestic Equities	-	3,065,498
International Equities	-	456,888
Total Cash & Investments	53,136,094	4,556,701
Accounts receivable	5,820	2,305
Taxes receivable	16,394,592	-
Due from Municipality	-	288
Total assets	\$ 69,536,506	\$ 4,559,294
LIABILITIES		
Accounts payable	\$ 206,292	\$ -
Accrued liabilities	-	57,482
Due to other governments	69,319,207	-
Due to municipality	-	83,573
Special deposits	11,007	-
Total liabilities	\$ 69,536,506	141,055
Total net position held in trust for post employment benefits		\$ 4,418,239

accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2014

	<u>City of Franklin Post Employment Benefits Trust</u>
ADDITIONS	
Contributions	
City of Franklin	\$ 551,716
Retirees	84,492
Net investment earnings	312,888
Total additions	<u>949,096</u>
DEDUCTIONS	
Incurred claims	264,279
Prescription drug claims	77,466
Claims fees	13,896
Stop loss premiums less claims received	(18,600)
Total deductions	<u>337,041</u>
Change in net position	612,055
NET POSITION HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:	
Beginning of year	<u>3,806,184</u>
End of year	<u>\$ 4,418,239</u>

accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the City of Franklin's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be reviewed as an integral part of the accompanying financial statements. The accounting policies of the City conform to governmental principles generally accepted in the United States of America as applicable to governmental units. A summary of the significant accounting policies follows:

A. REPORTING ENTITY

This report includes all of the funds of the City of Franklin. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Discretely presented component units would be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. This report does not contain any discretely presented component units.

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for certain Tax Incremental Districts (TID) development within the City. The Authority is governed by a seven member board appointed by the Mayor and confirmed by the Common Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and manage certain TID development projects for the benefit of the City. The Authority's operations are included in the governmental activities of the government-wide financial statements and in a TID capital projects fund. The Authority follows accounting policies of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position (Exhibit A) and statement of activities (Exhibit B) display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services provided.

The statement of activities demonstrates the degree that direct expenses of a given segment or function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate all indirect expenses to functions in the statement of activities.

Program revenue includes 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported as general revenue. Internally dedicated resources are reported as general revenue rather than as program revenue.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds with a fund considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, net position/fund equity, revenue and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds with the latter being excluded from government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or nonmajor funds within the governmental and enterprise fund statements. An emphasis is placed on major funds within the governmental and enterprise categories.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenue, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is important to financial statement users may be reported as a major fund.

Major Governmental Funds

General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resource accumulation from taxes, special assessments and other revenue along with payments made for principal and interest on long-term debt other than enterprise fund debt.

TID Fund – accounts for resource accumulation from tax increments and other revenue of the TID along with payments made for capital outlay, other expenditures, principal and interest on long-term debt obligations of the TIDs. Each TID is a sub fund of the TID Fund.

Major Enterprise Funds

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

Water Utility Fund – accounts for operations of providing water services to City residents and bills for those services.

Sanitary Sewer Fund – accounts for the operations of providing sanitary sewer services for City residents and bills for those services.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

In addition the City reports:

Non-Major Governmental Funds

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally or policy restricted to expenditures for specified purposes. The funds include Library Operating, Library Auxiliary, Solid Waste Collection, St Martin's Fair, Donation, Civic Celebrations and Grant.

Capital Projects Funds – account for resources accumulated to be used for the purchase of equipment, street replacement, acquisition of land and the construction of capital improvement projects. The funds include Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Utility Improvement and Development.

Other Fund Types

Internal Service funds – account for the payment by the City for active employees of group health and dental charges for services and stop loss insurance charges and the billing of departments or agencies of the City on a cost-reimbursement basis for the services received.

Fiduciary funds – account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and/or governmental units. The fiduciary funds include a property tax fund, an other agency fund that records the agency activity for emergency government, monitoring and siting activities funded by others, an escrow fund and a post employment benefits trust fund for retiree group health costs.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets, deferred inflows, liabilities and deferred outflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year that they are levied for.

Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Receivables are recorded as revenue when services are performed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(continued)

Government-Wide Financial Statements (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's Water Utility and Sanitary Sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded when it is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers grant revenue to be available if they are collected within 150 days of the end of the current fiscal period and all other revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded the year levied as receivable and deferred inflow and are recognized as revenue the next year when services financed by the levy are provided.

Intergovernmental aids and grants are recognized as revenue in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City are recorded as receivables. Amounts not available or received prior to the entitlement period are recorded as deferred inflow.

Special assessments levied for benefits to property owners for installation of sanitary sewers, water mains, roads, and other improvements are recorded as revenue when they become measurable and available. Annual installments due in future years are recorded as receivables and deferred inflows.

Revenue susceptible to accrual includes property taxes, room taxes, public charges for services and interest. Other general revenue such as permits, fines and forfeitures, licenses and miscellaneous revenue are recognized when received or when measurable and available under the criteria mentioned above.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(continued)

Government-Wide Financial Statements (continued)

Fund Financial Statements (continued)

Deferred inflows are reported on the governmental funds balance sheet. Deferred inflows arise from taxes levied in the current year that are for subsequent year's operations. For governmental fund financial statements unearned revenues arise where potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue arises when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Agency fund financial statements are reported using the accrual basis of accounting and do not have a measurement focus.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenue of the Water and Sanitary Sewer funds are charges to customers for sales and services provided. The rates billed in the Water Utility are approved by the Public Service Commission. Sanitary sewer charges are billed at rates established by City policy based on the charges received from the Milwaukee Metropolitan Sewerage District and local operation and maintenance expenses. The principal operating revenue of the internal service fund is charges to other funds for group health coverage.

Operating expenses for proprietary funds include the cost of sales and services, administration and depreciation on capital assets. Revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

All Financial Statements

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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could vary from those estimates.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Cash and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The City of Franklin maintains two investment policies. The first covers all funds except fiduciary funds for retiree health purposes. The objective of this policy is to generate current income, consistent with safety and reasonable risk as defined under prudent person rules. As operating reserves, the quality, liquidity and maturity structure of the portfolio are most important. The investment policy:

- a. Requires a minimum rating at time of purchase of Aa3 by either Moody's or Standard & Poor's.
- b. Limits an issuer to 10% or less and asset classes to 35% or less of the fair value of the portfolio with the exception of U.S. Government Treasury and Agency securities that have the full faith guarantee of the U.S. Government.
- c. Specifies a minimum amount of cash equivalents be maintained, an average life of the portfolio not exceeding 6 years and no individual issue with a maturity exceeding seven years at the date of purchase to limit interest rate risk.
- d. Limits investments highly sensitive to market changes through its duration and diversification policies to limit interest rate risk.
- e. Prohibits the investment in foreign owned securities.
- f. Limits derivative investments to those with a final maturity of seven years or less.

In addition the City's investment policy restricts allowable investments to investments that follow state statutes, section 66.0603, that limits investments to:

- a. Time deposits in any credit union, bank, savings bank, trust company or loan association authorized to transact business in the state and maturing in three years or less.
- b. The Local Government Investment Pool (LGIP).
- c. Bonds or securities issued or guaranteed by the federal government.
- d. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority and the Wisconsin Aerospace Authority.
- e. Any security maturing in seven years or less and having the highest or second highest rating category assigned of a nationally recognized rating agency.
- f. Securities of an open-ended management investment company or investment trust subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

1. Cash and Investments (continued)

The second investment policy is for its fiduciary fund for retiree health purposes. The policy:

- a. Requires the investment to be in a section 115 trust for retiree health purposes.
- b. Requires compliance with the "prudent person" standard.
- c. Requires asset allocation policy that considers the liability stream of benefits, the relationship to current and projected assets, the historical performance of capital markets and the perception of future economic conditions.
- d. Primary investment objectives are safety, diversification and return.
- e. Allows investment in various asset classes.
- f. Limits investment in equities after 2015 to 75% of total assets to be invested. Prior to January 1, 2016 equity investments may be up to 100% of the assets.

The City manages the various risks in its cash and investments as follows:

- a. Custodial credit risk – investments are held by a trustee or third party custodian, deposits in excess of FDIC insurance limits are maintained in the State LGIP or secured bank balances in amounts of at least 75% of the year end cash balances.
- b. Credit risk – securities purchased need to have an AA or better investment rating.
- c. Concentration of credit risk – issuer or asset class not to exceed 10% of the market value of the portfolio with the exception of U.S. issued securities.
- d. Interest rate risk – managed by limiting the length of maturity of newly purchased investments and limits the average life of the portfolio to control risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost.

Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of various City Funds is allocated based on average investment balances.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2014, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the municipality, taxes are collected for and remitted to the state government, county government, three local school districts, technical college district and metropolitan sewerage district. Taxes for all other governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying fiduciary funds statement of fiduciary net position.

Property tax calendar – 2014 tax roll:

Lien date and levy date	December 2014
Tax bills mailed	December 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	March 31, 2015
Third installment due	May 31, 2015
Personal property taxes in full	January 31, 2015
Final tax settlement with County	August 20, 2015
Tax deed by County – 2014	
Delinquent real estate taxes	October 2017

Accounts receivable have been shown net of an allowance for uncollectible accounts. No provision for uncollectible accounts receivable has been made for enterprise funds because of their right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Long term interfund loans are reported as "advances from and to other funds".

Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

In the general fund financial statements, advances to other funds are offset equally by nonspendable fund balance which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation. Advances in all other governmental funds are classified in fund balance based on the availability of repayments for use.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

3. Inventories and Prepaid Items

Governmental fund inventory items, except fuel inventory, are charged to expenditures when purchased. The fuel inventory is recorded at cost on a first-in first-out basis using the consumption method of accounting. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Year end inventory was not significant.

Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for sale. Material and supplies on hand at year end are considered immaterial.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted Assets

Mandatory segregation of assets are presented as restricted assets. Such segregation is required by agreements with external parties. Current liabilities payable from restricted assets are so classified. The excess of restricted assets over current liabilities will be used first for equipment replacement. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$10,000 for infrastructure assets with estimated useful lives of two years or more. Capital assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at estimated fair value at the date of donation. Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant.

For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to the applicable function.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

5. Capital Assets (continued)

Government-Wide Statements (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by asset type follows:

Buildings and Improvements	10-50 Years
Machinery and Equipment	2-30 Years
Water and sewer systems	20-100 Years
Infrastructure	30-90 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same in the government-wide statements.

6. Deferred Inflows/Outflows of Resources

Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for gains/losses is shown as an increase or decrease in the deferred outflow of resources section of the statement of net position.

In governmental funds, property taxes receivable, special assessments and interest revenue not yet due are not recognized as revenue in the current period. For the government-wide and proprietary fund type financial statements, special assessments and interest revenue are recognized as revenue in the current period. This leaves property tax receivable as a deferred inflow of resources in the statement of net position.

7. Compensated Absences

Under terms of employment, employees may earn compensatory time and are granted sick leave, severance pay and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vested compensatory time, severance pay and vacation pay are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. For example a liability, as a result of employee resignations or retirements are payable with expendable available resources.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

7. Compensated Absences (continued)

Payments for vested compensatory time, severance pay and vacation pay will be made at rates in effect when the benefits are used. Accumulated vested compensatory time, severance pay and vacation pay liabilities are determined on the basis of current salary rates and include salary related payments. Vacation and compensatory time are used on a first-in, first-out basis. Accordingly all accrued amounts are considered to be due within one year. Severance due within one year is estimated based on employee age and expected retirement.

8. Long-term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premium) is reported as other financing sources and payments of principal and interest are reported as expenditures. The proprietary fund accounting is the same as it is in the government-wide statements.

The City has approved issuance of industrial development revenue bonds (IDRB) for the benefit of private business enterprises. IDRB's are secured by mortgages or revenue agreements on associated projects of the business enterprises. The IDRB's do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the financial statements.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the government funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in governmental fund financial statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Unspent related debt proceeds are excluded from the calculation of net investment in capital assets.
- b. Restricted net position – Consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

When both restricted 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.

Fund Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a commitment (restricted fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, committed fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

10. Equity Classifications (continued)

Fund Statements (continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (Common Council) has by resolution authorized the Director of Finance & Treasurer to assign fund balance (Resolution 2014-7025). The Common Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, as additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Comparative Data

The basic financial statements include comparative data for the prior year for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. This comparative data is not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2013 from which the data was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1 C with the exception of encumbrances, transfers from the General Fund to Special Revenue Funds and tax equivalent from the Water Utility. Actual (budgetary basis) expenditures presented reflect actual (GAAP) expenditures adjusted for expenditures liquidated under the prior period budget and encumbrances expected to be liquidated under the current period budget. Actual (budgetary basis) revenue present the tax equivalent from the Water Utility as tax revenue while GAAP basis statements present this item as a transfer.

A budget has been adopted for the General, Debt Services, Library, Solid Waste, Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Development, Sanitary Sewer and Water Utility funds. Budgets have not been formally adopted for other funds.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

The budget amounts presented include any amendments made during the year. The City may authorize transfers of budget amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds vote of the Common Council. Supplemental appropriations during the year were not significant. Appropriations lapse at the end of the year unless specifically carried over. Carryovers to the following year were not material. Budgets are adopted for personnel and non-personnel expenditures at the function level.

B. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 40 (2011), legislation was passed that limited the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction, or 0%. Limited amounts of unused tax levy may be carried forward into the following year. Changes in debt service from one year to the next are generally exempt from this limit.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety). For the year ended December 31, 2014 the General Fund did not exceed budgeted expenditures, except for street lighting.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is utilized by all funds. Each fund's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments of the City. In addition, investments are separately held by several of the funds.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits.

The City's bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, although the fund had reserves available at December 31, 2014, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 35 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

The City maintains a collateral arrangement with its main bank to provide collateralization in excess of deposits maintained at the bank. The collateral is maintained in the form of a letter of credit from the Federal Home Loan Bank of Cincinnati in the amount of \$42,000,000. Cash and investments as shown on the December 31, 2014 City of Franklin Statement of Net position are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 382,137	\$ 382,137	Credit and interest rate
Money market funds	71,356	71,356	Credit and interest rate
Certificates of deposit	1,470,000	1,470,000	Custodial
U.S. treasuries	1,483,552	1,483,552	Interest rate
U.S. agencies	7,306,760	7,306,760	Credit, interest rate and concentration of credit
Corporate notes	5,556,896	5,556,896	Credit, interest rate and concentration of credit
Total fixed income investments	16,270,701	16,270,701	
Equity funds	3,522,387	3,522,387	Custodial
Fixed income funds	1,015,797	1,015,797	Custodial and credit
Cash and demand deposits	61,684,985	54,470,737	Custodial
Total	\$ 82,493,870	\$ 75,279,622	

Reconciliation to the financial statements is shown below:

Per Statement of Net Position	
Primary Government:	
Unrestricted cash and investments	\$ 24,487,517
Restricted cash and investments	313,558
Per Statement of Fiduciary Net Position - Agency Funds	53,136,094
- Post Employment Benefits Trust	4,556,701
	<u>\$ 82,493,870</u>

Custodial Credit Risk For deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2014, none of the City's total bank balances of \$54,470,737 were uninsured and uncollateralized and therefore exposed to custodial credit risk. For investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the City's investments except the Local Government Investment Pool have a tri-party relationship with the investments held by a party independent of the party managing the investment.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

Credit Risk Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. The City's policy requires a minimum credit rating of Aa3 at time of purchase. The City's fixed income investments subject to credit risk include agencies securities, corporate asset backed securities, corporate bonds, government repurchase agreements and money market funds and were rated by Moody's Investor Service.

As of December 31, 2014, 99.5% of the fixed income investments were in rated fixed income investments and subject to credit risk. The ratings as a percentage of the total investment portfolio were as follows: Aaa at 45.5%, Aa1 at 5.2%, Aa2 at 13.2%, Aa3 at 5.2%, and A1 at 5.2%. The portfolio makeup of fixed income investments was corporate securities at 28.7%, treasury and agency securities at 45.5%, and money market funds at 0.4%. The Local Government Investment Pool was 2.0% of the investments and is not rated but is subject to credit risk. Equities and fixed income mutual funds held in trust at 23.5% make up the remainder of the investments and are not rated.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to a large investment position in a single issuer. As of the December 31, 2014 no issue other than U.S. Treasury and Agency securities that have the full faith guarantee of the U.S. government and the Local Government Investment Pool had a position of greater than ten percent of the portfolio.

Interest Rate Risk Interest rate risk is the risk that rising interest rates will have an adverse impact on the fair value of the investments in the portfolio. The longer the maturities in the portfolio the greater the risk of loss is in portfolio value.

The portfolio policy limits this risk by limiting the length of permitted investments and limits the purchase of investments highly sensitive to market changes.

As of December 31, 2014 the City's investments exposed to interest rate risk were as follows:

Investment type (in thousands)	Fair Value	Investment Maturity in years			
		Less than 1	1 - 5	5 - 7	
Money market funds	\$ 71,356	\$ 71,356	\$ -	\$ -	\$ -
Certificates of Deposit	1,470,000	980,000	490,000	-	-
U.S. treasuries and agencies	8,790,312	1,483,552	2,388,777	4,917,983	-
Corporate notes	5,556,886	1,013,739	4,543,157	-	-
Local government investment pool	382,137	382,137	-	-	-
Total	\$ 16,270,701	\$ 3,930,784	\$ 7,421,934	\$ 4,917,983	\$ -

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Receivables consist of accounts, taxes, notes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and ambulance revenue, was \$48,328 at December 31, 2014. Other than the note receivable and special assessment receivables, all other receivables are expected to be collected within one year.

The City in 2011 entered into an intergovernmental cooperation agreement with another government where the other government will reimburse the City for substantially all of the debt service costs resulting from the City taking on a State Clean Water Fund Loan. Those reimbursements will start in 2015 and will continue over the life of the loan, ending in 2031.

C. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund - an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2014 is \$313,558.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets not depreciated:				
Land	\$ 24,968,327	\$ 14,210	\$ 22,908	\$ 24,949,631
Construction in progress	152,923	720,606	450,216	423,313
Total capital assets not depreciated	25,111,250	734,816	473,122	25,372,944
Capital assets depreciated:				
Buildings & improvements	24,225,492	492,363	-	24,717,845
Machinery & equipment	17,571,157	1,042,182	1,098,712	17,514,587
Infrastructure	92,173,188	1,687,600	-	93,860,788
Total capital assets depreciated	133,969,837	3,222,105	1,098,712	136,093,230
Less: Accumulated depreciation for:				
Buildings & improvements	8,579,485	524,758	-	9,104,243
Machinery & equipment	11,004,502	982,534	1,098,712	10,888,324
Infrastructure	25,027,592	1,561,331	-	26,588,923
Total accumulated depreciation	44,611,579	3,068,623	1,098,712	46,581,490
Net capital assets depreciated	89,358,258	153,482	-	89,511,740
Governmental activities capital assets, net of accumulated depreciation	\$ 114,469,508	\$ 888,298	\$ 473,122	\$ 114,884,684

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 127,803
Public safety	715,831
Public works	1,923,694
Health & human services	10,310
Culture & recreation	289,125
Conservation & development	1,860
Total governmental activities depreciation expense	\$ 3,068,623

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Business-type Activities	Balance	Additions	Depositions	Balance
Capital Assets not depreciated:				
Land	\$ 521,225	\$ -	\$ -	\$ 521,225
Construction in progress	57,942	555,003	261,335	351,610
Total capital assets not depreciated	579,167	555,003	261,335	872,835
Capital assets depreciated:				
Buildings & improvements	3,438,927	16,099	20,614	3,434,412
Machinery & equipment	2,799,107	48,290	153,056	2,694,341
Infrastructure	109,764,750	869,830	186,592	110,447,988
Total capital assets depreciated	116,002,784	934,219	360,262	116,576,741
Less: Accumulated depreciation for:				
Buildings & improvements	1,151,324	108,922	20,614	1,239,632
Machinery & equipment	1,622,312	163,915	153,056	1,633,171
Infrastructure	24,713,131	1,486,479	190,094	26,009,516
Total accumulated depreciation	27,486,767	1,759,316	363,764	28,892,319
Net capital assets depreciated	88,516,017	(825,097)	(3,502)	87,694,422
Business-type Activities Capital Assets, net of accumulated Depreciation	\$ 89,095,184	\$ (270,094)	\$ 257,833	\$ 88,567,257

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 1,097,571
Sewer	681,745
	\$ 1,759,316

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances result 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. In all cases amounts are repaid within one year.

For the statement of net position, interfund balances owed within the governmental activities or business - type activities are netted and eliminated.

The interfund receivables and payables at December 31, 2014 are as follows:

Payable Fund	Receivable Fund			Total
	General	Water Utility	Sanitary Sewer	
General	\$ -	3,252	7,978	\$ 11,230
Non-Major	11,552	7,457	-	19,009
Water Utility	-	-	65,554	65,554
Sanitary Sewer	-	10,210	-	10,210
Totals	\$ 11,552	\$ 20,919	\$ 73,532	\$ 106,003

The City of Franklin provides short and long term advances to its TIF Districts. The amounts advanced are either from proceeds of a borrowing or from fund reserves. They are used to enable the TIF Districts to carry out approved project plans and may be replaced in the future by direct borrowing. The TIF Districts interest rate is based upon the interest rate incurred by the Debt Service Fund on its borrowings and the reinvestment rate available to other funds. The advances will be repaid as the proportionate principal amounts in the Debt Service Fund are due or when TIF District resources are available.

Payable Fund	Receivable Fund			Due within one year
	General	Self Insurance	Capital Projects Development	
TIF Districts	\$ -	2,338,000	2,250,000	\$ 4,588,000
Debt Service	-	-	1,075,000	1,075,000
Sanitary Sewer	2,198,616	-	-	2,198,616
Totals	\$ 2,198,616	\$ 2,338,000	\$ 3,325,000	\$ 7,861,616

Generally, transfers are used to (1) move revenue from the funds that collect them to the fund that the budget requires to expend them, (2) move receipts restricted to debt services from the funds collecting the receipts to the Debt Service Fund and (3) use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

Transfers as presented on the fund financial statements during the year ended December 31, 2014 were as follows:

	General Fund	Transfers Out		Fund Totals
		Nonmajor Governmental Funds	Enterprise Funds	
Transfers In				
General Fund	\$ -	65,380	1,046,864	\$ 1,112,244
Debt Service Fund	-	228,811	-	228,811
Nonmajor Governmental Funds	24,000	781,952	-	785,952
Enterprise Funds	-	873,727	-	873,727
Total	\$ 24,000	\$ 1,927,870	\$ 1,046,864	\$ 2,998,734

A reconciliation of fund statement transfers to government wide transfers for the year ended December 31, 2014 is as follows:

	Governmental Funds	Enterprise Funds
Transfers In per fund statements	\$ 2,125,007	\$ 873,727
Transfers Out per fund statements	(1,951,870)	(1,046,864)
Net transfers per fund statements	173,137	(173,137)
Capital Contributions from government funds to enterprise funds	\$ (317,738)	\$ 317,738
Government Wide Transfers	\$ (144,601)	\$ 144,601

F. DEFERRED INFLOWS AND DEFERRED OUTFLOWS

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report deferred inflows in connection with resources that have been received, but not yet earned. Property taxes receivable for the subsequent year are not earned and can not be used to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows reported in the financial statements were as follows:

	Unavailable	Unearned	Total
Governmental funds:			
Property taxes receivable	\$ -	\$ 24,414,291	\$ 24,414,291
Special assessments not yet due	1,382,528	-	1,382,528
Total deferred inflows for governmental funds	\$ 1,382,528	\$ 24,414,291	\$ 25,796,819

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2014 were as follows:

	Balance 12/31/13	Additions	Deletions	Balance 12/31/14	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 17,880,000	\$ 5,320,000	\$ 10,285,000	\$ 12,935,000	\$ 615,000
Net pension obligation	84,890	-	6,000	78,890	-
Premium	21,387	232,827	1,941	252,273	-
Sub-total	<u>17,986,267</u>	<u>5,552,827</u>	<u>10,272,941</u>	<u>13,266,153</u>	<u>615,000</u>
Compensated absences					
Accrued vacation pay	409,872	989,877	952,094	427,655	427,655
Accrued severance pay	1,180,035	54,860	54,332	1,180,563	58,130
Accrued compensatory time	175,789	248,169	215,862	208,096	208,096
Total compensated absences	<u>1,773,696</u>	<u>1,272,926</u>	<u>1,222,288</u>	<u>1,824,334</u>	<u>693,881</u>
Governmental activities					
Long-term liabilities	<u>\$ 19,759,963</u>	<u>\$ 6,825,753</u>	<u>\$ 11,495,229</u>	<u>\$ 15,090,487</u>	<u>\$ 1,308,881</u>

All general obligation notes and bonds payable are backed by the full faith and credit of the City. The notes and bonds will be retired by future property tax levies, special assessment collections and designated landfill revenue.

The governmental activities compensated absences primarily accrue to and are paid from the City's General Fund.

	Balance 12/31/13	Additions	Deletions	Balance 12/31/14	Amounts due within one year
Business-type Activities					
General obligation debt	\$ 24,585,423	\$ 1,313,211	\$ 1,102,112	\$ 24,776,522	\$ 1,184,246
Discount	-	(13,507)	-	(13,507)	-
Subtotal	<u>24,585,423</u>	<u>1,299,704</u>	<u>1,102,112</u>	<u>24,763,015</u>	<u>1,184,246</u>
Compensated absences					
Accrued vacation pay	45,780	39,309	40,930	44,159	44,159
Accrued severance pay	57,161	4,608	-	61,769	-
Accrued compensatory time	12,513	8,688	4,480	16,691	16,691
Business-type activities					
Long-term liabilities	<u>\$ 24,680,877</u>	<u>\$ 1,352,289</u>	<u>\$ 1,147,532</u>	<u>\$ 24,885,634</u>	<u>\$ 1,245,096</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. LONG TERM OBLIGATIONS (continued)

Details of general obligation notes and bonds payable are as follows:

Type	Issue	Rate	Payable	Payable	Amount	12/31
General obligation promissory notes	12/18/14	2.0-2.5	3/1/15-24	3/1 & 9/1	\$ 5,320,000	\$ 5,320,000
General obligation refunding bonds	1/3/07	3.80	3/ 1/08-21	3/1 & 9/1	9,925,000	7,615,000
Total Governmental Activities Debt						<u>\$ 12,935,000</u>
Business-type Activity Debt						
General obligation Clean Water Fund Loan	1/25/12	2.462	5/1/14-31	5/1 & 11/1	27,562,754	\$ 23,496,522
	12/18/14	2.0-3.125	3/1/15-34	3/1 & 9/1	1,290,000	1,290,000
Total Business-type Activities Debt						<u>\$ 24,776,522</u>

¹ Issued 63% for capital TIF purposes and 33% for general capital purposes. ² Issued for a sewer extension on W Ryan Rd. ³ Issued for Water Building purposes.

Annual principal and interest payments to maturity on general obligation notes and bonds payable are as follows:

Annual principal and interest payments to maturity on general obligation notes and bonds payable are as follows:

Year Ending 31-Dec	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 615,000	\$ 377,061	\$ 1,184,246	\$ 588,938
2016	1,950,000	377,598	1,212,048	570,330
2017	3,010,000	297,388	1,240,535	540,393
2018	2,320,000	207,958	1,269,723	509,746
2019	1,365,000	143,988	1,299,629	478,371
2020-24	3,675,000	178,699	6,993,158	1,888,698
2025-29	-	-	7,899,313	965,255
2030-34	-	-	3,677,870	112,063
Total	<u>\$ 12,935,000</u>	<u>\$ 1,592,692</u>	<u>\$ 24,776,522</u>	<u>\$ 5,653,994</u>

The City's statutory debt limit and margin of indebtedness at December 31, 2014 are \$179,484,705 and \$141,773,183, respectively. By City debt policy, the debt limit and margin of indebtedness limit are \$71,793,882 and \$34,082,360, respectively.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. LONG TERM OBLIGATIONS (continued)

H. NET POSITION/FUND BALANCES (continued)

Conduit Debt Obligations

Governmental Fund Balances

Eleven series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$104,992,000 are outstanding with a December 31, 2014 balance of \$94,344,454.

Reported on the fund financial statements at December 31, 2014 include the following:

H. NET POSITION/FUND BALANCES

Governmental Activities		
Governmental activities net position reported on the government-wide statement of net position at December 31, 2014 include the following:		
Net investment in capital assets		
Land	\$ 24,949,631	
Construction in process	423,313	
Other capital assets, net of accumulated depreciation	89,511,740	
Less: related long term debt outstanding	(8,852,807)	
Net investment in capital assets	<u>106,031,877</u>	
Restricted for:		
Debt service	580,605	
Utility improvement	1,918,450	
Development	4,170,339	
Library	598,752	
Other	560,306	
Total restricted	<u>7,828,452</u>	
Unrestricted	<u>8,848,660</u>	
Total governmental activities net position		\$ 122,708,989

Governmental Fund Balances		
Nonspendable fund balances		
General Fund - Inventories and prepaid items	\$	78,455
General Fund - Advances		2,198,616
Library Fund - prepaid items		900
Total nonspendable	\$	<u>2,277,971</u>

Restricted fund balances		
Debt Service	\$	546,238
Utility Improvements		672,431
Development		4,170,339
TIF Districts		347,978
Donations		122,550
Health services		175,220
Library services		598,277
Solid Waste		216,385
Recreational services		46,151
Total restricted	\$	<u>6,893,569</u>
Assigned Fund balances:		
Capital Projects:		
Capital Outlay	\$	303,348
Equipment Replacement		2,189,673
Capital Improvement		1,975,601
Street Improvement		230,837
Purchases on Order		207,270
Total Assigned fund balances	\$	<u>4,906,729</u>
Unassigned fund balances		
General Fund	\$	6,148,771
Debt Service - Deficit		(970,959)
St Martin's Fair - Deficit		(11,552)
TIF Districts - Deficit		(1,213,872)
Total Unassigned fund balances	\$	<u>3,952,388</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. NET POSITION/FUND BALANCES (continued)

Business-type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2014 include the following:

Net investment in capital assets	\$ 521,225
Land	351,610
Construction in process	87,684,422
Other capital assets, net of accumulated depreciation	
Less: related long term debt outstanding, net of unspent bond proceeds	
Net investment in capital assets	<u>88,567,257</u>
Restricted for:	
Other	<u>313,558</u>
Unrestricted	<u>4,015,630</u>
Total business-type activities net position	<u>\$ 92,896,445</u>

NOTE 4 - OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System

All eligible protective (public safety) City of Franklin employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All such permanent employees expected to work over 600 hours a year, for employees hired prior to July 1, 2011 and 1200 hours a year for employees hired prior after that date are eligible to participate in the System. Covered employees in the protective occupations category are required by statute to contribute 7.0% to the plan both for protective occupations with social security, and for protective occupations without social security.

Employers may not make these contributions to the plan on behalf of the protective occupation employees unless provided for by an existing collective bargaining agreement. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2014 was \$8,071,472 and the employer's total payroll was \$14,442,042. The total required contribution for the year ended December 31, 2014 was \$1,457,708, or 18.06% of covered payroll. \$565,003 was paid by employees while \$892,705 was paid by the employer. Of the total required contribution, 100% was contributed for the current year. Total contributions for the years ended December 31, 2013, and 2012 were \$1,653,044 and \$1,660,118, respectively which equal the required contributions for each year.

The System provides that protective employees who retire at or after age 53 with 25 years or more of service or age 54 with less than 25 years of service are entitled to receive retirement benefits. Protective employees may retire at age 50 and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service and (3) a formula factor. Final Average Earnings is the average of the protective employee's three highest year's earnings. Protective employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the Wisconsin Statutes. The System issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

PUBLIC WORKS EMPLOYEES PENSION PLAN

Plan Description

The City is also a participant in the City of Franklin Public Works Employees' Pension Plan, a single employer defined benefit pension plan covering eligible public works employees. The assets of this Plan are administered by Principal Life Insurance Company. An annual financial report may be obtained by writing to the plan administrator at Principal Financial Group, P.O. Box 9693, Des Moines, IA 50308-9396.

Employees attaining the age of 60 are entitled to annual benefits of 1.98% of average compensation multiplied by the number of years of service subsequent to January 1, 1956. Average compensation is defined as the monthly total pay plus salary deferrals, compensation and overtime received for the three consecutive years out of the ten latest years which gives the highest average. Employees may retire early and receive reduced benefits at age 55 with at least ten years of service.

Disability benefits equivalent to expected benefits at normal retirement date are paid until normal retirement date, death or recovery. If an active employee dies, his or her beneficiary receives a lump-sum cash payment equal to the participant's accumulation at date of death or an annuity benefit deferred until participant's earliest retirement date.

If an employee terminates his or her employment with the City, the employee has the option of accepting either normal retirement benefits at normal retirement date, or a lump-sum cash payment of participant's vested accumulations. An employee becomes 50% vested after five years of service and 100% vested after ten years.

Employees make a non-elective and non-discretionary pension contribution that in 2014 was 8.2% of payroll. The City contributes all remaining amounts necessary to fund the pension plan. Starting in 2010, the City uses the entry age normal actuarial cost method.

Funding Policy

The City's funding policy has been to provide yearly contributions at actuarially determined rates that, expressed as a percentage of covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Annual Pension Cost

For 2014, the City's required contribution of \$293,632 was determined during a January 1, 2014 actuarial valuation using the entry age normal cost method. The City began to require employee contributions, totaling \$146,999 in 2014. During the year ended December 31, 2014, combined contributions totaling \$293,632 were accrued. This resulted in the net pension obligation being reduced by \$6,000. The required employer contribution amount represented 16.4% of current year payroll compared to the 18.4% anticipated in the 2012 actuarial report.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

PUBLIC WORKS EMPLOYEES PENSION PLAN (continued)

Annual Pension Cost (continued)

The entry age normal actuarial cost method does identify or separately amortize unfunded actuarial liabilities. The unfunded actuarial liability is being amortized over a 20 year closed period. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets ranging of 7.5% compounded annually, (b) projected salary increases of 3.00% per year compounded annually, attributable to inflation applied using the level percentage of projected payroll. The assumptions do not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2014	\$ 287,632	102.9%	\$ 78,880
12/31/2013	\$ 303,984	102.1%	\$ 84,880
12/31/2012	\$ 272,480	102.2%	\$ 91,336

The following table shows components of the City's annual pension cost for the year, the amount actually contributed to the plan and changes in the City's net pension obligation:

Annual required contribution	\$ 293,632
Interest on net pension obligation	6,366
Adjustment to annual required contribution	(12,366)
Annual pension expense	287,632
Contributions made	(293,632)
Decrease in net pension obligation	(6,000)
Net pension obligation - beginning of year	84,880
Net pension obligation - end of year	\$ 78,880

Annual Pension Cost

	(A) Actuarial Asset Value	(B) Actuarial Liability (AAL) - Aggregate	(C) Unfunded AAL (AAL) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Covered Payroll	(F) UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2014	\$ 6,175,311	\$ 7,061,519	\$ 886,208	87%	\$ 1,619,766	55%

The multi-year trend information is located in the required supplementary information immediately following the notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 - OTHER INFORMATION (continued)

B. DEFINED CONTRIBUTION PLAN

Based on City ordinances all eligible City of Franklin non-protective employees (except public works employees) participate in the City of Franklin Defined Contribution Plan (the "Plan"). The Plan assets are administered by the Principal Life Insurance Company.

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees are required to make contributions of 5% of wages. A participant's accrued benefit for City contributions is 100% vested and non forfeitable upon death, normal retirement, early retirement or permanent and total disability as defined in the Plan. If employment is terminated for any other reason, each participant's accrued benefit vests at various percentages, based on years of service. During 2014, total contributions of \$388,969 or 10% of covered payroll were made. The City contributed \$196,607 and employees \$192,362. The City may make amendments to the Plan.

C. POST EMPLOYMENT HEALTH CARE BENEFITS

The City of Franklin administers a single employer defined benefit post employment benefit plan through a trust. The City of Franklin Post Employment Benefits Trust is accounted for on the accrual basis of accounting and presented as a fiduciary fund. Separate financial statements are not prepared for the trust. Retiree and City contributions are recognized in the period in which the contributions are due.

City of Franklin eligible full time employees meeting minimum age and service requirements may receive group health care benefits at a reduced cost during the period from their normal retirement date until they reach age 65. This results in an other post employment benefit (OPEB) obligation for those groups. These groups commonly have higher medical costs than anticipated in the blended premium rates. That differential is referred to as an implicit rate subsidy.

Contribution requirements are established by either City ordinance or collective bargaining and may be amended only by the groups establishing the requirements. The City's periodic contribution is determined and fixed at the time of retirement. The retiree pays the balance of the periodic blended premium. The eligibility for the benefit follows:

Employee Group	#	City Amount	Age	Years Service
Non-represented	35	75% of Premium at Retirement	62	20
Police	55	75% of Premium at Retirement	53	15
Dispatch	13	75% of 2005 Premium	62	20
Fire	43	75% of Premium at Retirement	53	20
DPW	29	75% of Premium at Retirement	60	15

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

The City's annual other post employment benefit (OPEB) expense is calculated based upon the annual required contribution (ARC) of the City. An actuarial calculation by an actuary was used to calculate the ARC and related information using the measurement method required by GASB Statement No. 45 for employers with 200 or more total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a closed period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the trust and changes in the City's net OPEB obligation for retiree health benefits:

Annual required contribution	\$	551,716
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB expense	551,716	
Contributions made	(551,716)	
Increase in net OPEB obligation	-	-
Net OPEB obligation - beginning of year	-	-
Net OPEB obligation - end of year	\$	-

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the trust and the net OPEB obligation for the current and prior two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 551,716	100.0%	\$ -
12/31/2013	523,342	100.0%	-
12/31/2012	837,535	100.0%	-

Funding progress:

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Actuarial Accrued Liability (AAL) Protected unit credit	(C) Unfunded AAL (UAAL) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Covered Payroll	(F) UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2014	\$3,908,637	\$ 7,095,993	\$ 3,187,356	55%	\$ 12,155,777	26%

The multi year trend information is located in the required supplementary information immediately following the notes to the financial statements. The projection of future benefits for an ongoing benefit involves estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the trust and required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

The schedule of funding progress, presented immediately following the footnotes, presents multi-year trend information that shows whether the actuarial value of trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The above schedules of employer contributions present trend information about the amounts contributed to the trust by the City in comparison to the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period of thirty years.

Projections of benefits for financial reporting purposes are based upon the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

The trust's financial statements are prepared using the accrual basis of accounting. Retiree and City contributions are recognized in the period that contributions are due. The City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable. Investments are reported at fair value with the valuation determined by the independent custodian of the assets.

The following significant assumptions were made:

The actuarial valuation uses the projected unit credit actuarial cost method.

The ARC was calculated using the level percentage of payroll method, amortizing costs over a closed period of 30 years. The remaining amortization period at December 31, 2014 was 23 years.

Based upon the expected return of the City of Franklin Post Employment Benefits Trust under the investment policy adopted for the Trust, a discount rate of 7% was used.

The actuarial value of the trust assets is determined using techniques that spread the impact of short term volatility over a five year period.

Group health charges for actives and retirees were used as the basis for calculation of the present value of total benefits to be paid.

The expected healthcare trend rate of increase in group health charges was based upon the recent experience of the City of Franklin self funded health care program. The trend rate assumption of 8.5% for years one and two, 8.0% for years three and four, reduced to an ultimate rate of 5.5% after thirteen years, was used.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

The expected long term payroll growth rate was assumed to be 3% which is the expected inflation rate for the City.

No post-retirement benefit increases other than salary increases are anticipated.

Rates of retirement, mortality and termination for reasons other than retirement and death are from the "Wisconsin Retirement System 2009-2011 Experience Study".

Marital status at retirement was assumed to be 75% with a spouse or dependents.

D. CONTINGENCIES AND COMMITMENTS

The City at times is party to claims and legal proceedings. Although the outcome of such matters is not presently determinable, it is the opinion of City management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City has \$2,122,647 in outstanding contractual commitments relating to various Public Works projects and equipment purchases at December 31, 2014. The City has encumbered \$207,270 at year end due to valid contracts or purchase orders in place and the related services committed and not yet received.

The City receives impact fees for new development projects. The fees are to be used to fund specific projects within a specific period of time. In the event the projects are not completed or the time period elapses, the City will be required to refund the impact fees to the current owners of properties that the fees were originally collected.

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits and other miscellaneous revenue. The State of Wisconsin provides a variety of aid and grant programs that benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget process. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on future operating results of the City.

E. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, natural disasters, and workers' compensation claims that the City carries commercial insurance. No significant reductions in insurance coverage occurred for any risk of loss in the past year, and settled claims have not exceeded commercial coverage in any of the past three fiscal years.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

CITY OF FRANKLIN, WISCONSIN
 REQUIRED SUPPLEMENTARY INFORMATION
 (Unaudited)
 December 31, 2014

NOTE 4 - OTHER INFORMATION (continued)

E. RISK MANAGEMENT (continued)

The City also offers a group medical and dental insurance plan to employees for which the City is self-insured. This activity is accounted for in the City's Self Insurance Internal Service Fund. Group medical and dental costs are charged to City departments and retirees participating in the program. A third party administrator handles claims payments. The City carries stop loss insurance for claims in excess of \$60,000 per year per individual. Liabilities are reported when it is probable that claims have occurred and the amount of the claim can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported ("IBNR").

Changes in the balance of claims payable for the two years ended December 31, 2014 are as follows:

	Balance Beginning of Year	Current Claims and Changes in Estimates	Claims Payments	Balance End of Year
2014	\$ 379,100	\$ 3,047,834	\$ 3,047,834	\$ 379,100
2013	\$ 352,000	\$ 3,808,103	\$ 3,781,003	\$ 379,100

PUBLIC WORKS EMPLOYEES PENSION PLAN
 SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(A) Actuarial Asset Value	Three Year Trend Information			(E) Covered Payroll	(F) UJAL as Percentage of Covered Payroll [(C)/(E)]
		(B) Actuarial Accrued Liability - Aggregate	(C) Unfunded AAL (UJAL) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]		
1/1/2014	\$ 6,175,311	\$ 7,061,519	\$ 886,208	87%	\$ 1,619,766	55%
1/1/2013	5,383,619	6,408,402	1,024,783	84%	1,689,291	61%
1/1/2012	5,096,223	5,749,942	653,719	89%	1,665,439	39%

CITY OF FRANKLIN POST EMPLOYMENT BENEFITS TRUST
 SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Asset Value	Three Year Trend Information			Covered Payroll	Percentage of Covered Payroll [(C)/(E)]
		Accrued Liability (AAL) Protected Unit Credit	Unfunded AAL (UJAL) [(B)-(A)]	Funded Ratio [(A)/(B)]		
1/1/2014	\$3,908,637	\$ 7,065,983	\$ 3,187,356	55%	\$ 12,155,777	28%
1/1/2012	2,389,455	8,184,388	5,784,933	29%	11,553,445	50%
1/1/2010	1,254,758	6,016,221	4,761,463	21%	11,523,032	41%

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than debt service or major capital projects) that are restricted for specified purposes.

Library Operating Fund – This fund accounts for the budgetary operation of the Library.

Library Auxiliary Fund – This fund accounts for Library donations, fines and forfeitures.

Solid Waste Collection Fund – This fund accounts for solid waste collection activities.

Donation Fund – This fund accounts for donations received for specific purposes.

St Martin's Fair Fund – This fund accounts for activities related to the farmers/flea market held the first Monday of the spring and summer months and the Labor Day weekend.

Civic Celebrations Fund – This fund accounts for activity related to the City's Fourth of July and other celebrations.

Grant Fund – The City reports its grant activities in this fund. Grant activities include Fire Department, Police Department, Health Department, Community Development Block Grants and miscellaneous grants received by the City that are not accounted for elsewhere.

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Capital Outlay Fund – This fund accounts for the departmental capital outlays. These expenditures are funded by the tax levy, normally are less than \$25,000 and are under the direction of the department supervisor.

Equipment Replacement Fund – This fund accounts for the rolling stock replacement program that accumulates annual funding (from property taxes) for replacement of vehicles and similar equipment in lieu of using borrowed monies.

Capital Improvement Fund – This fund accounts for land acquisitions, building projects and all public works projects and are usually funded with landfill siting revenues, borrowed money or funding from some other source other than the tax levy.

Street Improvement Fund – This fund accounts for the activities of the local road improvement program. Funding is provided by the tax levy and an every other year local road improvement grant from the State, and landfill siting revenues.

Utility Improvement Fund – This fund is used to account for water and sewer connection fees and special assessments that are used for water and sewer construction projects.

Development Fund – This fund is used to account for impact fees restricted for use to capital improvements.

CITY OF FRANKLIN, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	Special Revenue Funds							Total
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Collection Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Grant Fund	
ASSETS								
Cash and investments	\$ 422,739	\$ 126,130	\$ 348,032	\$ -	\$ 126,736	\$ 46,151	\$ 165,650	\$ 1,235,438
Receivables								
Accounts receivable	-	-	30,694	-	-	-	12,593	43,287
Taxes receivable	1,240,000	-	1,172,069	-	-	-	-	2,412,069
Special assessments receivable	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	101,087	-	-	-	-	-	3,272	104,359
Prepaid items	-	900	-	-	-	-	-	900
Long-term advances	-	-	-	-	-	-	-	-
Total assets	\$ 1,763,826	\$ 127,030	\$ 1,550,795	\$ -	\$ 126,736	\$ 46,151	\$ 181,515	\$ 3,796,053
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 38,826	-	\$ 161,797	-	\$ 4,186	-	\$ 3,879	\$ 208,688
Accrued liabilities	14,518	335	544	-	-	-	30	15,427
Due to other funds	-	-	-	11,552	-	-	-	11,552
Due to other governments	-	-	-	-	-	-	2,386	2,386
Total liabilities	53,344	335	162,341	11,552	4,186	-	6,295	238,053
DEFERRED INFLOWS OF RESOURCES								
Unearned & unavailable revenue	1,240,000	-	1,172,069	-	-	-	-	2,412,069
FUND BALANCES (DEFICIT)								
Nonspendable:								
Prepaid items	-	900	-	-	-	-	-	900
Restricted:								
Utility improvements	-	-	-	-	-	-	-	-
Development	-	-	-	-	-	-	-	-
Donations	-	-	-	-	122,550	-	-	122,550
Health services	-	-	-	-	-	-	175,220	175,220
Library services	470,482	125,795	-	-	-	-	-	596,277
Solid waste	-	-	216,385	-	-	-	-	216,385
Recreational services	-	-	-	-	-	46,151	-	46,151
Assigned:								
Capital projects	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	(11,552)	-	-	-	(11,552)
Total fund balances (deficit)	470,482	126,695	216,385	(11,552)	122,550	46,151	175,220	1,145,931
Total liabilities, deferred inflows and fund balances (deficit)	\$ 1,763,826	\$ 127,030	\$ 1,550,795	\$ -	\$ 126,736	\$ 46,151	\$ 181,515	\$ 3,796,053

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	
ASSETS							
Cash and investments	\$ 386,092	\$ 2,192,445	\$ 2,054,360	\$ 381,120	\$ 466,649	\$ 845,339	\$ 6,326,005
Receivables							
Accounts receivable	-	-	65,042	-	-	-	65,042
Taxes receivable	433,200	339,500	-	687,300	205,782	-	1,665,782
Special assessments receivable	-	-	-	-	1,246,019	-	1,246,019
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	67,272	-	-	67,272
Prepaid items	-	-	-	-	-	-	-
Long-term advances	-	-	-	-	-	3,325,000	3,325,000
Total assets	\$ 819,292	\$ 2,531,945	\$ 2,119,402	\$ 1,135,692	\$ 1,918,450	\$ 4,170,339	\$ 12,695,120
							\$ 16,491,173
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 82,744	\$ 2,772	\$ 136,344	\$ 217,555	\$ -	\$ -	\$ 439,415
Accrued liabilities	-	-	-	-	-	-	15,427
Due to other funds	-	-	7,457	-	-	-	7,457
Due to other governments	-	-	-	-	-	-	19,009
Total liabilities	82,744	2,772	143,801	217,555	-	-	2,386
							684,925
DEFERRED INFLOWS OF RESOURCES							
Unearned & unavailable revenue	433,200	339,500	-	687,300	1,246,019	-	2,706,019
							5,118,088
FUND BALANCES (DEFICIT)							
Nonspendable:							
Prepaid items	-	-	-	-	-	-	900
Restricted:							
Utility improvements	-	-	-	-	672,431	-	672,431
Development	-	-	-	-	-	4,170,339	4,170,339
Donations	-	-	-	-	-	-	122,550
Health services	-	-	-	-	-	-	175,220
Library services	-	-	-	-	-	-	596,277
Solid waste	-	-	-	-	-	-	216,385
Recreational services	-	-	-	-	-	-	46,151
Assigned:							
Capital projects	303,348	2,189,673	1,975,601	230,837	-	-	4,699,459
Unassigned (deficit)	-	-	-	-	-	-	(11,552)
Total fund balances (deficit)	303,348	2,189,673	1,975,601	230,837	672,431	4,170,339	9,542,229
							10,688,160
Total liabilities, deferred inflows and fund balances (deficit)	\$ 819,292	\$ 2,531,945	\$ 2,119,402	\$ 1,135,692	\$ 1,918,450	\$ 4,170,339	\$ 12,695,120
							\$ 16,491,173

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2014

	Special Revenue Funds							Total
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Fund	St Martin's Fair Fund	Donation Fund	Celebrations Fund	Grant Fund	
REVENUE								
Taxes	\$ 1,240,000	\$ -	\$ 1,168,087	\$ -	\$ -	\$ -	\$ -	\$ 2,408,087
Intergovernmental revenue	101,087	-	69,214	-	16,237	-	175,867	362,405
Public charges for services	-	5,652	355,668	25,592	-	73,158	-	460,070
Investment earnings	8,368	137	7,300	-	714	-	-	16,519
Miscellaneous revenue	-	71,462	7,044	450	26,102	20,575	10,896	136,529
Total revenue	<u>1,349,455</u>	<u>77,251</u>	<u>1,607,313</u>	<u>26,042</u>	<u>43,053</u>	<u>93,733</u>	<u>186,763</u>	<u>3,383,610</u>
EXPENDITURES								
Current:								
Public safety	-	-	-	-	17,900	-	5,217	23,117
Public works	-	-	1,579,235	-	-	-	-	1,579,235
Health and human services	-	-	-	-	395	-	32,116	32,511
Culture and recreation	1,204,927	44,110	-	47,886	-	112,058	3,400	1,412,381
Capital outlay	113,716	49,068	-	-	4,534	-	65,881	233,199
Total expenditures	<u>1,318,643</u>	<u>93,178</u>	<u>1,579,235</u>	<u>47,886</u>	<u>22,829</u>	<u>112,058</u>	<u>106,614</u>	<u>3,280,443</u>
Excess (deficiency) of revenue over expenditures	30,812	(15,927)	28,078	(21,844)	20,224	(18,325)	80,149	103,167
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	11,000	-	13,000	-	24,000
Transfers out	-	-	-	-	-	-	(70,775)	(70,775)
General obligation debt issued	-	-	-	-	-	-	-	-
Net change in fund balances	30,812	(15,927)	28,078	(10,844)	20,224	(5,325)	9,374	56,392
Fund balances - beginning	439,670	142,622	188,307	(708)	102,326	51,476	165,846	1,089,539
Fund balances (deficit) - ending	\$ 470,482	\$ 126,695	\$ 216,385	\$ (11,552)	\$ 122,550	\$ 46,151	\$ 175,220	\$ 1,145,931

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2014

	Capital Projects Funds							Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Total	
REVENUE								
Taxes	\$ 430,000	\$ 337,000	\$ -	\$ 681,600	\$ -	\$ -	\$ 1,448,600	\$ 3,856,687
Intergovernmental revenue	10,082	-	-	67,273	-	-	77,355	439,760
Public charges for services	67,000	100,000	504,004	133,000	-	-	804,004	1,264,074
Special assessments	-	-	-	-	305,695	683,227	988,922	988,922
Investment earnings	12,842	49,885	198	12,175	65,710	161,665	302,475	318,994
Miscellaneous revenue	508	-	-	131,250	-	-	131,758	268,287
Total revenue	<u>520,432</u>	<u>486,885</u>	<u>504,202</u>	<u>1,025,298</u>	<u>371,405</u>	<u>844,892</u>	<u>3,753,114</u>	<u>7,136,724</u>
EXPENDITURES								
Current:								
Public safety	-	-	-	-	-	-	-	23,117
Public works	-	-	-	-	1,031	-	1,031	1,580,266
Health and human services	-	-	-	-	-	-	-	32,511
Culture and recreation	-	-	-	-	-	-	-	1,412,381
Capital outlay	575,424	237,781	1,566,746	1,013,024	11,007	-	3,403,982	3,637,181
Debt service - debt issuance costs	-	-	27,340	-	-	-	27,340	27,340
Total expenditures	<u>575,424</u>	<u>237,781</u>	<u>1,594,086</u>	<u>1,013,024</u>	<u>12,038</u>	<u>-</u>	<u>3,432,353</u>	<u>6,712,796</u>
Excess (deficiency) of revenue over expenditures	(54,992)	249,104	(1,089,884)	12,274	359,367	844,892	320,761	423,928
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	20,765	19,129	-	-	-	-	39,894	39,894
Transfers in	-	5,395	756,557	-	-	-	761,952	785,952
Transfers out	-	-	-	-	(130,374)	(1,726,721)	(1,857,095)	(1,927,870)
General obligation debt issued	-	-	1,990,000	-	-	-	1,990,000	1,990,000
Total other financing sources (uses)	<u>20,765</u>	<u>24,524</u>	<u>2,746,557</u>	<u>-</u>	<u>(130,374)</u>	<u>(1,726,721)</u>	<u>934,751</u>	<u>887,976</u>
Net change in fund balances	(34,227)	273,628	1,656,673	12,274	228,993	(881,829)	1,255,512	1,311,904
Fund balances - beginning	337,575	1,916,045	318,928	218,563	443,438	5,052,168	8,286,717	9,376,256
Fund balances (deficit) - ending	<u>\$ 303,348</u>	<u>\$ 2,189,673</u>	<u>\$ 1,975,601</u>	<u>\$ 230,837</u>	<u>\$ 672,431</u>	<u>\$ 4,170,339</u>	<u>\$ 9,542,229</u>	<u>\$ 10,688,160</u>

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
TAXES				
General property taxes	\$ 16,220,400	\$ 16,220,400	\$ 16,217,272	\$ (3,128)
Water Utility - tax equivalent	1,059,000	1,059,000	1,046,864	(12,136)
Cable TV franchise fees	500,000	500,000	509,767	9,767
Mobile home assessments	26,500	26,500	24,647	(1,853)
Mobile room tax	185,000	185,000	174,359	(10,641)
	<u>17,990,900</u>	<u>17,990,900</u>	<u>17,972,909</u>	<u>(17,991)</u>
INTERGOVERNMENTAL REVENUE				
State shared revenue	475,000	475,000	433,411	(41,589)
State expenditure restraint revenue	255,525	255,525	252,238	(3,287)
Fire insurance - dues	112,500	112,500	132,438	19,938
Local, state and federal grants and aids				
Computer aid	350,925	350,925	350,949	24
Transportation aids	1,295,600	1,295,600	1,285,337	(263)
Other	60,000	60,000	71,816	11,816
	<u>2,549,550</u>	<u>2,549,550</u>	<u>2,536,187</u>	<u>(13,363)</u>
LICENSES, FEES AND PERMITS				
Licenses:				
Beer and liquor	30,500	30,500	31,988	1,488
Bartenders	16,500	16,500	17,076	576
Amusement and related	11,750	11,750	9,390	(2,360)
Peddlers	2,000	2,000	7,987	5,987
Food and related	1,400	1,400	4,369	2,969
Electrical contractors			168	168
Dog and cat	9,000	9,000	12,865	3,865
Health	56,000	56,000	56,898	898
Other	11,260	11,250	13,281	2,031
Permits:				
Building	528,500	528,500	460,340	(68,160)
Electrical	89,500	89,500	74,156	(15,344)
Plumbing	70,000	70,000	79,522	9,522
Sign	10,000	10,000	5,902	(4,098)
Park	12,000	12,000	13,608	1,608
Fire	5,000	5,000	4,640	(360)
Other	10,900	10,900	16,156	5,256
	<u>864,300</u>	<u>864,300</u>	<u>808,302</u>	<u>(55,998)</u>
FINES, FORFEITURES AND PENALTIES	<u>444,000</u>	<u>444,000</u>	<u>421,976</u>	<u>(22,024)</u>

(Continued)

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
PUBLIC CHARGES FOR SERVICES				
General government				
Property reports and document fees	\$ 10,250	\$ 10,250	\$ 12,225	\$ 1,975
Public safety				
Police Department and related	9,000	9,000	8,276	(724)
Ambulance service	1,005,700	1,005,700	999,269	(7,431)
Fire Department and related	92,000	92,000	102,465	10,465
Quarry reimbursement	42,000	42,000	23,950	(18,050)
Weights and measures	4,000	4,000	7,837	3,837
Public works				
Weed cutting	14,000	14,000	13,120	(880)
Street lighting	8,000	8,000	13,688	5,688
Engineering and DPW fees	37,000	37,000	30,340	(6,660)
Landfill tipping fees	59,500	59,500	62,163	2,663
Health and human services				
Health clinics and other health fees	60,000	60,000	49,889	(14,111)
Conservation and development				
Zoning, subdivision and other filing fees	73,950	73,950	48,515	(25,435)
	<u>1,416,400</u>	<u>1,416,400</u>	<u>1,367,737</u>	<u>(48,663)</u>
	<u>125,000</u>	<u>125,000</u>	<u>136,372</u>	<u>11,372</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES	<u>138,500</u>	<u>138,500</u>	<u>260,132</u>	<u>121,632</u>
INVESTMENT EARNINGS (LOSS)				
MISCELLANEOUS REVENUE				
Municipal property rental	34,000	34,000	43,753	9,753
Property sales	1,450	1,450	8,986	7,536
Refunds and reimbursements	20,000	20,000	21,901	1,901
Insurance dividend	15,000	15,000	66,395	51,395
Other revenue	4,250	4,250	1,979	(2,271)
	<u>74,700</u>	<u>74,700</u>	<u>143,014</u>	<u>68,314</u>
TOTAL REVENUE	<u>\$ 23,603,350</u>	<u>\$ 23,603,350</u>	<u>\$ 23,676,629</u>	<u>\$ 73,279</u>

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Expenditures - Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
CURRENT				
Public Works				
Engineering - Personnel Services	597,006	597,006	578,865	18,141
Engineering - Other Services	24,132	28,132	28,078	54
Highway - Personnel Services	1,745,877	1,765,185	1,717,881	47,314
Highway - Other Services	819,623	949,205	922,259	26,946
Street lighting	324,630	324,630	327,063	(2,433)
Weed control	15,050	15,050	10,875	4,175
Total Public Works	3,526,318	3,678,218	3,585,021	94,197
Health and Human Services				
Public health - Personnel Services	557,898	557,898	535,155	22,744
Public health - Other Services	58,205	65,305	66,230	85
Animal control	41,700	41,700	33,589	8,111
Total Health and Human Services	657,804	664,904	633,964	30,940
Culture and Recreation				
St. Martin's fair	11,000	11,000	11,000	-
Civic celebrations	13,000	13,000	13,000	-
Senior activities and travel program	15,000	16,800	15,149	1,451
Parks - Personnel Services	107,910	125,310	125,258	52
Parks - Other Services	25,172	25,172	23,938	1,234
Total Culture and Recreation	172,082	191,082	188,345	2,737
Conservation and Development				
Planning - Personnel Services	319,708	319,708	316,036	3,672
Planning - Other Services	60,750	60,750	33,111	27,639
Economic development - Personnel Services	75,800	75,800	-	75,800
Economic development - Other Services	15,500	15,500	6,207	9,293
Total Conservation and Development	471,758	471,758	355,354	116,404
TOTAL EXPENDITURES	\$24,593,350	\$24,584,950	\$23,084,252	\$1,510,698

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Expenditures - Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
CURRENT				
General Government				
Mayor - Personnel Services	\$ 18,500	\$ 18,500	\$ 18,500	\$ -
Mayor - Other Services	8,100	9,100	4,973	3,127
Aldermen - Personnel Services	47,450	47,450	47,450	-
Aldermen - Other Services	25,080	21,927	21,927	3,153
Municipal court - Personnel Services	178,671	168,785	168,785	9,886
Municipal court - Other Services	44,850	49,250	48,194	56
City clerk - Personnel Services	284,368	293,098	293,014	84
City clerk - Other Services	26,950	26,950	24,341	2,609
Elections - Personnel Services	41,568	42,468	42,462	6
Elections - Other Services	16,900	22,400	22,350	50
Information services	361,205	361,205	333,122	28,083
Administration - Personnel Services	355,668	355,668	275,322	80,346
Administration - Other Services	209,525	209,525	196,424	43,101
Finance - Personnel Services	404,978	404,978	398,929	6,049
Finance - Other Services	55,783	56,783	53,175	3,608
Independent Audit	29,790	29,790	28,135	1,655
Assessor - Personnel Services	52,790	53,090	53,014	76
Assessor - Other Services	171,450	171,450	163,141	8,309
Legal counsel	329,850	329,950	307,077	22,873
Municipal buildings - Personnel Services	34,280	36,080	35,854	226
Municipal buildings - Other Services	134,833	141,933	141,886	37
Property and liability insurance	100,647	107,847	107,748	99
Other	2,500	2,500	1,939	561
Contingency	714,700	426,800	197,700	229,100
Total General Government	3,651,466	3,399,566	2,956,472	443,094
Public Safety				
Police - Personnel Services	8,086,034	8,079,234	7,622,804	455,430
Police - Other Services	1,177,017	1,184,817	1,062,143	122,674
Fire - Personnel Services	5,452,854	5,452,854	5,324,561	128,293
Fire - Other Services	393,780	463,780	438,471	25,309
Fire protection service charge	251,700	256,200	256,165	35
Building inspection - Personnel Services	707,157	707,157	628,408	78,748
Building inspection - Other Services	39,580	39,580	25,743	12,837
Sealer of weights and measures	6,800	6,800	6,800	-
Total Public Safety	16,113,922	16,188,422	15,365,096	823,326

(Continued)

Schedule 5

CITY OF FRANKLIN, WISCONSIN
Debt Service Fund

Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE			
Taxes	\$ 1,600,000	\$ 1,600,000	\$ -
Special assessments	-	68,166	68,166
Investment earnings	-	21,966	21,966
Total revenue	1,600,000	1,690,132	90,132
EXPENDITURES			
Debt service			
Principal	570,000	570,000	-
Interest	345,644	345,644	-
Total expenditures	915,644	915,644	-
Excess of revenue over expenditures	684,356	774,488	90,132
OTHER FINANCING SOURCES (USES)			
Transfers in	377,644	226,811	(150,833)
Premium (discount) on debt issued	-	66,747	66,747
Total other financing sources (uses)	377,644	293,558	(84,086)
Net change in fund balances	\$ 1,062,000	1,068,046	\$ 6,046
Fund balances (deficit) - beginning		(1,492,767)	
Fund balances (deficit) - ending		\$ (424,721)	

Schedule 6

CITY OF FRANKLIN, WISCONSIN
Library Operating Fund

Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUE				
Taxes	\$ 1,240,000	\$ 1,240,000	\$ 1,240,000	\$ -
Intergovernmental revenue	50,000	50,000	101,087	51,087
Investment earnings (loss)	5,000	5,000	8,368	3,368
Total revenue	1,295,000	1,295,000	1,349,455	54,455
EXPENDITURES				
Current:				
Culture and recreation	1,257,006	1,257,006	1,204,927	52,079
Capital outlay	110,500	99,500	92,716	6,784
Total expenditures	1,367,506	1,356,506	1,297,643	58,863
Excess (deficiency) of revenue over (under) expenditures	(72,506)	(61,506)	51,812	113,318
Net change in fund balances	\$ (72,506)	\$ (61,506)	51,812	\$ 113,318
Adjustments to generally accepted accounting principles basis			(21,000)	
2013 encumbrances			-	
2014 encumbrances			439,670	
Fund balances - beginning				
Fund balances - ending			\$ 470,482	

Schedule 7

CITY OF FRANKLIN, WISCONSIN
Solid Waste Collection Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUE			
User fees	\$ 1,157,000	\$ 1,168,087	\$ 11,087
Intergovernmental revenue	69,000	69,214	214
Public charges for services - Landfill siting	331,800	355,668	23,868
Sales of recycling bins	5,000	7,044	2,044
Investment earnings (loss)	-	7,300	7,300
Total revenue	<u>1,562,800</u>	<u>1,607,313</u>	<u>44,513</u>
EXPENDITURES			
Current:			
Public works	1,523,754	1,579,235	(55,481)
Total expenditures	<u>1,523,754</u>	<u>1,579,235</u>	<u>(55,481)</u>
Net change in fund balances	<u>\$ 39,046</u>	<u>28,078</u>	<u>\$ (10,968)</u>
Fund balances - beginning		<u>188,307</u>	
Fund balances - ending		<u>\$ 216,385</u>	

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances
Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2014

	Capital Outlay Fund				Equipment Replacement Fund			
	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE								
Taxes	\$ 430,000	\$ 430,000	\$ 430,000	\$ -	\$ 337,000	\$ 337,000	\$ 337,000	\$ -
Intergovernmental revenue	-	-	10,082	10,082	-	-	-	-
Public charges for services - Landfill siting	67,000	67,000	67,000	-	100,000	100,000	100,000	-
Investment earnings (loss)	-	-	12,842	12,842	-	-	49,885	49,885
Miscellaneous revenue	-	-	508	508	-	-	-	-
Total revenue	497,000	497,000	520,432	23,432	437,000	437,000	486,885	49,885
EXPENDITURES								
Capital outlay	641,646	738,942	558,658	180,284	231,500	242,100	227,181	14,919
Total expenditures	641,646	738,942	558,658	180,284	231,500	242,100	227,181	14,919
Excess (deficiency) of revenue over expenditures	(144,646)	(241,942)	(38,226)	203,716	205,500	194,900	259,704	64,804
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	30,000	30,000	20,765	(9,235)	-	-	19,129	19,129
Transfers in	-	-	-	-	-	-	5,395	5,395
Transfers out	-	-	-	-	-	-	-	-
General obligation debt issued	-	-	-	-	-	-	-	-
Net changes in fund balances	\$ (114,646)	\$ (211,942)	(17,461)	\$ 194,481	\$ 205,500	\$ 194,900	284,228	\$ 89,328
Adjustments to generally accepted accounting principles basis								
2013 encumbrances			(55,104)				(10,600)	
2014 encumbrances			38,338					
Fund balances - beginning			337,575				1,916,045	
Fund balances - ending			\$ 303,348				\$ 2,189,673	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2014

	Capital Improvement Fund				Street Improvement Fund			
	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 681,600	\$ 681,600	\$ 681,600	\$ -
Intergovernmental revenue	-	-	-	-	78,000	78,000	67,273	(10,727)
Public charges for services - Landfill siting	296,000	296,000	504,004	208,004	133,000	133,000	133,000	-
Investment earnings (loss)	-	-	198	198	-	-	12,175	12,175
Miscellaneous revenue	147,000	147,000	-	(147,000)	-	-	131,250	131,250
Total revenue	<u>443,000</u>	<u>443,000</u>	<u>504,202</u>	<u>61,202</u>	<u>892,600</u>	<u>892,600</u>	<u>1,025,298</u>	<u>132,698</u>
EXPENDITURES								
Capital outlay	7,475,033	7,475,033	1,710,907	5,764,126	960,000	996,900	1,013,024	(16,124)
Debt issuance costs	50,000	50,000	27,340	22,660	-	-	-	-
Total expenditures	<u>7,525,033</u>	<u>7,525,033</u>	<u>1,738,247</u>	<u>5,786,786</u>	<u>960,000</u>	<u>996,900</u>	<u>1,013,024</u>	<u>(16,124)</u>
Excess (deficiency) of revenue over expenditures	(7,082,033)	(7,082,033)	(1,234,045)	5,847,988	(67,400)	(104,300)	12,274	116,574
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	5,310,140	5,310,140	756,557	(4,553,583)	200,000	-	-	(200,000)
Transfers out	-	-	-	-	200,000	-	-	(200,000)
General obligation debt issued	2,000,000	2,000,000	1,990,000	(10,000)	-	-	-	-
Net changes in fund balances	<u>\$ 228,107</u>	<u>\$ 228,107</u>	<u>1,512,512</u>	<u>\$ 1,284,405</u>	<u>\$ 332,600</u>	<u>\$ (104,300)</u>	<u>12,274</u>	<u>\$ (283,426)</u>
Adjustments to generally accepted accounting principles basis								
2013 encumbrances	-	-	144,161	-	-	-	-	-
2014 encumbrances	-	-	318,928	-	-	-	218,563	-
Fund balances - beginning								
Fund balances - ending			<u>\$ 1,975,601</u>				<u>\$ 230,837</u>	

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2014

	Development Fund			
	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE				
Special assessments	\$ 645,000	\$ 645,000	\$ 683,227	\$ 38,227
Investment earnings	95,694	95,694	161,665	65,971
Total revenue	<u>740,694</u>	<u>740,694</u>	<u>844,892</u>	<u>104,198</u>
EXPENDITURES				
General Government	-	3,241	-	3,241
Total expenditures	<u>-</u>	<u>3,241</u>	<u>-</u>	<u>3,241</u>
Excess of revenue over expenditures	740,694	737,453	844,892	107,439
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(2,013,125)	(2,890,093)	(1,726,721)	1,163,372
General obligation debt issued	-	-	-	-
Net changes in fund balances	<u>\$ (1,272,431)</u>	<u>\$ (2,152,640)</u>	<u>(881,829)</u>	<u>\$ 1,270,811</u>
Fund balances - beginning			<u>5,052,168</u>	
Fund balances - ending			<u>\$ 4,170,339</u>	

CITY OF FRANKLIN, WISCONSIN
 Fiduciary Funds
 Combining Schedule of Changes in Assets and Liabilities - Agency Funds
 Year Ended December 31, 2014

PROPERTY TAX AGENCY FUND	12/31/13	Additions	Deductions	12/31/14
ASSETS				
Cash and investments	\$ 49,622,176	\$ 99,453,337	\$ 95,946,483	\$ 53,129,030
Receivables				
Taxes receivable	21,205,488	69,319,207	74,130,103	16,394,592
Accounts receivable	11,689	-	11,689	-
Total assets	\$ 70,839,353	\$ 168,772,544	\$ 170,088,275	\$ 69,523,622
LIABILITIES				
Accounts payable	\$ 344,885	\$ 204,416	\$ 344,886	\$ 204,415
Due to other governments	70,494,468	69,319,207	70,494,468	69,319,207
Total liabilities	\$ 70,839,353	\$ 69,523,623	\$ 70,839,354	\$ 69,523,622
OTHER AGENCY FUND				
ASSETS				
Cash and investments	\$ 163,886	\$ 22,238	\$ 179,060	\$ 7,064
Accounts receivable	-	26,248	20,428	5,820
Total assets	\$ 163,886	\$ 48,486	\$ 199,488	\$ 12,884
LIABILITIES				
Accounts payable	\$ 2,560	\$ 28,216	\$ 28,899	\$ 1,877
Special deposits	161,326	28,193	178,512	11,007
Total liabilities	\$ 163,886	\$ 56,409	\$ 207,411	\$ 12,884
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 49,786,062	\$ 99,475,576	\$ 96,125,543	\$ 53,136,094
Receivables				
Taxes receivable	21,205,488	69,319,207	74,130,103	16,394,592
Accounts receivable	11,689	26,248	32,117	5,820
Total assets	\$ 71,003,239	\$ 168,821,031	\$ 170,287,763	\$ 69,536,506
LIABILITIES				
Accounts payable	\$ 347,445	\$ 232,632	\$ 373,785	\$ 206,292
Due to other governments	70,494,468	69,319,207	70,494,468	69,319,207
Special deposits	161,326	28,193	178,512	11,007
Total liabilities	\$ 71,003,239	\$ 69,590,032	\$ 71,046,765	\$ 69,536,506

CITY OF FRANKLIN, WISCONSIN
 TIF Districts Fund
 Combining Balance Sheet
 December 31, 2014

	District #3	District #4	Total
ASSETS			
Cash and investments	\$ 3,717,160	\$ 61,645	\$ 3,778,805
Taxes receivable	1,681,577	1,009,060	2,690,637
Note receivable	-	-	-
Due from other governments	17,866	-	17,866
Total assets	\$ 5,416,603	\$ 1,070,705	\$ 6,487,308
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 37,048	\$ 37,517	\$ 74,565
Long term advances	3,350,000	1,238,000	4,588,000
Total liabilities	3,387,048	1,275,517	4,662,565
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	1,681,577	1,009,060	2,690,637
FUND BALANCES (DEFICIT)			
Restricted:			
TIF #3	347,978	-	347,978
Unassigned (deficit)	-	(1,213,872)	(1,213,872)
Total fund balances (deficit)	347,978	(1,213,872)	(865,894)
Total liabilities, deferred inflows and fund balances	\$ 5,416,603	\$ 1,070,705	\$ 6,487,308

CITY OF FRANKLIN, WISCONSIN
 TIF Districts Fund
 Schedule of TIF Districts Revenue, Expenditures
 and Changes in Fund Balances
 Year Ended December 31, 2014

	District #3	District #4	Total
REVENUE			
Taxes	\$ 1,572,198	\$ 972,728	\$ 2,544,926
Intergovernmental revenue	407,508	24,620	432,128
Investment earnings (loss)	107,932	906	108,838
Miscellaneous revenue	-	-	-
Total revenue	<u>2,087,638</u>	<u>998,254</u>	<u>3,085,892</u>
EXPENDITURES			
Current:			
Conservation and development	12,482	93,345	105,827
Capital outlay	330,265	-	330,265
Debt service			
Principal	9,695,000	-	9,695,000
Interest and fiscal charges	325,740	59,904	385,644
Debt issuance costs	45,751	-	45,751
Total expenditures	<u>10,409,238</u>	<u>153,249</u>	<u>10,562,487</u>
Excess (deficiency) of revenue over expenditures	(8,321,600)	845,005	(7,476,595)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
General obligation debt issued	3,330,000	-	3,330,000
Premium on debt issued	166,080	-	166,080
Principal payment on current refunding	-	-	-
Total other financing sources (uses)	<u>3,496,080</u>	<u>-</u>	<u>3,496,080</u>
Net change in fund balances	(4,825,520)	845,005	(3,980,515)
Fund balances (deficit) - beginning	5,173,498	(2,058,877)	3,114,621
Fund balances (deficit) - ending	\$ 347,978	\$ (1,213,872)	\$ (865,894)

CITY OF FRANKLIN, WISCONSIN
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source
 December 31, 2014

Governmental funds capital assets:	
Land	\$ 24,949,631
Buildings and improvements	24,717,845
Machinery and equipment	17,514,597
Infrastructure improvements	93,860,786
Construction in process	<u>423,313</u>
Total governmental funds capital assets	\$ 161,466,174
Investment in governmental capital assets by source:	
General Fund	\$ 2,074,005
Special Revenue Funds	3,114,091
Capital Projects Funds	86,308,145
Donations	<u>69,969,933</u>
Total governmental funds capital assets	\$ 161,466,174

CITY OF FRANKLIN, WISCONSIN
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 Year Ended December 31, 2014

Function and Activity	Governmental Funds Capital Assets			
	01/01/14	Additions	Deletions	12/31/14
General Government:				
Mayor	\$ -	2,202	\$ -	2,202
Aldermen	-	9,584	-	9,584
Municipal court	-	36,340	-	36,340
City clerk	-	10,042	-	10,042
Elections	-	36,352	-	36,352
Information services	-	483,348	-	483,348
Human resources	-	253,471	-	253,471
Finance	-	1,295	-	1,295
Assessor	-	46,080	-	46,080
Attorney	-	906	-	906
Municipal buildings	-	4,516,594	-	4,516,594
Total General Government	803,111	3,217,148	-	3,955,672
Public Safety:				
Police	1,201,829	8,418,912	-	9,620,741
Fire	112,013	4,228,242	-	4,340,255
Building inspection	-	272,540	-	272,540
Total Public Safety	1,313,842	12,845,154	-	14,158,996
Public Works:				
Engineering	-	347,934	-	347,934
Highway	357,407	5,472,137	-	5,829,544
Street lighting	-	1,097	-	1,097
Infrastructure	18,038,776	41,578	-	18,080,354
Construction in process	-	-	423,313	423,313
Total Public Works	18,396,183	5,821,158	423,313	24,219,652
Health & Human Services:				
Health	-	137,200	-	137,200
Culture and Recreation:				
Library	16,789	4,927,466	-	5,044,255
Parks	4,419,726	1,148,865	-	5,568,621
Total Culture and Recreation	4,436,515	6,076,331	-	10,512,846
Conservation and Development:				
Community development	-	84,467	-	84,467
Planning	-	84,467	-	84,467
Total Conservation and Development	-	168,934	-	168,934
Total governmental funds capital assets	\$ 24,949,631	\$ 24,717,845	\$ 93,660,788	\$ 161,468,174

CITY OF FRANKLIN, WISCONSIN
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 Year Ended December 31, 2014

Function and Activity	Governmental Funds Capital Assets			
	01/01/14	Additions	Deletions	12/31/14
General Government:				
Mayor	\$ -	2,202	\$ -	2,202
Aldermen	-	9,584	-	9,584
Municipal court	-	36,340	-	36,340
City clerk	-	10,042	-	10,042
Elections	-	36,352	-	36,352
Information services	-	483,348	-	483,348
Human resources	-	253,471	-	253,471
Finance	-	1,295	-	1,295
Assessor	-	46,080	-	46,080
Attorney	-	906	-	906
Municipal buildings	-	4,516,594	-	4,516,594
Total General Government	5,559,331	36,341	-	5,595,672
Public Safety:				
Police	12,676,234	438,516	461,559	12,652,191
Fire	7,916,339	141,624	210,976	7,846,987
Building inspection	256,567	15,973	-	272,540
Total Public Safety	20,848,140	596,113	672,535	20,772,718
Public Works:				
Engineering	344,847	3,086	-	347,933
Highway	8,390,018	331,738	154,688	8,567,068
Street lighting	1,097	-	-	1,097
Infrastructure	110,197,754	1,743,388	-	111,941,142
Construction in process	152,923	720,606	450,216	423,313
Total Public Works	119,086,639	2,799,818	604,904	121,280,553
Health & Human Services:				
Health	137,200	-	-	137,200
Culture and Recreation:				
Library	7,822,487	168,623	271,489	7,719,621
Parks	5,541,823	357,026	22,906	5,875,943
Total Culture and Recreation	13,364,310	525,649	294,395	13,595,564
Conservation and Development:				
Community development	-	-	-	-
City development	84,467	-	-	84,467
Total Conservation and Development	84,467	-	-	84,467
Total governmental funds capital assets	\$ 159,081,087	\$ 3,956,921	\$ 1,571,834	\$ 161,468,174

Statistical Section

This part of the City of Franklin's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Financial Trends 1

Table

These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.

Revenue Capacity 5

Table

These tables contain trend information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

Table 11

These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

Table 14

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

Table 17

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

STATISTICAL SECTION

Statistical Section

This part of the City of Franklin's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures and required supplementary information says about the City's overall financial health.

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CITY OF FRANKLIN, WISCONSIN
 Net Position by Component
 Last Ten Years
 (accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$ 106,031,877	\$ 104,721,982	\$ 104,097,426	\$ 94,637,222	\$ 88,776,271	\$ 84,178,261	\$ 71,753,307	\$ 72,970,238	\$ 58,402,113	\$ (1,368,021)
Restricted										
Debt service	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238	8,550,662	12,588,371	4,204,277	1,708,141
Utility improvements	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220	1,353,540	2,205,799	2,293,840	2,424,150
Development	4,170,339	5,052,168	4,614,731	3,895,040	3,620,826	3,051,562	3,083,708	2,643,952	3,484,891	2,853,329
Library	598,752	582,292	541,825	492,473	488,302	442,509	414,428	357,875	259,824	-
Donations and other	560,306	507,955	541,755	300,582	311,101	279,730	286,114	263,198	243,331	236,147
Unrestricted (deficit)	8,848,660	4,899,704	1,487,025	2,582,464	2,311,078	(2,085,981)	(791,175)	(11,099,755)	10,860,166	10,490,237
Total governmental activities net position	\$ 122,708,989	\$ 118,000,800	\$ 113,442,058	\$ 107,969,822	\$ 100,281,181	\$ 89,772,539	\$ 84,650,584	\$ 79,929,678	\$ 79,768,442	\$ 16,343,963
Business-type activities										
Net investment in capital assets	\$ 88,567,257	\$ 89,095,184	\$ 89,398,082	\$ 89,550,594	\$ 90,202,124	\$ 90,828,559	\$ 90,842,486	\$ 90,242,854	\$ 88,299,652	\$ 85,098,937
Restricted										
Sewer equipment replacement	313,558	277,230	334,508	283,844	281,852	227,388	231,384	225,177	215,267	178,274
Unrestricted	4,015,630	3,017,842	2,518,834	3,171,123	2,763,610	2,875,722	2,309,236	2,342,349	2,255,577	2,390,429
Total business-type activities net position	\$ 92,896,445	\$ 92,390,256	\$ 92,251,424	\$ 93,015,561	\$ 93,227,586	\$ 93,931,669	\$ 93,383,106	\$ 92,810,380	\$ 90,770,496	\$ 87,657,640
Total										
Net investment in capital assets	\$ 194,599,134	\$ 193,817,166	\$ 193,495,508	\$ 184,187,816	\$ 178,978,395	\$ 175,006,820	\$ 162,595,793	\$ 163,213,092	\$ 146,701,765	\$ 83,730,916
Restricted										
Debt service	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238	8,550,662	12,588,371	4,204,277	1,708,141
Utility improvements	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220	1,353,540	2,205,799	2,293,840	2,424,150
Development	4,170,339	5,052,168	4,614,731	3,895,040	3,620,826	3,051,562	3,083,708	2,643,952	3,484,891	2,853,329
TIF Districts	598,752	582,292	541,825	492,473	488,302	442,509	414,428	357,875	259,824	-
Donations and grants	560,306	507,955	541,755	300,582	311,101	279,730	286,114	263,198	243,331	236,147
Sewer replacement	313,558	277,230	334,508	283,844	281,852	227,388	231,384	225,177	215,267	178,274
Unrestricted	12,864,290	7,907,546	4,005,859	5,753,587	5,074,688	(789,741)	(1,518,061)	(8,757,406)	13,135,743	12,870,666
Total net position	\$ 215,605,434	\$ 210,391,056	\$ 205,693,482	\$ 200,985,383	\$ 193,508,767	\$ 183,704,208	\$ 178,033,690	\$ 172,740,058	\$ 170,538,938	\$ 104,001,623

Notes:

* 2012 and prior years have been reclassified to be consistent with the current year presentation

CITY OF FRANKLIN, WISCONSIN
Changes in Net Position, Last Ten Years
 (accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	\$ 2,919,940	\$ 2,915,267	\$ 2,794,497	\$ 2,749,207	\$ 2,897,491	\$ 2,948,713	\$ 3,028,903	\$ 2,769,041	\$ 2,730,575	\$ 2,588,256
Public safety	16,194,631	16,484,847	17,228,769	16,622,386	16,003,898	15,526,031	15,598,642	14,387,891	13,987,313	13,533,975
Public works	7,231,238	6,550,808	6,182,036	6,596,316	6,208,391	6,034,720	6,900,408	6,800,767	4,709,613	4,873,462
Health and human services	673,332	698,088	730,499	649,656	698,944	708,084	663,262	630,002	572,091	510,520
Culture and recreation	1,865,832	1,838,700	1,870,573	1,890,350	1,919,699	1,753,139	1,803,155	1,766,274	1,873,815	1,561,066
Conservation and development	459,884	422,095	412,066	957,877	529,833	600,099	718,032	6,591,661	634,983	666,277
Interest on long term debt	582,211	802,562	1,272,721	1,553,257	1,920,023	2,253,215	2,654,969	2,705,294	2,574,761	2,204,881
Total governmental activities expenses	\$ 29,927,068	\$ 29,712,367	\$ 30,491,161	\$ 31,019,049	\$ 30,178,269	\$ 29,824,001	\$ 31,367,371	\$ 35,650,930	\$ 27,083,151	\$ 25,738,437
Business-type activities										
Water	5,077,744	5,051,835	5,064,149	4,251,187	4,076,409	4,216,453	3,928,578	3,620,524	3,342,925	3,307,057
Sewer	4,180,946	4,133,632	3,640,106	3,373,459	3,376,505	3,226,261	3,069,523	2,640,092	2,603,652	2,349,419
Total business-type activities expenses	\$ 9,258,690	\$ 9,185,467	\$ 8,704,255	\$ 7,624,646	\$ 7,452,914	\$ 7,442,714	\$ 6,998,101	\$ 6,260,616	\$ 5,946,577	\$ 5,656,476
Total expenses	\$ 39,185,758	\$ 38,897,834	\$ 39,195,416	\$ 38,643,695	\$ 37,631,183	\$ 37,266,715	\$ 38,365,472	\$ 41,911,546	\$ 33,029,728	\$ 31,394,913
Program Revenue										
Governmental activities:										
Charges for services:										
General government	\$ 213,328	\$ 251,573	\$ 163,947	\$ 217,360	\$ 270,412	\$ 305,232	\$ 210,433	\$ 226,496	\$ 145,072	\$ 148,803
Public safety	2,268,334	2,459,946	2,226,209	2,173,060	2,154,618	2,068,413	2,267,580	2,473,630	2,784,237	2,715,134
Public works	1,470,630	1,234,601	1,271,133	1,490,348	1,230,437	660,670	739,948	1,071,513	1,497,290	1,543,476
Health and human services	115,650	118,702	126,516	105,886	54,385	69,855	86,439	89,853	62,339	91,767
Culture and recreation	118,008	113,217	45,992	181,414	311,757	146,256	143,797	138,793	237,278	212,301
Conservation and development	51,917	63,366	73,530	78,867	64,168	67,051	305,299	127,711	138,411	72,864
Operating grants and contributions	1,901,262	1,838,950	2,144,164	2,136,106	1,921,805	2,080,213	2,285,275	2,957,937	2,015,885	1,838,699
Capital grants and contributions	1,437,524	1,659,859	1,240,439	1,334,285	2,570,564	1,190,080	1,735,333	2,753,612	4,890,241	6,728,526
Total governmental activities program revenue	\$ 7,576,653	\$ 7,740,214	\$ 7,291,930	\$ 7,716,926	\$ 8,578,146	\$ 6,587,780	\$ 7,774,104	\$ 9,839,745	\$ 11,770,753	\$ 13,351,570
Business-type activities										
Charges for services:										
Water	5,421,719	5,403,994	5,361,646	4,539,066	4,395,269	4,454,495	4,218,653	3,926,626	3,565,661	3,815,195
Sewer	3,266,897	3,243,737	3,142,062	3,124,786	3,062,486	2,994,024	2,706,583	2,029,447	1,866,703	1,732,737
Total business-type activities program revenue	\$ 8,688,616	\$ 8,647,731	\$ 8,503,708	\$ 7,663,852	\$ 7,457,755	\$ 7,448,519	\$ 6,925,236	\$ 5,956,073	\$ 5,432,364	\$ 5,547,932
Total program revenue	\$ 16,503,826	\$ 16,387,945	\$ 15,795,638	\$ 15,380,778	\$ 16,246,569	\$ 14,373,966	\$ 15,433,707	\$ 17,425,354	\$ 18,700,158	\$ 22,080,836

continued

CITY OF FRANKLIN, WISCONSIN
Changes in Net Position, Last Ten Years
(accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (Expense)/Revenue										
Governmental activities	\$ (22,350,415)	\$ (21,972,153)	\$ (23,199,231)	\$ (23,302,123)	\$ (21,600,123)	\$ (23,236,221)	\$ (23,593,267)	\$ (25,811,185)	\$ (15,312,398)	\$ (12,386,867)
Business-type activities	(331,517)	(537,736)	(200,547)	39,206	215,509	343,472	661,502	1,324,993	982,828	3,072,790
Total net expense	\$ (22,681,932)	\$ (22,509,889)	\$ (23,399,778)	\$ (23,262,917)	\$ (21,384,614)	\$ (22,892,749)	\$ (22,931,765)	\$ (24,486,192)	\$ (14,329,570)	\$ (9,314,077)
General Revenue and other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 20,073,959	\$ 20,037,681	\$ 19,841,883	\$ 19,058,282	\$ 18,523,570	\$ 18,237,375	\$ 17,534,150	\$ 16,404,257	\$ 15,350,390	\$ 14,576,053
Property taxes levied for debt service	1,600,000	1,650,000	1,750,000	1,900,000	1,900,000	1,900,000	2,000,000	2,110,000	2,210,000	2,310,000
Property taxes levied for TIF Districts	2,526,925	2,410,131	2,560,324	5,645,805	7,457,955	4,829,216	4,685,811	3,127,116	2,860,368	2,919,738
Other taxes	726,774	723,985	708,832	673,736	698,431	666,767	472,575	429,674	419,168	381,116
Intergovernmental revenue										
not restricted to specific programs	1,519,848	1,620,331	1,590,209	2,292,529	1,485,982	1,380,418	1,320,286	1,461,840	1,334,594	1,271,794
Investment earnings	695,541	87,278	784,932	973,349	907,723	1,401,560	1,862,688	2,547,179	2,531,912	1,111,774
Miscellaneous revenue	43,170	66,191	394,032	40,091	58,885	43,566	14,451	452,613	77,294	119,276
Gain on sale of capital assets	16,988	2,024	32,129	58,871	64,070	-	-	-	-	-
Transfers	(144,601)	(66,726)	1,009,126	348,101	1,011,149	(100,726)	424,212	(560,258)	(1,970,735)	(934,281)
Total governmental activities	27,058,604	26,530,895	28,671,467	30,990,764	32,108,765	28,358,176	28,314,173	25,972,421	22,812,991	21,755,470
Business-type activities:										
Investment earnings	642,227	569,444	318,669	32,320	41,393	46,738	67,617	113,197	112,453	44,096
Miscellaneous revenue	50,878	40,398	126,867	64,550	50,164	57,627	287,819	41,436	46,840	51,510
Transfers	144,901	66,726	(1,009,126)	(348,101)	(1,011,149)	100,726	(424,212)	560,258	1,970,735	934,281
Total business-type activities	837,706	676,568	(563,590)	(251,231)	(919,592)	205,091	(68,776)	714,891	2,130,028	1,029,887
Total	\$ 27,896,310	\$ 27,207,463	\$ 28,107,877	\$ 30,739,533	\$ 31,189,173	\$ 28,563,267	\$ 28,225,397	\$ 26,687,312	\$ 24,943,019	\$ 22,785,357
Change in Net Position										
Governmental activities	\$ 4,708,189	\$ 4,558,742	\$ 5,472,236	\$ 7,688,641	\$ 10,508,642	\$ 5,121,955	\$ 4,720,906	\$ 161,236	\$ 7,500,593	\$ 9,368,603
Business-type activities:	506,189	138,832	(764,137)	(212,025)	(704,083)	548,563	572,726	2,039,884	3,112,856	4,102,677
Total	\$ 5,214,378	\$ 4,697,574	\$ 4,708,099	\$ 7,476,616	\$ 9,804,559	\$ 5,670,518	\$ 5,293,632	\$ 2,201,120	\$ 10,613,449	\$ 13,471,280

CITY OF FRANKLIN, WISCONSIN
 Fund Balances, Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable:										
Inventories and prepaid items	\$ 78,455	\$ 45,866	\$ 62,936	\$ 55,820	\$ 75,673	\$ 24,927	\$ 25,109	\$ 24,990	\$ 31,870	\$ 38,391
Advances to other funds	2,198,616	505,040	-	-	-	-	-	1,000,000	700,000	-
Assigned	207,270	-	-	-	-	-	-	-	-	-
Unassigned	6,148,771	7,230,661	6,439,199	6,065,053	5,400,912	5,079,711	5,519,932	4,910,492	6,289,964	6,430,669
Total general fund	8,633,112	7,781,567	6,502,135	6,120,873	5,476,585	5,104,638	5,545,041	5,935,482	7,021,834	6,469,060
All other governmental funds:										
Nonspendable:										
Prepays	900	2,475	21,800	10,313	10,181	15,707	-	-	4,100	10,032
Restricted:										
Debt service	546,238	6,801,945	7,423,733	7,876,755	8,393,278	8,845,900	12,091,660	12,240,785	3,466,738	2,001,554
Utility improvements	672,431	443,438	543,408	640,787	356,798	147,317	12,640	380,961	478,801	1,129,596
Development	4,170,339	5,052,168	4,614,731	7,633,040	6,408,826	5,869,562	9,383,708	14,100,000	10,413,660	9,571,316
TIF Districts	347,978	-	-	552,904	1,804,838	536,476	184,257	-	-	-
Donations	122,550	102,326	105,238	299,982	311,101	279,730	286,114	263,198	243,331	184,458
Health services	175,220	165,646	179,239	-	-	-	-	-	-	-
Library services	596,277	579,817	520,775	492,473	488,302	442,509	414,428	357,875	259,824	-
Solid waste	216,385	188,307	100,546	-	-	-	-	-	-	-
Recreational services	46,151	51,476	52,244	72,657	179,224	165,348	132,206	1,206,529	294,820	218,770
Assigned:										
Purchases on order	-	-	-	-	-	-	-	-	-	-
Capital projects	4,699,459	2,791,111	2,724,764	2,372,072	2,710,245	1,378,971	3,640,970	1,777,308	6,121,828	7,276,473
Unassigned	(2,196,383)	(5,180,799)	(5,965,690)	(3,663,211)	(4,009,430)	(5,904,216)	(5,891,813)	(14,651,138)	(4,569,471)	(1,294,109)
Total all other government funds	9,397,545	10,998,110	10,320,588	16,287,972	16,653,363	11,777,304	20,254,170	15,675,518	16,713,631	19,098,090
Total fund balances	\$ 18,030,657	\$ 18,779,677	\$ 16,822,723	\$ 22,408,845	\$ 22,129,948	\$ 16,881,942	\$ 25,799,211	\$ 21,611,000	\$ 23,735,465	\$ 25,567,150

Notes:
 * 2012 and prior years have been reclassified to be consistent with the current year presentation

CITY OF FRANKLIN, WISCONSIN
 Changes in Fund Balances, Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
Taxes	\$ 24,927,688	\$ 24,821,797	\$ 24,861,039	\$ 27,277,823	\$ 28,580,956	\$ 25,633,358	\$ 24,692,536	\$ 22,071,047	\$ 20,839,926	\$ 20,186,907
Intergovernmental revenue	3,408,075	3,438,041	3,757,618	4,380,850	3,704,159	3,299,648	3,536,635	4,269,989	3,088,814	2,917,513
Licenses and permits	808,302	912,357	755,027	702,674	729,432	609,278	723,225	978,942	1,386,588	1,486,966
Fines, forfeitures and penalties	421,976	411,795	457,498	433,106	422,506	385,427	362,928	392,451	332,090	361,656
Public charges for services	2,631,811	2,637,807	2,466,600	2,589,786	2,211,119	1,600,313	1,908,473	1,998,696	2,160,144	2,087,870
Special assessments	1,057,088	1,483,350	1,236,114	1,305,578	1,119,230	817,736	1,114,498	1,581,962	3,688,746	3,820,814
Intergovernmental charges for services	196,372	162,308	103,615	124,000	237,319	291,584	206,156	426,387	574,835	591,834
Investment earnings	739,930	223,806	661,976	938,226	878,978	1,276,600	1,797,738	2,513,703	2,504,185	1,127,163
Miscellaneous revenue	411,301	288,465	674,305	365,129	597,611	635,424	723,724	934,141	752,207	806,105
Total revenue	34,542,513	34,379,526	34,973,793	38,238,172	38,481,310	34,549,368	35,065,913	35,167,298	35,327,535	33,186,828
Expenditures										
Current										
General government	2,786,740	2,710,650	2,631,419	2,596,581	2,694,374	2,780,444	2,825,835	2,609,731	2,487,071	2,314,862
Public safety	15,390,139	15,465,617	16,429,496	16,000,393	15,206,317	15,043,628	15,236,640	13,856,032	13,239,602	12,677,768
Public works	5,140,650	4,855,870	4,848,568	4,817,644	4,521,991	4,504,611	4,632,957	4,110,460	4,039,438	3,746,773
Health and human services	666,475	668,711	719,447	681,984	629,499	701,821	666,364	631,887	572,918	499,496
Culture, recreation and education	1,575,381	1,514,668	1,539,040	1,575,825	1,565,093	1,427,945	1,490,936	1,436,987	1,568,591	1,270,440
Conservation and development	461,181	416,765	409,996	964,610	524,705	603,961	729,274	6,587,035	628,634	654,928
Capital outlay	3,967,446	3,172,706	2,915,159	3,343,196	1,953,999	6,061,625	7,627,455	10,931,589	8,882,837	3,735,408
Debt service										
Principal	10,285,000	3,790,000	10,825,000	7,395,000	5,275,000	10,915,000	6,000,000	5,170,000	4,050,000	4,215,000
Interest	731,288	1,033,519	1,334,958	1,618,615	1,939,762	2,350,882	2,543,194	2,584,080	2,838,291	2,123,340
Debt issuance costs	73,091	-	-	-	-	-	65,650	130,602	35,700	46,250
Total expenditures	41,057,391	33,628,506	41,653,083	38,993,848	34,310,740	44,388,917	41,818,305	48,048,403	38,343,082	31,284,265
Excess of revenue over (under) expenditures	(6,514,878)	751,020	(6,679,290)	(755,676)	4,170,570	(9,840,549)	(6,752,392)	(12,881,105)	(3,015,547)	1,902,563
Other financing sources (uses)										
Debt issued	5,320,000	-	-	-	-	-	10,000,000	10,000,000	10,000,000	10,000,000
Refunding debt issued	-	-	-	-	-	-	-	9,925,000	-	-
Premium on debt issued	232,827	-	-	-	-	-	83,583	34,970	176,524	204,561
Payment to refunding escrow agent	-	-	-	-	-	-	-	(10,040,675)	-	-
Principal payment on current refunding	-	-	-	-	-	-	-	-	(9,770,000)	-
Sale of capital assets	39,894	75,559	32,129	58,871	64,070	-	-	-	-	-
Transfers in	2,125,007	2,769,157	2,398,454	2,415,916	1,389,654	2,229,036	5,786,181	6,237,805	3,957,696	3,486,467
Transfers out	(1,951,870)	(1,638,782)	(1,337,416)	(1,440,214)	(376,288)	(1,305,756)	(4,929,161)	(5,400,460)	(3,180,358)	(4,420,748)
Net change in fund balances	\$ (749,020)	\$ 1,956,954	\$ (5,586,123)	\$ 278,897	\$ 5,248,006	\$ (8,917,269)	\$ 4,188,211	\$ (2,124,465)	\$ (1,831,695)	\$ 11,172,843
Debt service as a percentage of non capital expenditures *	28.2%	15.1%	30.9%	24.6%	22.2%	33.4%	24.0%	19.7%	21.0%	22.6%

CITY OF FRANKLIN, WISCONSIN
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years

Value As of 1/1	Real property		Personal property		Total Assessed Value	Total Direct Tax Rate	Total Estimated Actual Value	Ratio of Assessed to Estimated Value	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value					
2014	\$ 3,279,586,200	\$ 3,498,464,700	\$ 85,006,600	\$ 91,229,400	\$ 3,364,592,800	\$ 6.28	\$ 3,589,694,100	93.73%	
2013 #	3,265,704,200	3,314,653,800	94,023,900	99,622,800	3,359,728,100	6.29	3,414,276,600	98.40%	
2012	3,557,806,088	3,436,681,800	95,404,700	87,424,100	3,653,210,788	5.78	3,524,105,900	103.66%	
2011 *	3,555,065,388	3,587,535,800	90,644,700	88,843,900	3,645,710,088	5.79	3,676,379,700	99.17%	
2010	3,550,822,488	3,573,233,300	93,921,500	97,275,400	3,644,743,988	6.22	3,670,508,700	99.30%	
2009	3,671,323,540	3,820,400,500	90,861,600	92,242,100	3,762,185,140	5.93	3,912,642,600	96.15%	
2008	3,621,224,940	3,821,063,800	75,804,600	77,323,500	3,697,029,540	5.78	3,898,387,300	94.83%	
2007	3,510,260,140	3,614,744,300	71,027,000	74,310,100	3,581,287,140	5.79	3,689,054,400	97.08%	
2006 *	3,384,763,640	3,406,252,800	75,577,300	75,506,900	3,460,340,940	5.58	3,481,759,700	99.38%	
2005	2,617,341,900	2,955,304,500	64,650,760	75,511,400	2,681,992,660	6.83	3,030,815,900	88.49%	
					Assessed Valuation by School District - 2014				
					Oak Creek/				
					Franklin School District	Franklin School District	Whitnall School District		
Total					\$ 2,480,755,500	\$ 678,158,500	\$ 205,678,800	Total Assessed Value	\$ 3,364,592,800

Note: Assessed values are determined by the City and the Wisconsin Department of Revenue. Estimated actual values were obtained from the Wisconsin Department of Revenue and include Wisconsin Section 70.57 adjustments. Taxes collected are used in the following year's City operations.

CITY OF FRANKLIN, WISCONSIN
 Estimated Actual Property Value and Construction Data
 Last Ten Years

Fiscal Year	(1)					(2)			(2)	
	Estimate Actual Property value					Residential Construction			Nonresidential Construction	
	Residential	% of Total	Commercial and Manufacturing	Agricultural, Swamp and Other	Total	# of Units	Value	# of Permits	Value	
2014	\$ 2,580,859,500	73.8%	\$ 894,256,900	\$ 23,348,300	\$ 3,498,464,700	n/a	n/a	n/a	n/a	
2013	2,418,991,400	73.0%	871,715,000	23,947,400	3,314,653,800	65	19,942,795	17	2,902,692	
2012	2,498,514,100	72.7%	914,654,100	23,513,600	3,436,681,800	55	19,322,659	44	27,991,474	
2011	2,619,125,600	73.0%	948,708,000	19,702,200	3,587,535,800	30	9,995,820	41	17,794,034	
2010	2,637,514,100	73.8%	917,720,700	17,998,500	3,573,233,300	27	6,559,696	40	22,533,497	
2009	2,774,343,200	72.6%	1,026,852,400	19,204,900	3,820,400,500	25	6,709,653	35	14,193,522	
2008	2,862,287,800	74.9%	939,436,600	19,339,400	3,821,063,800	52	11,030,933	61	28,323,674	
2007	2,751,324,400	76.1%	844,563,800	18,856,100	3,614,744,300	99	20,017,954	49	39,920,210	
2006	2,611,111,600	76.7%	769,933,200	25,208,000	3,406,252,800	308	55,690,187	91	116,376,447	
2005	2,236,076,000	75.7%	696,096,000	23,132,500	2,955,304,500	458	86,085,165	49	49,075,431	

(1) Estimated actual values from the Wisconsin Department of Revenue

(2) Source: City's Building Inspection Department.

CITY OF FRANKLIN, WISCONSIN
Direct and Overlapping Property Tax Rates
 Last Ten Years
 (rate per \$1,000 of assessed value)

Budget Year	City of Franklin Direct Rates										Overlapping Rates					Total Rate (**)
	Debt Service					Capital Outlay					Milwaukee Area		Milwaukee Metropolitan District		State	
	General	Library	Debt Service	Capital Outlay	Equipment Replacement	Street Improvement	Total	Franklin	Oak Creek	Whitnall	School Credits	Technical College	Milwaukee County	Sewerage District		
2015	\$ 4.96	\$ 0.38	\$ 0.49	\$ 0.13	\$ 0.10	\$ 0.21	\$ 6.28	\$ 13.21	\$ 9.76	\$ 11.11	\$ (1.88)	\$ 1.36	\$ 5.44	\$ 1.83	\$ 0.18	\$ 26.42
2014 #	4.98	0.38	0.49	0.13	0.10	0.21	6.29	13.26	9.10	10.67	(1.86)	2.16	5.21	1.73	0.17	26.97
2013	4.60	0.35	0.47	0.11	0.08	0.17	5.78	11.72	9.09	9.72	(1.69)	2.04	4.87	1.57	0.16	24.45
2012	4.59	0.35	0.49	0.11	0.08	0.17	5.79	11.62	8.83	9.56	(1.70)	1.96	4.76	1.52	0.17	24.12
2011 *	5.04	0.35	0.56	0.11	0.04	0.12	6.22	12.22	8.69	10.40	(1.72)	1.93	4.49	1.45	0.17	24.76
2010	4.61	0.33	0.54	0.14	0.08	0.23	5.93	11.33	8.86	10.11	(1.67)	1.98	4.31	1.38	0.18	23.44
2009	4.46	0.33	0.55	0.13	0.08	0.23	5.78	10.96	7.80	9.65	(1.68)	1.93	4.17	1.36	0.18	22.70
2008	4.34	0.34	0.59	0.14	0.10	0.28	5.79	10.98	7.85	9.40	(1.52)	1.82	4.01	1.32	0.18	22.58
2007 *	4.10	0.34	0.64	0.13	0.09	0.28	5.58	10.05	6.95	9.15	(1.38)	1.78	3.95	1.31	0.17	21.46
2006	5.00	0.42	0.86	0.10	0.15	0.30	6.83	12.01	8.90	10.32	(1.40)	2.13	4.81	1.60	0.21	26.19

Note: * Reassessment impact
 # Revaluation year

** The City has three tax rates dependant upon a property's sewer status and the school district the property is located. The total is shown for only the largest school district (Franklin). See Table 5 for assessed values by School and Sewerage District.

The Budget year is the year following the fiscal year in which the taxes are levied.

Source: City of Franklin budget documents

CITY OF FRANKLIN, WISCONSIN
Principal Property Taxpayers
Current Year and Nine Years Ago

	2014				2005			
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Percent of Total Taxable Assessed Valuation
<u>Type of Business</u>								
<u>Taxpayer</u>								
Northwestern Mutual	\$ 119,477,000	1	3.55%	3.55%	\$ 72,734,560	1	2.86%	2.86%
Wal-Mart	28,573,800	2	0.85%	0.85%	16,455,000	4	0.65%	0.65%
Wheaton Health Care System	26,705,900	3	0.79%	0.79%	10,264,400	10	0.40%	0.40%
Whitnall Pointe Apartments	20,233,900	4	0.60%	0.60%	18,927,640	2	0.74%	0.74%
Manchester Oaks	19,354,100	5	0.58%	0.58%	18,628,030	3	0.73%	0.73%
VTLC Development	16,477,300	6	0.49%	0.49%				
Baptista's Bakery, Inc	15,396,500	7	0.46%	0.46%				
Menard Inc	13,690,400	8	0.41%	0.41%	12,458,030	8		
HTA - Wisconsin Mob 2 LLC	12,880,300	9	0.38%	0.38%				
Franklin Wyndham, LLC	12,800,000	10	0.38%	0.38%				
All Glass Aquarium					11,160,600	9	0.44%	0.44%
Waste Management					15,747,740	5	0.62%	0.62%
Harley Davidson					13,708,100	6	0.54%	0.54%
Mission Hills Apts					13,606,620	7	0.54%	0.54%
	<u>\$ 285,589,200</u>			8.49%	<u>\$ 203,690,720</u>		7.52%	

Source: City of Franklin Assessor's Office

CITY OF FRANKLIN, WISCONSIN
Property Tax Levies and Collections
Last Ten Years

Fiscal Year	City Tax levy			Total collections	% of levy collected	Outstanding combined delinquent PP taxes
	Tax increment financing	Local	Total			
2014	\$ 2,526,924	\$ 20,509,000	\$ 23,035,924	\$ 23,016,525	99.92%	\$ 52,069
2013	2,363,758	20,509,000	22,872,758	22,851,675	99.91%	52,481
2012	2,560,324	20,467,000	23,027,324	22,981,469	99.80%	75,184
2011	6,737,305	20,965,000	27,702,305	27,695,587	99.98%	53,589
2010	7,457,956	20,426,000	27,883,956	27,851,459	99.88%	39,718
2009	4,829,216	20,142,000	24,971,216	24,966,369	99.98%	36,945
2008	4,685,811	19,555,000	24,240,811	24,219,148	99.91%	45,243
2007	3,127,116	18,501,000	21,628,116	21,641,373	100.06%	27,424
2006	2,860,368	17,566,000	20,426,368	20,420,758	99.97%	42,150
2005	2,925,386	16,899,300	19,824,686	19,811,739	99.93%	52,998

Source: City of Franklin

Notes: Collections in subsequent years are not shown because Milwaukee County annually purchases all of the City's outstanding delinquent real estate taxes. Payment for the real estate taxes are received by the City every August pursuant to the County's settlement procedures. Outstanding delinquent taxes represent personal property taxes which the City attempts further collection until March of the following year. At that time the balances are charged back to each of the taxing jurisdictions in proportion to the amounts levied. Subsequent collections are insignificant and refunded to all taxing jurisdictions in relation to the amounts originally levied.

Total collections may be greater than or less than the total levy in any year due to changes in outstanding delinquent taxes, collection of prior year omitted taxes and Wisconsin Section 70.43 corrections.

CITY OF FRANKLIN, WISCONSIN
 Property Tax Levies by Tax Jurisdiction
 Last Ten Years

Levy Year	State of Wisconsin	School Districts				City of Franklin				Total	
		Milwaukee County	Franklin	Whitnall	Oak Creek-Franklin	MATC	MMSD	Local	Tax Increment		Special Charges
2014	\$ 609,193	\$ 17,713,835	\$ 32,782,988	\$ 2,285,650	\$ 5,557,471	\$ 4,411,951	\$ 5,955,818	\$ 20,509,000	\$ 2,690,638	\$ 1,767,143	\$ 94,283,685
2013	579,423	16,986,670	32,784,606	2,174,991	5,254,726	7,043,487	5,638,269	20,509,000	2,526,924	1,796,214	95,294,310
2012	598,062	17,287,141	31,787,042	2,237,434	5,553,401	7,258,001	5,582,906	20,509,000	2,363,758	1,799,510	94,976,255
2011	623,904	16,812,497	31,435,718	2,208,503	5,268,377	6,934,559	5,188,886	20,467,000	2,560,324	1,900,389	93,400,157
2010	622,907	15,112,830	31,535,755	2,404,637	4,816,333	6,512,551	4,718,481	20,965,000	6,737,305	758,894	94,184,693
2009	664,000	14,854,113	30,632,223	2,424,105	4,403,920	6,842,077	4,574,057	20,426,000	7,457,956	818,455	93,096,906
2008	661,580	14,548,992	29,476,874	2,312,202	4,264,165	6,742,019	4,575,710	20,142,000	4,829,216	738,020	88,290,778
2007	626,055	13,522,407	28,554,442	2,249,175	4,192,123	6,161,570	4,299,178	19,555,000	4,685,811	669,010	84,514,771
2006	611,435	13,093,014	25,574,810	2,178,490	3,703,359	5,905,586	4,175,609	18,501,000	3,127,116	680,126	77,550,545
2005	568,521	12,370,412	23,516,671	1,986,396	3,765,902	5,474,766	3,974,373	17,566,000	2,860,368	636,113	72,719,522

Source: State of Wisconsin Department of Revenue Statement of Taxes.

Note: Each taxing jurisdiction above submits to the City of Franklin their approved tax levy in November of the levy year for use in the following year. The City of Franklin totals the levy requests, produces tax bills for all taxable properties, collects amounts billed and remits collections to the tax jurisdictions in accordance with Wisconsin Statutes.

CITY OF FRANKLIN, WISCONSIN
Ratios of Net General Bonded Debt Outstanding
Last Ten Years

Fiscal Year	General Bonded Debt										(1)		Percent of Actual Property Value	Net General Bonded Debt	Percent of Personal Income	(2)
	Governmental					Business-type					Less Amounts due from Tax Incremental Financing Districts	Less Impact Fee Amounts due from Future Development				
	General Obligation Bonds	General Obligation Notes	Lease Revenue Bonds	Sewer General Obligation Notes	Water General Obligation Bonds	Total General Bonded Debt	Less Debt Service Fund Balances	Less Amounts due from Tax Incremental Financing Districts	Less Amounts due from Other Taxing Districts	Estimated Property Value						
2014	\$ 7,615,000	\$ 5,320,000	\$ -	\$ 23,486,522	\$ 1,290,000	\$ 37,711,522	\$ 424,721	\$ (3,330,000)	\$ (23,486,522)	\$ (4,281,930)	\$ 7,037,791	0.20%	N/A	197		
2013	8,185,000	9,695,000	-	24,565,423	-	42,445,423	1,491,385	(9,695,000)	(24,565,423)	(4,355,130)	5,321,255	0.16%	0.44%	149		
2012	8,805,000	12,865,000	-	22,064,833	-	43,734,833	2,553,287	(12,865,000)	(22,064,833)	(4,586,130)	6,772,137	0.20%	0.56%	191		
2011	9,525,000	22,970,000	-	-	-	32,495,000	(4,084,755)	(15,520,000)	-	(4,709,600)	8,170,645	0.23%	0.74%	230		
2010	9,730,000	30,160,000	-	-	-	39,890,000	(3,021,278)	(21,860,000)	-	(4,920,150)	10,088,572	0.28%	0.93%	285		
2009	9,880,000	35,285,000	-	-	-	45,165,000	(2,078,900)	(28,285,000)	-	(5,112,686)	11,688,414	0.31%	1.12%	347		
2008	10,030,000	46,050,000	-	-	-	56,080,000	(8,339,240)	(29,400,000)	-	(4,775,000)	13,565,760	0.36%	1.23%	404		
2007	10,180,000	39,525,000	2,375,000	-	-	52,080,000	(12,240,785)	(22,375,000)	-	(4,284,700)	13,169,515	0.36%	1.18%	395		
2006	9,775,000	31,825,000	5,195,000	-	-	46,795,000	(10,395,507)	(15,195,000)	-	(4,497,000)	16,707,493	0.49%	1.53%	506		
2005	9,825,000	23,075,000	17,715,000	-	-	50,615,000	(8,719,542)	(17,715,000)	-	(4,754,000)	19,426,458	0.66%	2.04%	597		

(1) Estimated Actual Property values are found in Table 6
(2) Population and personal income can be found in Table 13

Notes: Debt Service Fund balances represent amounts received that are restricted to future payments of outstanding debt. Amounts due from tax incremental financing districts represent future receipt of non-repealable property tax levies restricted to the payment of debt service. Amounts due from future development represent future impact fees collected under a 2002 ordinance from residents and restricted for the purpose of retiring debt on a portion of the police station, fire station, library and a eligible road project. In 2014 the Water Utility issued \$1,290,000 of 20 Year bonds. Proceeds were used to finance the Water Building. In 2014 the City issued \$5,320,000. Proceeds were used to provide funding for TID projects and Capital Improvement projects. In 2012 the City issued \$27,562,754. Proceeds were used to provide funding for Ryan Creek Sewer extension with repayment scheduled to be completed in 2031. In 2008 the City issued \$10,000,000. Proceeds were used to provide funding for TIF Districts with repayment scheduled to be completed in 2014. In 2007 the City issued \$9,925,000. Proceeds were used to refinance existing general obligation bonds issued in 2001. In 2007 the City issued \$10,000,000. Proceeds were used for TIF Districts needs with repayment scheduled to be completed in 2014. In 2006 the City issued \$10,000,000. Proceeds were used to refinance existing lease revenue bonds with repayment completed in 2011. In 2005 the City issued \$10,000,000. Proceeds were used to provide funding for two TIF Districts and public works projects with repayment completed in 2012.

CITY OF FRANKLIN, WISCONSIN
 Schedule of Direct and Overlapping Debt - Governmental Activities
 December 31, 2014

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to City	Amount applicable to City
Milwaukee County ¹	\$ 685,012,910	6.2408%	\$ 42,750,442
Whitnall School District	280,000	13.9325%	39,011
Oak Creek - Franklin School District	43,550,000	17.4840%	7,614,274
Franklin School District	33,940,000	100.0000%	33,940,000
Milwaukee Area Technical College	109,920,000	5.0324%	5,531,580
Milwaukee Metropolitan Sewerage District	923,728,417	6.3604%	58,752,848
Total Overlapping Debt	1,796,431,327		148,628,155
City of Franklin	<u>12,935,000</u>	100.0000%	<u>12,935,000</u>
Total	\$ 1,809,366,327		\$ 161,563,155

History	Milwaukee County		School Districts		MATC	MMSD	Overlapping Debt Total	City of Franklin	Total
	Franklin	Whitnall	Oak Creek/Franklin						
2014	\$ 42,750,442	\$ 33,940,000	\$ 39,011	\$ 7,614,274	\$ 5,531,580	\$ 58,752,848	\$ 148,628,155	\$ 12,935,000	\$ 161,563,155
2013	43,757,820	36,275,000	46,013	7,680,950	5,659,039	59,969,813	153,388,635	17,880,000	171,268,635
2012	46,023,745	5,105,000	56,142	8,444,593	5,929,102	63,513,083	129,071,665	21,670,000	150,741,665
2011	49,686,048	6,885,000	1,175,097	8,483,031	5,266,621	58,187,207	129,683,004	32,495,000	162,178,004
2010	49,485,672	8,590,000	366,516	8,804,319	4,624,047	53,906,419	125,776,973	39,890,000	165,666,973
2009	48,685,158	9,860,000	398,980	9,860,000	2,930,822	49,520,701	121,255,661	45,165,000	166,420,661
2008	24,814,695	13,335,000	498,112	8,825,309	2,930,822	50,315,201	100,719,139	56,080,000	156,799,139
2007	24,417,746	16,615,000	584,345	9,317,100	2,693,188	40,872,492	94,499,871	49,705,000	144,204,871
2006	25,056,911	19,545,000	997,479	5,652,024	2,894,865	39,475,550	93,621,829	41,600,000	135,221,829
2005	24,889,812	22,100,000	1,190,187	5,572,164	3,253,837	37,814,976	94,820,976	32,900,000	127,720,976

Source: Debt information supplied by each taxing jurisdiction and applicable percentages from the State Department of Revenue.

Note: Debt outstanding provided by each governmental unit and percentage determined by the Department of Revenue. Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the resident and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping district.

¹ In 2009 Milwaukee County issued \$400,000,000 in pension obligation debt.

CITY OF FRANKLIN, WISCONSIN
 Computation of Legal Debt Margin
 Last Ten Years

Fiscal Year	(1) Equalized Valuation	5% of Equalized Value	Total Debt Applicable to Limit	Legal Debt Margin	Percent Used	City Policy**		
						2% of Equalized Value	Debt Margin	Percent Used
2014	\$ 3,589,694,100	\$ 179,484,705	\$ 37,711,522	\$ 141,773,183	21.01%	\$ 71,793,882	\$ 34,082,360	52.53%
2013	3,414,276,600	170,713,830	42,445,423	128,268,407	24.86%	68,285,532	25,840,109	62.16%
2012	3,524,105,900	176,205,295	43,734,833	132,470,462	24.82%	70,482,118	26,747,285	62.05%
2011	3,676,379,700	183,818,985	32,495,000	151,323,985	17.68%	73,527,594	41,032,594	44.19%
2010	3,670,508,700	183,525,435	39,890,000	143,635,435	21.74%	73,410,174	33,520,174	54.34%
2009	3,912,642,600	195,632,130	45,165,000	150,467,130	23.09%	78,252,852	33,087,852	57.72%
2008	3,898,387,300	194,919,365	56,080,000	138,839,365	28.77%	77,967,746	21,887,746	71.93%
2007	3,689,054,400	184,452,720	49,705,000	134,747,720	26.95%	**		
2006	3,481,759,700	174,087,985	41,600,000	132,487,985	23.90%	**		
2005	3,030,815,900	151,540,795	32,900,000	118,640,795	21.71%	**		

(1) From Table 5

Note: Under state statutes the City's outstanding general obligation debt may not exceed five percent of total equalized property value.

** The City Debt Policy limits debt to 40% of Legal Limit - adopted by Resolution 2008-6481

CITY OF FRANKLIN, WISCONSIN
 Demographic and Economic Statistics
 Last Ten Years

Fiscal Year	(1) Population	(2) Personal Income		(2) Per capita adjusted gross income			(3) Unemployment rates		
		City of Franklin	Milwaukee County	City of Franklin	Milwaukee County	State of Wisconsin	City of Franklin	Milwaukee County	State of Wisconsin
2014	35,702	N/A	N/A	N/A	N/A	N/A	4.2%	6.0%	5.2%
2013	35,810	\$1,199,623,750	22,411	33,500	26,963	26,963	4.8%	7.2%	6.3%
2012	35,520	1,218,584,060	21,433	34,307	26,271	26,271	5.6%	8.0%	6.9%
2011	35,504	1,098,257,160	20,681	30,933	24,942	24,942	5.4%	8.0%	7.0%
2010	35,451	1,085,585,506	20,486	30,622	24,218	24,218	6.2%	8.1%	7.8%
2009	33,700	1,039,533,497	20,195	30,847	23,211	23,211	7.2%	9.7%	9.1%
2008	33,550	1,103,807,365	21,233	32,900	24,329	24,329	4.5%	6.5%	6.5%
2007	33,380	1,117,587,480	21,603	33,481	24,374	24,374	3.5%	5.0%	4.5%
2006	33,000	1,091,761,153	20,782	33,084	23,845	23,845	3.0%	5.0%	4.8%
2005	32,548	951,934,636	19,372	29,247	22,214	22,214	3.4%	5.2%	4.8%

(1) Bureau of Census, State of Wisconsin
 (2) Wisconsin Department of Revenue, Division of Research and Analysis
 (3) US Bureau of Labor Statistics
 N/A Not Available

CITY OF FRANKLIN, WISCONSIN
 Principal Employers
 Current Year and Nine Years Ago

Taxpayer	Type of Business	2014				2005			
		Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment		
Northwestern Mutual	Insurance/Investment Services	3,230	1	17.68%	800	1	4.61%		
Wheaton Franciscan Healthcare	Medical & surgical hospital	798	2	4.37%	-	-	-		
Franklin Public Schools	K-12 Education	550	3	3.01%	541	2	3.12%		
Krones, Incorporated	High speed labeling/filler machines	509	4	2.79%	400	T-4	2.30%		
Milwaukee County									
County Corrections South	Government	361	5	1.98%	450	3	2.59%		
Baptista's Bakery	Commercial Bakery	388	6	2.12%					
General Automotive Mfg LLC	Off-road engine components mfg.	323	7	1.77%	400	T-4	2.30%		
Wal-Mart	Retailer	272	8	1.49%	280	7	1.61%		
Conway Trucking	Trucking	256	9	1.40%					
Carlisle Interconnect Technologies	Wire harnesses	255	10	1.40%					
Waste Management	Landfill and refuse collection	-	-	-	340	6	1.96%		
Central Aquatics	Aquariums and fluorescent lights	-	-	-	280	8	1.61%		
City of Franklin	Government	-	-	-	259	9	1.49%		
BD Medical Systems	Medical devices/syringes				220	10	1.27%		
		6,942		38.00%	3,970		22.87%		

Source: Past Debt offering Official Statements and employer surveys

CITY OF FRANKLIN, WISCONSIN
Full-time Equivalent City Government Employees by Function
Last Ten Years

<u>Department</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General government										
Common council	-	-	-	-	-	-	0.48	0.48	0.48	-
Municipal buildings	2.50	2.50	2.50	2.00	2.00	2.00	2.00	2.00	2.00	0.50
Clerk	4.14	4.14	4.14	4.00	4.00	4.00	3.53	3.53	3.50	3.50
Information services	-	-	-	-	-	-	-	-	-	-
Administration	4.00	3.00	3.00	3.60	3.60	3.60	3.80	3.80	3.80	3.75
Finance	6.60	7.10	7.10	7.03	7.10	7.10	7.10	7.30	7.30	7.45
Assessor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Municipal buildings	2.78	3.74	3.74	3.92	4.74	4.74	4.83	4.83	4.90	4.68
Total general government	21.02	21.48	21.48	21.55	22.44	22.44	22.74	22.94	22.98	20.88
Public safety										
Police	75.75	75.75	76.75	77.25	77.25	77.25	77.25	77.25	77.25	78.75
Fire	46.50	46.50	46.45	46.48	46.45	46.45	46.45	45.45	44.00	44.00
Building inspection	7.00	7.00	7.00	8.00	8.00	8.00	10.00	10.00	10.00	12.00
Total public safety	129.25	129.25	130.20	131.73	131.70	131.70	133.70	132.70	131.25	134.75
Public works										
Engineering	8.25	8.25	8.25	8.25	8.80	8.80	9.80	9.80	9.80	9.80
Highway	22.48	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Parks	2.00	2.00	2.00	2.00	2.00	2.00	2.27	1.79	1.25	1.25
Total public works	32.73	32.25	32.25	32.25	32.80	32.80	34.07	33.59	33.05	33.05
Public health	6.75	6.15	6.25	6.25	6.15	6.15	6.50	6.63	6.50	6.50
Planning	4.00	4.00	4.60	5.60	5.60	5.60	7.60	7.60	6.60	6.60
Economic Development	0.58	-	-	-	-	-	-	-	-	-
Total general fund	194.33	193.13	194.78	197.38	198.69	198.69	204.61	203.46	200.38	201.78
Public health - grant	-	-	-	-	-	-	-	-	-	0.25
Library	17.19	17.70	16.82	17.12	17.11	17.11	17.20	17.22	16.92	16.10
Sewer & water	10.80	11.55	11.53	11.53	12.55	12.55	12.85	12.85	12.85	11.10
Total	222.32	222.38	223.13	226.03	228.35	228.35	234.66	233.53	230.15	229.23

Source: City of Franklin Budget Document

CITY OF FRANKLIN, WISCONSIN
 Operating Indicators by Function/Program
 Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Police										
Part 1 Major crimes	894	873	852	689	629	804	994	1,066	764	775
Arrests	1,455	1,012	1,799	1,554	1,606	1,235	1,467	1,482	2,021	1,954
Traffic & parking citations	9,742	7,431	9,449	11,093	9,125	7,793	6,880	8,449	6,730	8,021
Calls for service	40,627	38,692	39,329	38,714	37,273	28,267	27,107	28,169	-	-
Number of sworn officers	59	58	58	58	58	58	59	59	59	59
Fire										
Fire responses	688	679	594	540	574	496	704	573	588	514
EMS responses	2,836	2,754	2,688	2,605	2,546	2,515	2,790	2,767	2,526	2,451
Fire inspections	2,480	2,436	2,485	2,765	2,463	2,611	2,578	2,364	2,267	2,056
Number of full-time firefighters	45	45	45	45	45	46	46	46	45	43
Basic Life Support Transports	1,190	1,155	1,137	1,099	1,141					
Paramedic Transports	1,004	975	910	863	823					
Highway										
Miles of crack sealing	38	28	32	30	28	31	34	31	21	19
Trees pruned	1,000	704	1,053	1,427	2,176	927	378	558	1,640	823
Vehicles maintained	167	167	167	165	165	165	165	159	150	150
Solid waste										
Non-recyclable refuse collected (tons)	3,000	7600	8,205	8,353	8,320	7,762	8,519	8,381	8,368	8,296
Recyclables collected (tons)	310	3000	2,737	2,813	2,693	2,676	2,825	3,008	3,108	3,132
Yard waste (tons)	310	310	335	274	295	375	214	205	208	193
Health										
Home visits	1,300	1,276	1,435	1,213	1,383	1,616	1,280	1,401	1,602	1,440
Immunization clinic visits	2,400	1,825	2,488	2,653	3,660	8,658	3,407	3,015	3,004	3,140
Sanitarian inspections	400	383	438	298	366	380	274	196	393	420
Animal control										
Animal control pickups	110	104	92	120	167	126	165	223	194	208
Library										
Circulation	494,000	477,991	502,989	514,163	519,580	519,054	490,843	471,442	465,468	452,382
Collection size	140,000	140,000	144,000	142,000	140,000	135,688	130,000	127,000	120,724	117,804
Internet use	31,200	33,507	39,976	49,638	50,369	50,222	55,000	54,000	51,187	46,364
Sanitary sewer										
Number of customers	10,090	10,060	10,010	9,970	9,775	9,883	9,853	9,779	9,567	9,216
Feet of sewer cleaned	255,000	250,000	250,000	217,000	218,000	250,000	264,000	92,010	119,200	317,042
Water										
Number of customers -average	8,000	7,930	7,931	7,850	7,807	7,756	7,683	7,561	7,288	6,930
Average daily consumption	2,800,000	2,400,000	2,615,000	2,370,000	2,298,000	2,461,276	2,474,000	2,521,000	2,269,000	2,519,000
Peak daily consumption	4,969,000	6,770,000	6,770,000	5,604,000	4,212,000	4,803,000	5,681,000	6,097,420	5,023,029	5,737,376

Source: City Budget Document

CITY OF FRANKLIN, WISCONSIN
 Capital Asset Statistics by Function/Program
 Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Area in square miles	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Area in acres:										
Taxable acres (approximate)	15,036	14,889	14,804	15,474	15,550	15,549	15,550	15,634	15,642	17,700
Acres developed (approximate)	9,694	9,540	9,410	11,336	11,329	11,287	11,233	10,876	10,210	6,200
Acres in park and open space	5,167	4,928	4,854	3,873	3,873	3,873	3,873	3,851	3,684	3,500
Miles of road:										
State	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85
County	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74
Local	166.32	166.07	166.51	165.97	165.97	165.97	166.51	165.31	164.74	162.78
Fire protection and ambulance service:										
Number of manned fire stations	3	3	3	3	3	3	3	3	3	3
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of sub stations	1	1	1	1	1	1	1	1	1	1
Sewer and water service:										
Miles of sanitary sewer	191	185	185	185	185	185	182	181	180	176
Miles of watermain	168	167	167	167	166	166	164	163	157	154
Number of fire hydrants	2,145	2,130	2,120	2,115	2,111	2,106	2,081	2,058	1,956	1,890
Recreation and culture:										
Number of trails	11	10	10	7	7	4	4	4	3	3
Number of city parks	12	12	12	12	12	12	12	12	11	11
Number of county parks	8	8	8	8	8	8	8	8	8	8
Number of libraries	1	1	1	1	1	1	1	1	1	1
Municipal buildings (square footage):										
City hall	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206
Law enforcement building	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300
Fire stations	37,750	37,750	37,750	37,750	37,750	32,392	26,480	26,480	26,480	26,480
Library	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Public works building	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450
Sewer & water building	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620

Source: City of Franklin records

FORM OF LEGAL OPINION

Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, WI 53202

April 20, 2016

Re: City of Franklin, Wisconsin ("Issuer")
\$5,935,000 General Obligation Refunding Bonds, Series 2016A,
dated April 20, 2016 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on March 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2017	\$1,265,000	____%
2018	1,220,000	____
2019	1,205,000	____
2020	1,115,000	____
2021	1,130,000	____

Interest is payable semi-annually on March 1 and September 1 of each year commencing on September 1, 2016.

The Bonds are not subject to optional redemption.

[The Bonds maturing in the years _____, _____ and _____ are subject to mandatory redemption by lot as provided in the resolution awarding the sale of the Bonds at the redemption price of par plus accrued interest to the date of redemption and without premium.]

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.

3. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Franklin, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$5,935,000 General Obligation Refunding Bonds, Series 2016A, dated April 20, 2016 (the "Securities"). The Securities are being issued pursuant to Resolutions adopted by the Governing Body of the Issuer on March 1, 2016 and April 4, 2016 (collectively, the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Preliminary Official Statement dated March 28, 2016 (as supplemented by an Addendum dated April 5, 2016) delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Franklin, Wisconsin which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Clerk of the Issuer who can be contacted at 9229 West Loomis Road, Franklin, Wisconsin 53132, phone (414) 425-7500, fax (414) 427-7627.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year that ended December 31, 2015, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - Direct Debt
2. DEBT - Debt Limit
3. VALUATIONS - Current Property Valuations
4. TAX LEVIES AND COLLECTIONS - Tax Levies and Collections

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 20th day of April, 2016.

Stephen R. Olson
Mayor

(SEAL)

Sandra L. Wesolowski
City Clerk

NOTICE OF SALE

**\$5,935,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016A
CITY OF FRANKLIN, WISCONSIN**

Bids for the purchase of \$5,935,000* General Obligation Refunding Bonds, Series 2016A (the "Bonds") of the City of Franklin, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:00 AM, Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 AM Central Time, on April 4, 2016, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 6:30 PM, Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Bonds are authorized pursuant to Chapter 67, Wisconsin Statutes, by the City of Franklin, Wisconsin (the "City"), for the purpose of financing a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated April 20, 2016, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2017	\$1,265,000	2019	\$1,205,000	2021	\$1,130,000
2018	1,220,000	2020	1,115,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on March 1 and September 1 of each year, commencing September 1, 2016, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City will select a bank or trust company or an officer of the City to act as paying agent (the "Paying Agent"). If the City selects a bank or trust company, the City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and appoint a successor.

OPTIONAL REDEMPTION

The Bonds are being offered without option of prior optional redemption.

DELIVERY

On or about April 20, 2016, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of

the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

SUBMISSION OF BIDS

Bids must not be for less than \$5,905,325 nor more than \$6,231,750 plus accrued interest on the principal sum of \$5,935,000 from date of original issue of the Bonds to date of delivery. A signed bid form must be submitted to Ehlers prior to the time established above for the opening of bids as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 10:00 AM Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A cashier's check in the amount of \$118,700 may be submitted contemporaneously with the bid or, alternatively, a good faith deposit in the amount of \$118,700 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such good faith deposit ("Deposit") shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. The Deposit will be returned to the Purchaser at the closing for the Bonds.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

INFORMATION FROM WINNING BIDDER

The winning bidder will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies upon request of the Final Official Statement within seven business days of the bid acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Paul Rotzenberg, Director of Finance & Treasurer
City of Franklin, Wisconsin

BID FORM

The Common Council
City of Franklin, Wisconsin

April 4, 2016

RE: \$5,935,000*General Obligation Refunding Bonds, Series 2016A
DATED: April 20, 2016

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Preliminary Official Statement, we will pay you \$_____ (not less than \$5,905,325 nor more than \$6,231,750) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2017	_____ % due	2019	_____ % due	2021
_____ % due	2018	_____ % due	2020		

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our good faith deposit in the amount of \$118,700, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our good faith deposit to KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138. Such good faith deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about April 20, 2016.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from April 20, 2016 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Franklin, Wisconsin, on April 4, 2016.

By: _____
Title: _____

By: _____
Title: _____