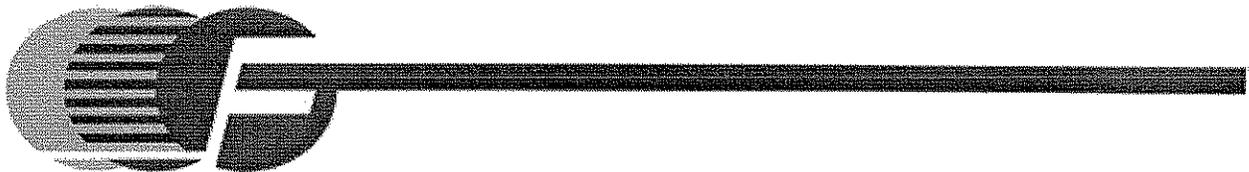


Comprehensive Annual Financial Report

City of Franklin, Wisconsin
For the Year Ended December 31, 2007



Franklin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FRANKLIN

FOR THE YEAR ENDED DECEMBER 31, 2007

**PREPARED BY THE
DEPARTMENT OF FINANCE**

**DIRECTOR OF FINANCE & TREASURER
CALVIN A. PATTERSON**

CITY OF FRANKLIN

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INTRODUCTORY SECTION



April 15, 2008

**Honorable Mayor, Common Council members
and Citizens of Franklin:**

Introduction

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2007, is hereby submitted. State law requires that all general purpose local governments with a population over 25,000 publish within six months of the end of the fiscal year a complete set of financial statements 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.

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 compile 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.

The City's financial statements have been audited by Virchow, Krause & Company, LLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2007, are free of material misstatement. The independent audit involved 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, 2007, 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 1956, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 33,380. Over the last ten years the City has experienced an average annual population increase of 2.3% per year. The city is a residential community with a growing commercial and industrial base. It is generally 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 and fire protection; emergency medical/paramedic, health and sanitary services; building inspection and zoning control; street, sanitary, storm sewer and water construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of the mayor and six other 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 fourteen 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.

The City provides a full range of services, including police, fire protection and emergency medical services; street construction, maintenance of highways, streets and other infrastructure; recreational and cultural activities and sanitation services. 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 was established to finance and construct a City Business Park located within the City of Franklin Tax Incremental Financing District No. 2. 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 preparation of a forecast for the existing programs for the following year is prepared by the end of May. Departmental requests for personnel changes and new capital outlay expenditures are made by the end of June. The Mayor then reviews the forecast including recommended personnel and capital outlay expenditures and determines by mid July 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 mid August. The budgets are reviewed and the Mayor submits his recommended budget by mid September. The Council through its Finance Committee reviews the recommended budget and submits a proposed budget to the Council by mid October. The Council is required to hold a public hearing on the proposed budget, usually at the beginning of November, and then adopts a final budget in early 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 fund with an adopted budget. The General Fund comparison is presented in Exhibit F as part of the basic financial statements for the government 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

In line with economic slowdowns nationally and regionally, the pace of growth in Franklin in 2007 was down significantly both in the residential sector and the non-residential sectors. The 99 units of new residential construction was 74.4% below the 387 units averaged in the previous ten years. The value of non-residential construction dropped 65.7% from 2007, however 2007 was the largest year in Franklin history. The non residential decline was only 12.2% below the average realized in the previous ten years. Prospects in 2008 for residential, commercial and industrial development is expected to approximate 2007 levels.

Estimated actual property values have grown at an average annual rate of 10.0% since 1997. During the previous three years the growth in the City has been in excess of \$100 million per year. The new growth in 2007 was \$80.9 million and the growth in 2008 is expected to be in the \$60 million dollar range. Growth after 2008 is expected to return to higher levels based upon construction in process and commitments received. That type of 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.

Difficulty in budgeting at the State level resulted in less than inflationary increases in funding for local governments. The City adjusted its budget as much as possible but needed to increase the tax rate for 2007 by 1.93% and for 2008 by 3.18%.

The current state budget includes levy limits upon local governments. The City of Franklin has been able to meet those limits for 2007 and 2008 without layoffs to existing staff and hope that layoffs will not be necessary in 2009 the next year of the levy limits.

Residential Growth

Over the past ten years, residential valuation has grown at an average annual rate of 9.5%. In 2007, permits for 99 new equivalent residential units were issued. The decrease from the prior year reflects the area housing slowdown in residential construction. Lingering effects of the slowdown will keep growth from new construction in 2008, at about the same level as 2007. The City 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 12.2%. In 2007, 49 building permits were issued for commercial and industrial projects. The value of those projects decreased by 65.7% from the 2006 level.

The City's Business Park has 24 acres (7%) unsold with another 54 acres (16%) sold but not yet developed. The total incremental value of the Business Park, which comprises the City's TIF District No. 2, exceeded \$175 million in equalized value at January 1, 2007. This value and the projected increases in values should generate sufficient tax increment to repay the existing TIF District debt by 2011, the last scheduled principal repayment date. Based on preliminary projections, when the TIF District No. 2 is closed (currently expected to be in 2011), over \$180 million of additional value is expected to be added to the property tax rolls.

In 2005 the City established two new TIF Districts (#3 & #4) on the eastern side of the City. The two districts have experienced a good start with increments of \$24.9 and \$11.7 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, as 76.1% of the City's property value is currently residential down from 76.7% the prior year. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

The year 2007 was a year of reduced growth for the City. While growth continued in the TIF Districts, the amount of growth in other new developments slowed.

With the growth of the community, planning issues continued to receive much attention. To be sure that new development pays its fair share of the infrastructure costs impact fees are charged to new development. The expansion and development of parks also continue to receive attention. The Parks Commission continues to implement the Comprehensive Outdoor Recreation Plan. The Health Department continued its outreach to the local schools and continued offering immunizations at businesses in the Business and Industrial Parks, including Hepatitis B vaccines.

2007 was not a City-wide property re-assessment year. The last re-assessment was done in 2006. Performing revaluations on a regular basis is in line with the Common Council's policy decision to schedule a revaluation every three years to keep property values in line with current market values. The State determined that the local assessments were 97.1% of fair value. The estimated actual value of City properties has exceeded \$3.6 billion.

The challenge for the operating departments in 2007 was to maintain the service levels at a time of limited revenues to the City and a growth of 3.3% in new properties. Limited tax growth did not provide resources to expand services. However, no employment cutbacks were necessary.

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, 2007 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 2007.

Budgeting Controls

The City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Common Council. Activities of the General Fund, OPEB Fund, Library Fund, Sanitary Sewer Fund, Debt Service Fund, Capital Outlay Fund, Capital Improvement Fund, Equipment Replacement Fund and Street Improvement Fund are included in the annual appropriated budget. The legal level for budgetary control is at the function level (e.g. public safety) within individual funds. The legal level of control is defined as the level at which expenditures cannot legally exceed the appropriated amount without a resolution approved by Common Council. Any unencumbered appropriations lapse at year end.

Cash Management

Temporary cash is pooled and invested in demand deposits, savings deposits and the State of Wisconsin Local Government Investment Pool. Longer term cash reserves are invested by an investment manager in commercial paper, U.S. Treasury notes, Government Agency instruments, corporate notes and U.S. Treasury money market funds. Interest income from these programs are allocated to the various funds based on their respective balances of the pooled investments.

Risk Management

The City is exposed to a wide variety of risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care for its employees. Third-party insurance is maintained for workers' compensation, property, liability and many other potential losses. The City offers full time and some part time employees a group health and dental plan, which is self-insured by the City. The risk of this plan is reduced through the purchase of an excess loss health insurance policy with a deductible of \$50,000 per covered participant.

Pension and Other Post employment benefits

The City provides pension benefits to its employees. The public works, sewer and water and maintenance employees are covered by a single employer defined benefit pension plan. The Police and Fire employees are covered by the Wisconsin Retirement System pension program. The remainder of eligible employees are covered by a defined contribution pension plan.

In addition to pensions, the City also provides postretirement health care benefits for certain retirees and their dependants. As of the end of the current fiscal year there were 18 retired employees receiving some type of postretirement health care benefits. The benefits are financed on a pay-as-you-go basis. . In 2004, the Government Accounting Standards Board (GASB) adopted Statement No. 45, Accounting for post employment benefits. The effective date for the implementation of GASB No. 45 for the City is January 1, 2008. This new standard will require the City to account for post retirement health costs over the working lives of the employees.

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, 2006. 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 fifteenth 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 2007 Certificate.

Acknowledgments

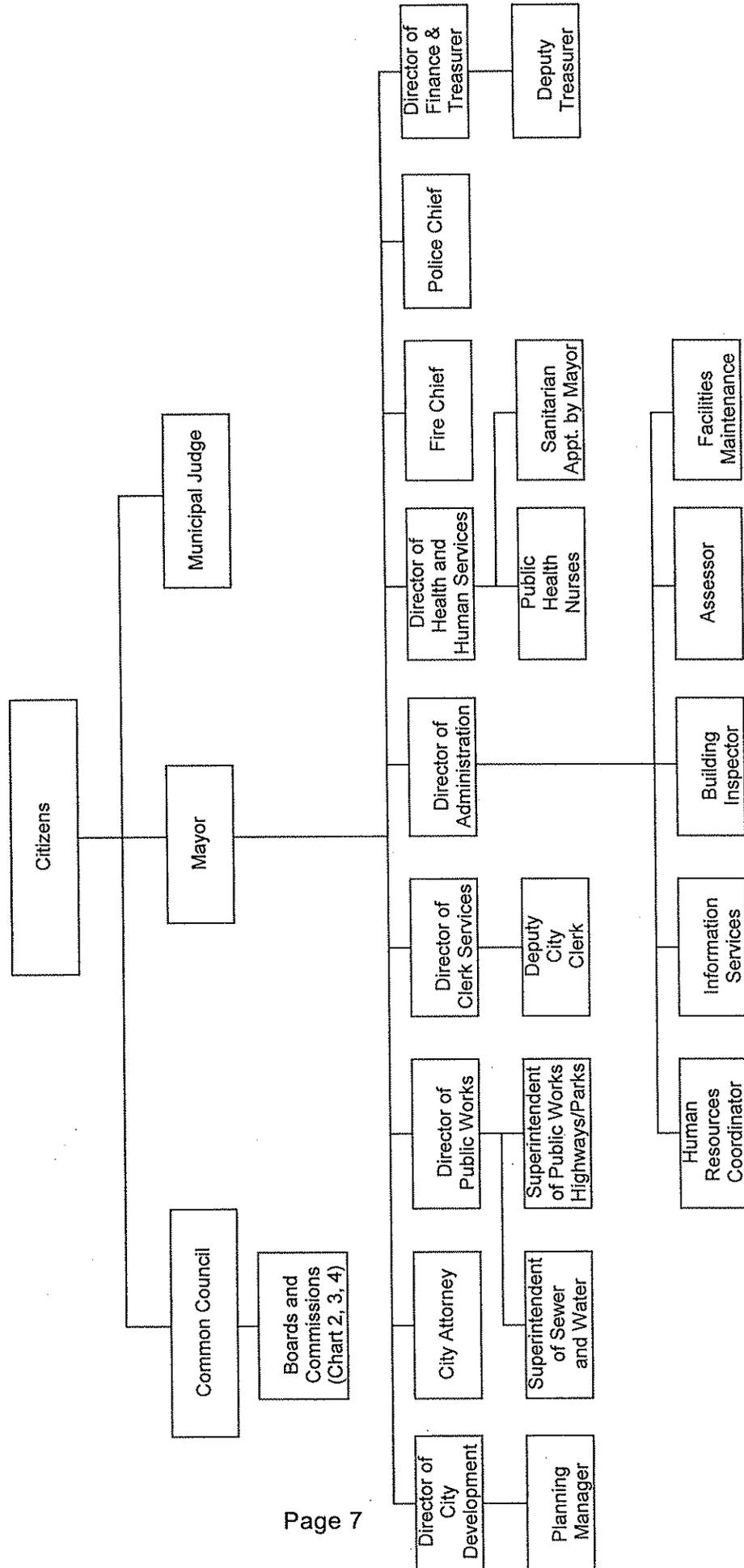
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance Committee for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Calvin A. Patterson
Director of Finance & Treasurer

City of Franklin
Organization Chart
Chart 1



**CITY OF FRANKLIN
LIST OF PRINCIPAL OFFICIALS**

Elected Officials

<u>Title</u>	<u>Name</u>
Mayor	Tom Taylor
Aldermen:	
District No. 1	Steve Olson
District No. 2	Tim Solomon
District No. 3	Al Hammelman
District No. 4	Pete Kosovich
District No. 5	Lyle Sohns
District No. 6	Ken Skowronski
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	John Bennett
City Development Director	Doug Wheaton
Director of Administration	Mark Luberda
Director of Finance & Treasurer	Cal Patterson
Director of Health & Human Services	Bill Wucherer
Fire Chief	Jim Martins
Human Resources Coordinator	Dana Zahn
Library Director	Barbara Roark
Planning Manager	Joel Dietl
Police Chief	Rick Oliva

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Franklin
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council
City of Franklin
Franklin, Wisconsin

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Franklin's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information for the enterprise funds has been derived from the City of Franklin's 2006 financial statements and, in our report dated May 7, 2007, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5 F., the City adopted the infrastructure capitalization provisions included in Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, effective January 1, 2007.

To the Mayor and Common Council
City of Franklin

The management's discussion and analysis on pages 12 through 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The combining and individual fund financial statements and schedules as 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The "Letter of Transmittal" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Franklin, Wisconsin. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

Vinslow, Krause + Company, LLP

Milwaukee, Wisconsin
April 15, 2008

Management's Discussion and Analysis

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, 2007. 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 1-6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2007, by \$172,740,058 (**net assets**). Of this amount, \$1,242,594 (**unrestricted net assets**) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by a net amount of \$2,201,120. Investment in capital assets, net of related debt increased by \$16,201,400, while unrestricted net assets decreased by \$11,889,049 and the decrease in restricted net assets was \$2,111,231. The decreases were related to the new TIF Districts investing in infrastructure and using interfund advances to facilitate that investment.
- The City's governmental funds reported, as of December 31, 2007, combined ending fund balances of \$21,611,000, a decrease of \$2,124,465 from the prior year. There was a (**unreserved fund deficit**) in total of \$8,473,809 due primarily to using interfund advances in the TIF Districts until actual spending has been determined. The combination of future tax increments and a permanent borrowing will address that issue. Unreserved fund balances in the other funds amounted to approximately 31 percent of the total fund balance, or \$6,781,329 and is available for spending at the government's discretion.
- The unreserved fund balance as of December 31, 2007 for the general fund was \$4,889,492 or approximately 22 percent of total anticipated 2008 general fund expenditures.
- The City's Governmental activities debt increased by \$8,105,000 during 2007. Normal repayments of \$2,350,000 and prepayments of \$9,470,000 were offset by the issuance of \$10,000,000 in debt used by TIF District #3 and \$9,925,000 in debt used to prepay existing general obligation debt.

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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

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 City 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 & 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 sixteen 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 eleven governmental funds are combined into a single, aggregated presentation. Individual fund

data for each of these non-major 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 & F of this report. These statements include a budgetary comparison statement of the General Fund.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Library Operating Fund, Capital Outlay Fund, Equipment Replacement Fund, Street Improvement Fund, Capital Improvement 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 basic 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, and other agency funds to record their activity.

The basic fiduciary fund financial statements can be found on Exhibit J 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 can be found on pages 37 - 71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, 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 notes to the financial statements. These schedules 1 to 9 can be found on pages 72 – 86 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$172,740,058 and \$170,538,938 at the end of 2007 and 2006, respectively.

**CITY OF FRANKLIN NET ASSETS
December 31, 2007 and 2006**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 54,283,378	(Restated) \$ 54,074,489	\$ 3,570,688	\$ 3,371,841	\$ 57,854,066	\$ 57,446,330
Capital assets	<u>108,520,754</u>	<u>101,472,776</u>	<u>90,242,855</u>	<u>88,299,652</u>	<u>198,763,609</u>	<u>189,772,428</u>
Total assets	<u>162,804,132</u>	<u>155,547,265</u>	<u>93,813,543</u>	<u>91,671,493</u>	<u>256,617,675</u>	<u>247,218,758</u>
Long-term liabilities	47,294,304	42,786,531	70,071	66,363	47,364,375	42,852,894
Current liabilities	<u>35,580,150</u>	<u>32,992,292</u>	<u>933,091</u>	<u>834,634</u>	<u>36,513,241</u>	<u>33,826,926</u>
Total liabilities	<u>82,874,454</u>	<u>75,778,823</u>	<u>1,003,162</u>	<u>900,997</u>	<u>83,877,616</u>	<u>76,679,820</u>
Net assets:						
Invested in capital assets, net of related debt	75,855,538	61,597,340	90,242,854	88,299,652	166,098,392	149,896,992
Restricted	5,173,895	7,295,036	225,177	215,267	5,399,072	7,510,303
Unrestricted	<u>(1,099,755)</u>	<u>10,876,066</u>	<u>2,342,349</u>	<u>2,255,577</u>	<u>1,242,594</u>	<u>13,131,643</u>
Total net assets	<u>\$ 79,929,678</u>	<u>\$ 79,768,442</u>	<u>\$ 92,810,380</u>	<u>\$ 90,770,496</u>	<u>\$ 172,740,058</u>	<u>\$ 170,538,938</u>

The largest portion of the City's net assets (approximately 96 and 88 percent, in 2007 and 2006, 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, these net assets are 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 \$166,098,392 and \$149,896,992 in 2007 and 2006, respectively of the year end net assets. The changes in capital assets were as follows:

	Net Capital Asset Additions	Depreciation	Change in Capital Related Debt	Net Increase
2007	\$ 12,905,808	\$ (3,914,628)	\$ 7,210,220	\$ 16,201,400
2006	10,917,057	(2,858,215)	(819,327)	7,239,515

The major City projects contributing to this increase was the reconstruction of 31st Street from Drexel north to the extension, the reconstruction 51st Street north of Rawson, the reconstruction of Oakwood Road from 34th Street east and in 2006 was the construction of the extension of 31st Street. Infrastructure contributed by developers as part of developer's agreements contributed approximately \$953,000 in 2007 and \$938,000 in 2006 to the capitalized infrastructure through capital grants and contributions of governmental activities and \$1,630,000 in 2007 and \$1,477,000 in 2006 to capitalized infrastructure through capital grants and contributions for business-type activities.

An additional portion of the City's net assets (3.1 percent and 4.4 percent in 2007 and 2006, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$5,399,072 and \$7,510,303, respectively in those net assets that were restricted to specific purposes with the remaining balance of \$1,242,594 and \$13,131,643, in 2007 and 2006 respectively in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year the City was able to report positive balances in the net assets of the government as a whole as well as for its separate business-type activities. The governmental activities net assets did show a deficit in 2007 primarily due to the City's decision to use available resources through interfund advances to the new TIF's to provide the initial funding needed by these TIF's. In this way after the TIF expenditures are substantially completed, a external borrowing can be completed for that district with the interfund advances then repaid. The benefits to this process include only borrowing what is needed for actual expenses, not having excess funds in the district awaiting expenditures and achieving lower interest costs through a shorter loan repayment period.

There was a 2007 decrease of \$2,121,141 in restricted net assets reported in connection with governmental activities. The decrease was due to the reduction in available debt service funds (\$1,296,000), the reduction in impact fees (\$841,000) and the growth in other restricted funds (\$16,000).

There was a 2006 increase of \$2,827,790 in restricted net assets reported in connection with governmental activities. The increase was primarily due to the increase in available debt service funds (\$2,772,000), the use of utility improvement funds to pay for 31st Street and Ryan road sewer improvement projects (\$651,000) offset by the growth in available Development funds (\$632,000).

There was a 2007 decrease of \$11,975,821 in unrestricted net assets reported in connection with governmental activities. The major reasons for the decrease was the initial expenditures in the new TIF Districts (\$9,029,000) and the expenditure of funds in the Capital Improvement fund (\$3,138,768)

The 2006 increase of \$634,003 in unrestricted net assets reported in governmental activities. The major reason for the increase was the increase in the General Fund.

Governmental activities.

Governmental activities in 2007 increased the City's net assets by \$161,236 accounting for 7 percent of the total growth in the net assets of the City. Elements of this increase follow:

- Decrease due to the increase in Long term Debt of \$5,268,153
- Increase in governmental activities capital assets net of depreciation of \$7,047,978
- Net increase from internal service activities of \$528,961
- Net decrease from special assessment activities of \$309,927
- Net decrease from other fund activities of \$1,998,859

Governmental activities in 2006 increased the City's net assets by \$7,500,593 accounting for 71 percent of the total growth in the net assets of the City. Elements of this increase follow:

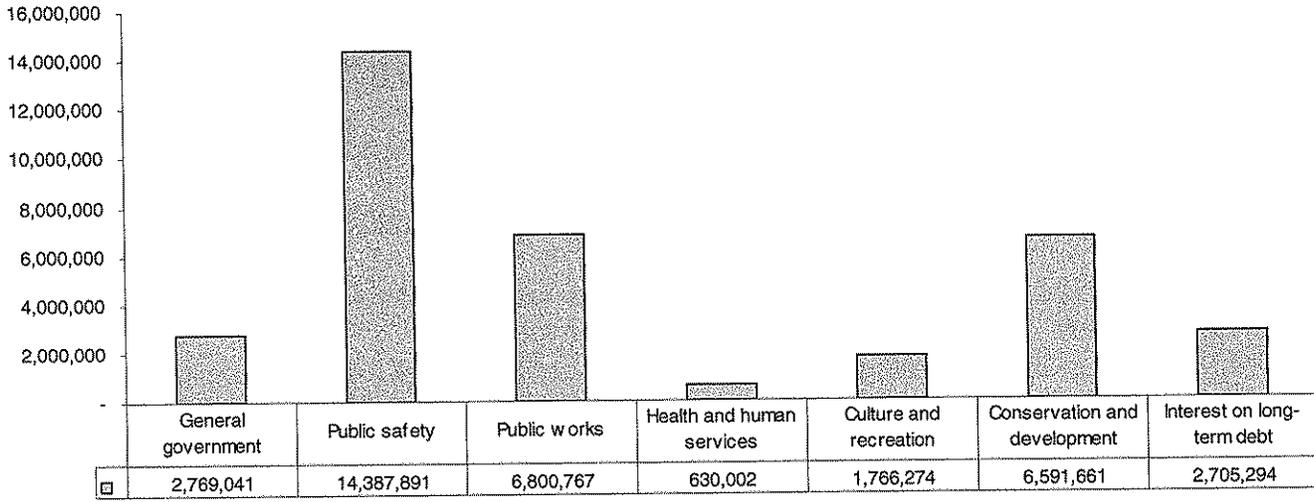
- Net increase in Debt service activities of \$3,226,644
- Increase in governmental activities capital assets net of depreciation of \$4,851,792
- Increase from general fund activities of \$605,850
- Net increase from internal service activities of \$292,172
- Net decrease from TIF Districts activities of \$690,802
- Net decrease from other fund activities of \$785,063

The details of changes in net assets follow:

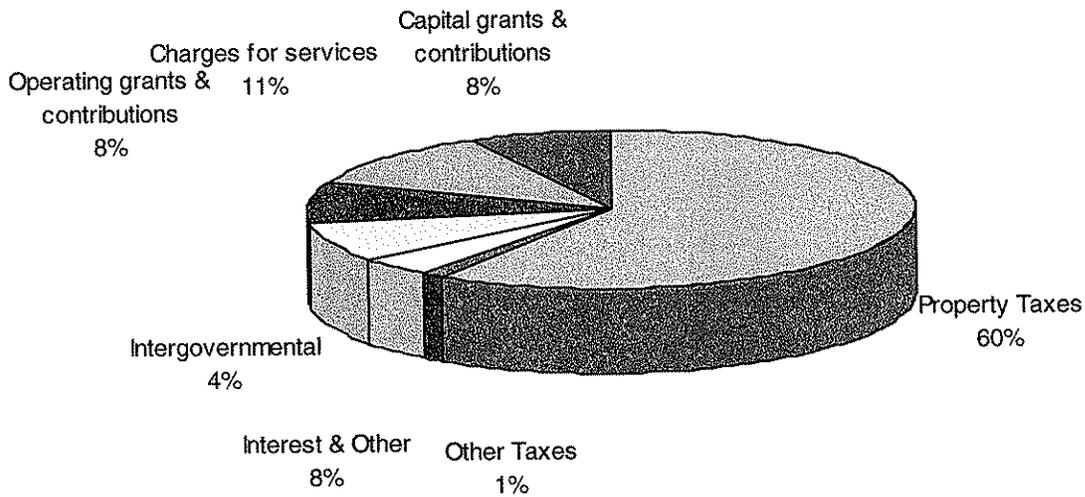
City of Franklin Changes in Net Assets For the Year Ending December 31, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006 (Restated)	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 4,128,196	\$ 4,864,627	\$ 5,956,073	\$ 5,452,364	\$ 10,084,269	\$ 10,316,991
Operating grants & contributions	2,957,937	2,015,885	-	-	2,957,937	2,015,885
Capital grants & contributions	2,753,612	4,890,241	1,629,536	1,477,041	4,383,148	6,367,282
General revenue:						
Property taxes	21,641,373	20,420,758	-	-	21,641,373	20,420,758
Other taxes	429,674	419,168	-	-	429,674	419,168
Intergovernmental	1,461,840	1,334,594	-	-	1,461,840	1,334,594
Other	<u>2,999,792</u>	<u>2,609,206</u>	<u>154,633</u>	<u>159,293</u>	<u>3,154,425</u>	<u>2,768,499</u>
Total revenue	<u>36,372,424</u>	<u>36,554,479</u>	<u>7,740,242</u>	<u>7,088,698</u>	<u>44,112,666</u>	<u>43,643,177</u>
Expenses:						
General government	2,769,041	2,730,575	-	-	2,769,041	2,730,575
Public safety	14,387,891	13,981,613	-	-	14,387,891	13,981,613
Public works	6,800,767	4,709,613	-	-	6,800,767	4,709,613
Health & Human services	630,002	592,278	-	-	630,002	592,278
Culture & Recreation	1,766,274	1,859,328	-	-	1,766,274	1,859,328
Conservation & development	6,591,661	634,983	-	-	6,591,661	634,983
Interest on long-term debt	2,705,294	2,574,761	-	-	2,705,294	2,574,761
Water	-	-	3,620,524	3,342,925	3,620,524	3,342,925
Sewer	-	-	<u>2,640,092</u>	<u>2,603,652</u>	<u>2,640,092</u>	<u>2,603,652</u>
Total expenses	<u>35,650,930</u>	<u>27,083,151</u>	<u>6,260,616</u>	<u>5,946,577</u>	<u>41,911,546</u>	<u>33,029,728</u>
Increase in net assets before transfers	721,494	9,471,328	1,479,626	1,142,121	2,201,120	10,613,449
Transfers	<u>(560,258)</u>	<u>(1,970,735)</u>	<u>560,258</u>	<u>1,970,735</u>	-	-
Increase in net assets	161,236	7,500,593	2,039,884	3,112,856	2,201,120	10,613,449
Net assets - beginning	<u>79,768,442</u>	<u>72,267,849</u>	<u>90,770,496</u>	<u>87,657,640</u>	<u>170,538,938</u>	<u>159,925,489</u>
Net assets - ending	<u>\$ 79,929,678</u>	<u>\$ 79,768,442</u>	<u>\$ 92,810,380</u>	<u>\$ 90,770,496</u>	<u>\$ 172,740,058</u>	<u>\$ 170,538,938</u>

Expenses by Function - Governmental Activities



Revenue by Source - Governmental Activities



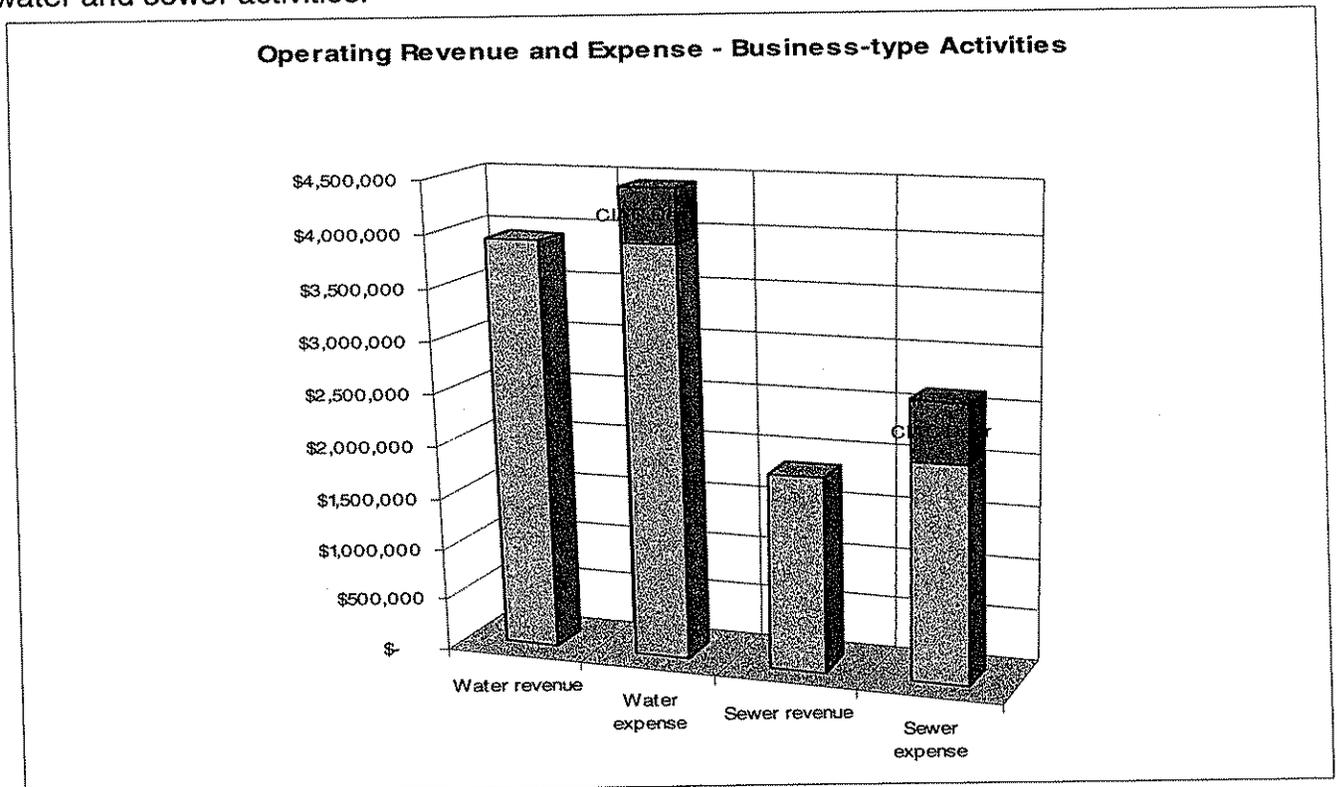
Business-type activities. In 2007, business-type activities increased the City's net assets by \$2,039,884 or 2.2 percent from the prior year. The key elements of this increase follow:

- The increase from operating activities (the change in net assets excluding capital contributions and its related depreciation expense was \$83,112. The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The sewer revenue remains below the level necessary to meet this goal.
- Developer contributions of water infrastructure - \$1,966,833 consisting of thirteen developer projects and two City projects
- Developer contributions of sewer infrastructure - \$1,060,306 consisting of eleven developer projects
- Depreciation expense related to contributed assets - \$1,070,367

In 2006, business-type activities increased the City's net assets by \$3,112,856 or 3.6 percent from the prior year. The key elements of this increase follow:

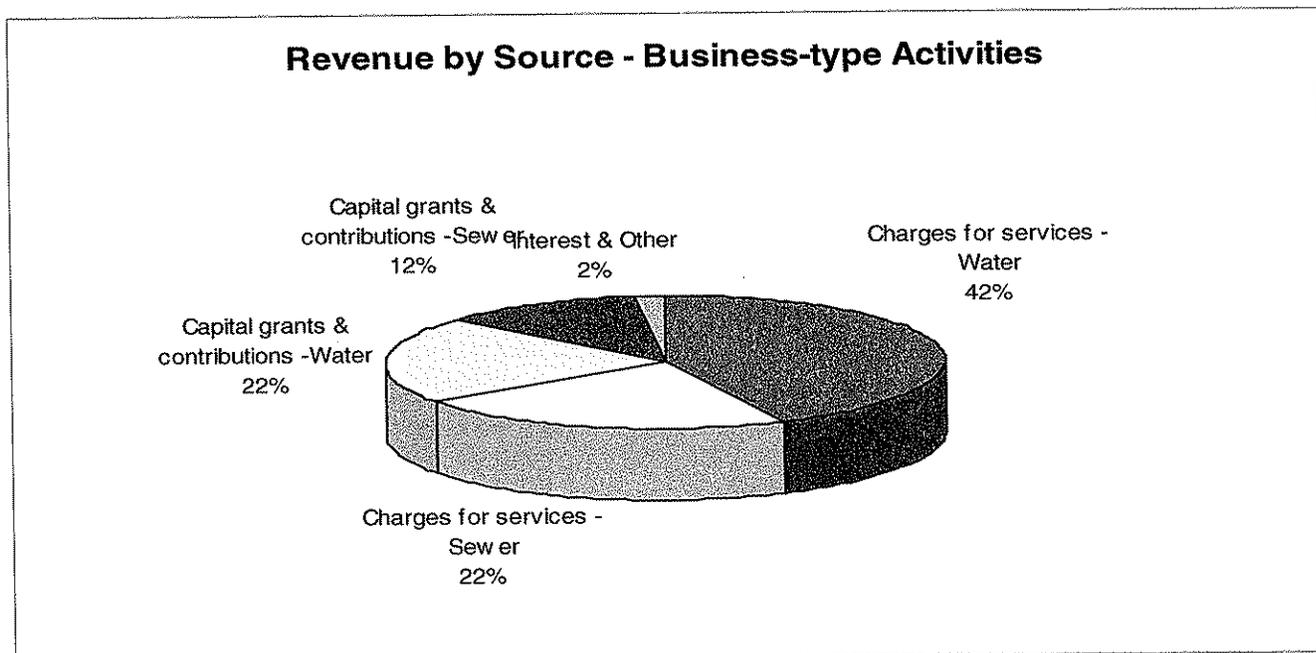
- The (loss) from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$(77,985). The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The sewer revenue is currently below the level necessary to meet this goal.
- Developer contributions of water infrastructure - \$2,313,373 consisting of ten developer projects and four City projects
- Developer contributions of sewer infrastructure - \$1,911,741 consisting of three developer projects and three City projects
- Depreciation expense related to contributed assets - \$1,034,273

The following graph compares the 2007 charges for services to the operating expenses for water and sewer activities.



Water and Sewer expenses exceed revenue due to the current policy of only including depreciation from City spending on capital assets in the rate formula. The large amount of new infrastructure that is being installed each year is the reason for this policy. When maintenance and replacement costs begin to 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, unreserved 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 \$21,611,000, a decrease of \$2,124,465 in comparison with the prior year. At year end there was unreserved fund deficit in total or \$8,473,809. Of this total unreserved fund deficit, the following amounts were committed to specific types of activities; i.e., \$4,889,492 for general fund activities, \$1,206,529 for special revenue fund activities, \$685,308 for capital project activities and offset by a \$15,255,138 deficit in the TIF Districts activities. The TIF Districts deficit is due to the favorable type of interim financing selected and will be addressed by a permanent source of financing at an appropriate time.

The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$12,240,785), 2) for TIF District purposes (\$15,100,000) 3) for utility improvement purposes (\$380,961), 4) for library purposes (\$357,875), 5) uncompleted contracts (\$1,265,000), 6) encumbrances (\$452,000) and 7) for emergency medical services, prepaid expenses, inventories, donations and grants (\$288,188).

The **General Fund** is the chief operating fund of the City. As of December 31, 2007, the total fund balance of the general fund was \$5,935,482 of which \$4,889,492 was unreserved. This unreserved fund balance represents approximately 22 percent of 2008 total general fund expenditures.

The total fund balance of the general fund decreased by \$1,086,352 in fiscal year 2007. The 2007 annual program budget for the City's general fund identified an appropriation of \$1,050,000 in fund balance to reduce the impact of taxes levied and to balance the budget. Actual expenses were less than budgeted expenses by approximately 4 percent or \$963,654 and actual revenue was less than budget revenue in the general fund by \$49,006 or approximately .2 percent resulting using \$135,352 of the fund balance. In addition the City's Common Council transferred \$1,015,000 of the fund balance to other funds for their use. The underexpenditures were mainly from vacancy in authorized positions and unused contingency.

The **Debt Service Fund** has a total fund balance of \$12,240,785, \$2,240,785 of which is reserved for the payment of debt service and \$10,000,000 is reserved for advances made to TIF Districts fund. The fund balance increase came from funds transferred from the Capital improvement fund and landfill siting fees.

The **TIF Districts Fund** has an unreserved fund deficit of \$15,255,138 and a reserved fund balance of \$10,604,000 for a net fund deficit of \$4,651,138. The fund deficit is due to receiving long term advances from the Debt Service Fund and investing those funds in infrastructure less a \$10 million loan to support a note receivable issued under a development agreement.

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

Unrestricted net assets of the Water Utility at the end of the year amounted to \$1,709,697, an increase of \$160,179 from December 31, 2006. The growth in total net assets was \$1,561,362.

Unrestricted net assets of the Sanitary Sewer Fund at the end of the year amounted to \$632,652, a decrease of \$73,407 from December 31, 2006. The growth in total net assets was \$478,522.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor except for the \$1,015,000 in transfers to other funds. There were additional appropriations that came from other departments or from the contingency budgeted.

Actual expenditures were less than budgeted expenditures by \$963,654. This amount was across all functions. The Information services, Police, Dispatch, Highway and City Development departments accounted for the largest portion of the under expenditures. The unused contingency budget was \$255,000. The underexpenditures were reduced by overexpenditures in administration, fire, animal control, unclassified and parks budgets.

With revenue decreased and expenditures less than budget, the need to draw upon existing fund balance was reduced to \$135,352. Combining that with the transfers to other funds resulted in a fund balance decrease of \$1,086,352.

Capital assets.

The City's investment in capital assets for its governmental and business type activities as of December 31, 2007, amounts to \$198,763,608 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	
	2007	2006 (Restated)	2007	2006	2007	2006
Land	\$ 24,286,755	\$ 22,617,918	\$ 426,384	\$ 426,384	\$ 24,713,139	\$ 23,044,302
Buildings and Improvements	22,198,446	22,037,727	2,383,341	2,373,341	24,581,787	24,411,068
Improvements other than buildings	77,748,558	69,646,069	103,178,888	100,027,157	180,927,446	169,673,226
Machinery and and equipment	13,685,806	13,331,264	1,959,801	1,928,364	15,645,607	15,259,628
Construction in process	144,154	1,863,283	662,700	566,427	806,854	2,429,710
Total capital assets	138,063,719	129,496,261	108,611,114	105,321,673	246,674,833	234,817,934
Less Accumulated depreciation	(29,542,965)	(28,023,485)	(18,368,260)	(17,022,021)	(47,911,225)	(45,045,506)
Capital assets net of Depreciation	\$ 108,520,754	\$ 101,472,776	\$ 90,242,854	\$ 88,299,652	\$ 198,763,608	\$ 189,772,428

The total increase in the City's net investment in capital assets for the current fiscal year was a total of \$8,991,180 net of depreciation or a 4.7 percent increase.

For further details on capital asset activity, refer to Note 1(D)5, Note 4(D) Note 5(F) of the Notes to Financial Statements and Schedules 8 – 8.2.

Long-term debt

At December 31, 2007, the City had general obligation note and bond issues outstanding totaling \$49,705,000. State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. The current debt limitation for the City is \$184,452,720., The City's current outstanding general obligation debt is 27% of the statutory debt limit. In the last 15 years the City has not exceeded 34 percent of the statutory debt limit.

In early 2007 the City borrowed \$10,000,000 in taxable general obligation notes for the City's TIF District No. 3 purposes. Also in early 2007 the City borrowed \$9,925,000 in tax exempt general obligation bonds to refinance \$9,470,000 of existing general obligation bonds resulting in a present value savings of approximately \$450,000.

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

The City also has outstanding \$2,375,000 of redevelopment revenue obligations that were issued in order to evidence a loan from the City's Community Development Authority (CDA) to the City. The CDA financed its loan to the City by issuing redevelopment lease revenue bonds. The proceeds of the redevelopment revenue obligations were used to finance the City's Business Park. The obligations are being repaid property tax revenue generated by the City's TIF District No. 2. The CDA debt is not subject to the City's statutory debt limit referred to in a preceding paragraph.

The Franklin Water Utility has no debt outstanding. The Board of Water Commissioners intention is to generally avoid debt by maintaining and building cash and investments and from time to time making improvements to its rate structure. 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.

City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds and notes	\$ 49,705,000	\$ 41,600,000	\$ -	\$ -	\$ 49,705,000	\$ 41,600,000
Revenue bonds	2,375,000	5,195,000	-	-	2,375,000	5,195,000
Total	<u>\$ 52,080,000</u>	<u>\$ 46,795,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,080,000</u>	<u>\$ 46,795,000</u>

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 10 – 12 in the statistical section of the report.

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2007 for the City was 3.7%, Milwaukee County which includes the City, is 5.3 percent. This compares with an unemployment rate of 4.6 percent for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were 1.93%, -1.63% and 1.89%, respectively.
- The tax levy increase for the current and prior two years were, \$935,000, \$666,700, and \$1,085,689, respectively.
- The 2008 budgets require a local tax rate that increased 3.18% which together with growth will result in a tax levy increase of \$1,054,000 or 5.70 percent.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all 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, 9229 West Loomis Road, Franklin, WI 53132.

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

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 14,736,726	\$ 1,736,316	\$ 16,473,042
Receivables			
Accounts receivable	1,189,463	1,462,798	2,652,261
Taxes receivable	24,756,710	157,593	24,914,303
Note receivable	10,000,000	-	10,000,000
Special assessments receivable	2,416,942	-	2,416,942
Internal balances	11,196	(11,196)	-
Due from other governments	307,144	-	307,144
Prepaid items	15,254	-	15,254
Inventories	16,326	-	16,326
Restricted cash and investments	-	225,177	225,177
Capital assets (net of accumulated depreciation)			
Land	24,286,755	426,384	24,713,139
Buildings and improvements	16,874,901	1,666,191	18,541,092
Machinery and equipment	5,816,609	668,641	6,485,250
Improvements other than buildings	61,398,335	86,818,938	148,217,273
Construction in progress	144,154	662,700	806,854
Deferred charges	833,617	-	833,617
Total assets	\$ 162,804,132	\$ 93,813,542	\$ 256,617,674
LIABILITIES			
Accounts payable	\$ 2,418,706	\$ 812,284	\$ 3,230,990
Accrued liabilities	1,490,789	76,490	1,567,279
Due to other governments	71,452	-	71,452
Accrued interest	712,876	-	712,876
Special deposits	115,516	1,700	117,216
Unearned revenue	24,247,361	-	24,247,361
Noncurrent liabilities:			
Due within one year	6,523,450	42,617	6,566,067
Due in more than one year	47,294,304	70,071	47,364,375
Total liabilities	82,874,454	1,003,162	83,877,616
NET ASSETS			
Investment in capital assets, net of related debt	75,855,538	90,242,854	166,098,392
Restricted for:			
Debt service	1,527,909	-	1,527,909
Library	357,875	-	357,875
Utility improvements	380,961	-	380,961
Development	2,643,952	-	2,643,952
Other purposes	263,198	225,177	488,375
Unrestricted (Deficit)	(1,099,755)	2,342,349	1,242,594
Total net assets	\$ 79,929,678	\$ 92,810,380	\$ 172,740,058

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Activities
Year Ended December 31, 2007

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government activities:							
General government	\$ 2,769,041	\$ 226,496	\$ (1,970)	\$ -	\$ (2,544,515)	\$ -	\$ (2,544,515)
Public safety	14,387,891	2,473,830	330,083	5,000	(11,578,978)	-	(11,578,978)
Public works	6,800,767	1,071,513	2,363,578	2,685,756	(679,920)	-	(679,920)
Health and human services	630,002	89,853	96,438	-	(443,711)	-	(443,711)
Culture and recreation	1,766,274	138,793	169,608	62,856	(1,395,017)	-	(1,395,017)
Conservation and development	6,591,661	127,711	200	-	(6,463,750)	-	(6,463,750)
Interest on long term debt	2,705,294	-	-	-	(2,705,294)	-	(2,705,294)
Total governmental activities	35,650,930	4,128,196	2,957,937	2,753,612	(25,811,185)	-	(25,811,185)
Business-type activities:							
Water	3,620,524	3,926,626	-	898,771	-	1,204,873	1,204,873
Sewer	2,640,092	2,029,447	-	730,765	-	120,120	120,120
Total business-type activities	6,260,616	5,956,073	-	1,629,536	-	1,324,993	1,324,993
Total	\$ 41,911,546	\$ 10,084,269	\$ 2,957,937	\$ 4,383,148	(25,811,185)	1,324,993	(24,486,192)
General revenue:							
Property taxes levied for general purposes					16,404,257	-	16,404,257
Property taxes levied for debt service					2,110,000	-	2,110,000
Property taxes levied for TIF Districts					3,127,116	-	3,127,116
Other taxes					429,674	-	429,674
Intergovernmental revenue not restricted to specific programs					1,461,840	-	1,461,840
Investment earnings					2,547,179	113,197	2,660,376
Miscellaneous revenue					452,613	41,436	494,049
Transfers					(560,258)	560,258	-
Total general revenue and transfers					25,972,421	714,891	26,687,312
Change in net assets					161,236	2,039,884	2,201,120
Net assets - beginning (As restated)					79,768,442	90,770,496	170,538,938
Net assets - ending					\$ 79,929,678	\$ 92,810,380	\$ 172,740,058

CITY OF FRANKLIN
Balance Sheet
Governmental Funds
December 31, 2007

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,765,053	\$ 2,240,785	\$ 443,264	\$ 5,251,227	\$ 13,700,329
Receivables					
Accounts receivable	653,085	-	277,258	91,989	1,022,332
Taxes receivable	14,575,540	2,319,865	4,685,811	3,175,494	24,756,710
Note receivable	-	-	10,000,000	-	10,000,000
Special assessments receivable	-	1,060,462	-	1,356,480	2,416,942
Due from other funds	11,196	-	-	-	11,196
Due from other governments	151,126	-	119,343	36,675	307,144
Prepaid items	8,664	-	-	6,590	15,254
Inventories	16,326	-	-	-	16,326
Long term advances	1,000,000	10,000,000	-	4,100,000	15,100,000
TOTAL ASSETS	\$ 22,180,990	\$ 15,621,112	\$ 15,525,676	\$ 14,018,455	\$ 67,346,233
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 628,741	\$ -	\$ 376,003	\$ 1,379,541	\$ 2,384,285
Accrued liabilities	925,562	-	15,000	21,069	961,631
Due to other governments	71,452	-	-	-	71,452
Special deposits	85,203	-	-	-	85,203
Deferred revenue	14,534,550	3,380,327	4,685,811	4,531,974	27,132,662
Long term advances	-	-	15,100,000	-	15,100,000
Total Liabilities	16,245,508	3,380,327	20,176,814	5,932,584	45,735,233
FUND BALANCES					
Reserved for:					
Inventories and prepaid items	24,990	-	-	-	24,990
Advances to other funds	1,000,000	10,000,000	-	4,100,000	15,100,000
Encumbrances	21,000	-	-	431,000	452,000
Contractual obligations	-	-	604,000	661,000	1,265,000
Debt service	-	2,240,785	10,000,000	-	12,240,785
Library services	-	-	-	357,875	357,875
Emergency medical services	-	-	-	12,354	12,354
Utility improvements	-	-	-	380,961	380,961
Development	-	-	-	-	-
Donations & grants	-	-	-	250,844	250,844
Unreserved balance (deficit) reported in:					
General Fund	4,889,492	-	-	-	4,889,492
Special Revenue Funds	-	-	-	1,206,529	1,206,529
Capital Project Funds	-	-	(15,255,138)	685,308	(14,569,830)
Total fund balances	5,935,482	12,240,785	(4,651,138)	8,085,871	21,611,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,180,990	\$ 15,621,112	\$ 15,525,676	\$ 14,018,455	\$ 67,346,233

Total fund balances of governmental funds \$ 21,611,000

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

Capital assets used in government funds are not financial resources and are not reported in the funds.	108,520,754
Internal service net assets	742,794
Other long-term assets that are not available to pay for current period expenditures and are deferred in the funds.	2,885,301
Long-term liabilities, including long-term debt, are not due and payable in the current period and are not reported in the funds.	(53,830,171)
Net assets of governmental activities	\$ 79,929,678

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2007

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$ 14,044,931	\$ 2,110,000	\$ 3,127,116	\$ 2,789,000	\$ 22,071,047
Intergovernmental revenue	2,460,464	-	1,411,157	398,348	4,269,969
Licenses and permits	978,942	-	-	-	978,942
Fines, forfeitures and penalties	392,451	-	-	-	392,451
Public charges for services	1,559,178	398,167	-	41,351	1,998,696
Special assessments	-	330,866	-	1,251,096	1,581,962
Intergovernmental charges for services	426,387	-	-	-	426,387
Investment earnings	941,177	728,006	168,841	675,679	2,513,703
Miscellaneous revenue	129,119	-	419,752	385,270	934,141
Total Revenue	<u>20,932,649</u>	<u>3,567,039</u>	<u>5,126,866</u>	<u>5,540,744</u>	<u>35,167,298</u>
EXPENDITURES					
Current					
General government	2,609,731	-	-	-	2,609,731
Public safety	13,835,982	-	-	20,050	13,856,032
Public works	4,110,460	-	-	-	4,110,460
Health and human services	553,418	-	-	78,469	631,887
Culture, recreation and education	213,296	-	-	1,223,691	1,436,987
Conservation and development	497,501	-	6,080,083	9,451	6,587,035
Capital outlay	-	-	4,519,439	6,412,150	10,931,589
Debt service					
Principal	-	2,350,000	2,820,000	-	5,170,000
Interest	-	1,122,372	1,461,708	-	2,584,080
Debt issuance costs	-	97,477	33,125	-	130,602
Total Expenditures	<u>21,820,388</u>	<u>3,569,849</u>	<u>14,914,355</u>	<u>7,743,811</u>	<u>48,048,403</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(887,739)	(2,810)	(9,787,489)	(2,203,067)	(12,881,105)
OTHER FINANCING SOURCES (USES)					
Transfers in	837,345	1,922,093	-	3,478,367	6,237,805
Transfers out	(1,035,958)	-	(287,478)	(4,077,024)	(5,400,460)
General obligation debt issued	-	-	10,000,000	-	10,000,000
Refunding debt issued	-	9,925,000	-	-	9,925,000
Premium (Discount) on debt issued	-	41,670	(6,700)	-	34,970
Payment to refunding escrow agent	-	(10,040,675)	-	-	(10,040,675)
Net change in fund balances	<u>(1,086,352)</u>	<u>1,845,278</u>	<u>(81,667)</u>	<u>(2,801,724)</u>	<u>(2,124,465)</u>
Fund balances (deficit) - beginning	<u>7,021,834</u>	<u>10,395,507</u>	<u>(4,569,471)</u>	<u>10,887,595</u>	<u>23,735,465</u>
Fund balances (deficit) - ending	<u>\$ 5,935,482</u>	<u>\$ 12,240,785</u>	<u>\$ (4,651,138)</u>	<u>\$ 8,085,871</u>	<u>\$ 21,611,000</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Reconciliation of the Statement of Revenue
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended December 31, 2007

Net change in fund balances - total governmental funds	\$ (2,124,465)
Amounts reported for governmental activities in the statement of activities (page 25) 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. This is the amount by which capital outlays (\$8,081,877) exceeded depreciation (\$2,504,160) in the current period.	5,577,717
Contributed capital assets are reported as revenues in the statement of activities.	1,470,261
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 assets. This amount is the net effect of differences in the treatment of long term debt.	(5,285,000)
Government funds report the effects of issuance costs, premiums, discounts and similar items 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.	615,320
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	(311,631)
Revenue in the statement of activities not providing current financial resources are not reported as revenue in the funds	509,153
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	(819,080)
Internal service fund change in net assets	<u>528,961</u>
Net change in net assets of governmental activities	<u>\$ 161,236</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary basis)
Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE				
Taxes	\$ 14,808,000	\$ 14,808,000	\$ 14,882,276	\$ 74,276
Intergovernmental revenue	2,554,000	2,554,000	2,460,464	(93,536)
Licenses and permits	1,284,500	1,284,500	978,942	(305,558)
Fines, forfeitures and penalties	400,000	400,000	392,451	(7,549)
Public charges for services	1,435,600	1,723,600	1,559,178	(164,422)
Intergovernmental charges for services	572,000	284,000	426,387	142,387
Investment earnings	654,500	654,500	941,177	286,677
Miscellaneous revenue	110,400	110,400	129,119	18,719
Total Revenue	<u>21,819,000</u>	<u>21,819,000</u>	<u>21,769,994</u>	<u>(49,006)</u>
EXPENDITURES				
Current				
General government	3,081,167	3,021,167	2,614,931	406,236
Public safety	14,249,902	14,249,902	13,840,082	409,820
Public works	4,218,372	4,210,372	4,100,460	109,912
Health and human services	583,115	583,115	553,418	29,697
Culture and recreation	201,520	201,520	234,254	(32,734)
Conservation and development	534,924	549,924	509,201	40,723
Total Expenditures	<u>22,869,000</u>	<u>22,816,000</u>	<u>21,852,346</u>	<u>963,654</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,050,000)	(997,000)	(82,352)	914,648
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(1,015,000)	(1,015,000)	-
Net change in fund balance - budgetary basis	(1,050,000)	(2,012,000)	(1,097,352)	914,648
Adjustments to generally accepted accounting principles basis				
2007 encumbrances	21,000	21,000	21,000	-
2006 encumbrances	(10,000)	(10,000)	(10,000)	-
Net change in fund balance - generally accepted accounting principles basis	(1,039,000)	(2,001,000)	(1,086,352)	914,648
Fund Balances - beginning	<u>7,021,834</u>	<u>7,021,834</u>	<u>7,021,834</u>	<u>-</u>
Fund Balances - ending	<u>\$ 5,982,834</u>	<u>\$ 5,020,834</u>	<u>\$ 5,935,482</u>	<u>\$ 914,648</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Net Assets
Proprietary Funds
December 31, 2007
 (with comparative information for the year ended December 31, 2006)

	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	
ASSETS					
Current assets					
Cash and investments	\$ 1,307,375	\$ 1,125,885	\$ 428,941	\$ 702,692	\$ 1,736,316
Receivables					
Accounts receivable	912,273	814,189	550,525	496,616	1,462,798
Taxes receivable	95,799	130,093	61,794	65,863	157,593
Due from other funds	-	-	45,572	-	45,572
Total current assets	<u>2,315,447</u>	<u>2,070,167</u>	<u>1,086,832</u>	<u>1,265,171</u>	<u>3,402,279</u>
Noncurrent assets					
Restricted cash and investments	-	-	225,177	215,267	225,177
Total restricted assets	<u>-</u>	<u>-</u>	<u>225,177</u>	<u>215,267</u>	<u>225,177</u>
Capital assets					
Land	115,465	115,465	310,919	310,919	426,384
Buildings and improvements	730,075	730,075	1,653,266	1,643,266	2,383,341
Improvements other than buildings	50,643,157	49,118,159	52,535,731	50,908,998	103,178,888
Machinery and equipment	1,370,638	1,385,336	589,163	543,028	1,959,801
Construction in progress	633,848	-	28,852	566,427	662,700
Less accumulated depreciation	<u>(9,109,628)</u>	<u>(8,366,663)</u>	<u>(9,258,632)</u>	<u>(8,655,358)</u>	<u>(18,368,260)</u>
Total capital assets (net of accumulated depreciation)	<u>44,383,555</u>	<u>42,982,372</u>	<u>45,859,299</u>	<u>45,317,280</u>	<u>90,242,854</u>
Total noncurrent assets	<u>44,383,555</u>	<u>42,982,372</u>	<u>46,084,476</u>	<u>45,532,547</u>	<u>90,468,031</u>
Total assets	<u>\$ 46,699,002</u>	<u>\$ 45,052,539</u>	<u>\$ 47,171,308</u>	<u>\$ 46,797,718</u>	<u>\$ 93,870,310</u>

Continued

CITY OF FRANKLIN
Statement of Net Assets
Proprietary Funds
December 31, 2007

(with comparative information for the year ended December 31, 2006)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility		Sanitary Sewer		Sanitary Sewer		
	Current Year	Prior Year	Current Year	Prior Year	Prior Year	Current Year Totals	
LIABILITIES							
Current liabilities	\$ 467,507	\$ 417,340	\$ 344,777	\$ 320,908	\$ 812,284	\$ 34,421	\$ 396,000
Accounts payable	23,431	7,391	53,059	45,164	76,490	-	-
Accrued liabilities	-	-	-	-	-	-	-
Due to other governments	56,768	40,021	-	138,743	56,768	-	-
Due to other funds	1,700	1,600	-	-	1,700	30,313	-
Special deposits	21,309	21,116	21,308	21,115	42,617	-	-
Current portion of compensated absences	570,715	487,468	419,144	525,930	989,859	460,734	-
Total current liabilities	35,035	33,181	35,036	33,182	70,071	-	-
Noncurrent liabilities	35,035	33,181	35,036	33,182	70,071	-	-
Accrued compensated absences	605,750	520,649	454,180	559,112	1,059,930	460,734	-
Total noncurrent liabilities	44,383,555	42,982,372	45,859,299	45,317,280	90,242,854	-	-
Total liabilities	1,709,697	1,549,518	225,177	706,059	2,342,349	742,794	742,794
NET ASSETS	\$ 46,093,252	\$ 44,531,890	\$ 46,717,128	\$ 46,238,606	\$ 92,810,380	\$ 742,794	\$ 742,794
Invested in capital assets	-	-	-	-	-	-	-
Restricted for	-	-	-	-	-	-	-
Sewer equipment replacement	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total net assets	-	-	-	-	-	-	-

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Revenue, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year Ended December 31, 2007
(with comparative information for the year ended December 31, 2006)

	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	
OPERATING REVENUE					
Metered sales	\$ 1,916,420	\$ 1,730,648	\$ 1,211,132	\$ 1,157,162	\$ 3,127,552
Residential	862,377	780,448	474,484	407,433	1,336,861
Commercial	225,281	203,131	196,430	172,813	421,711
Industrial	235,767	226,547	128,704	113,873	364,471
Public authority	3,239,845	2,940,774	2,010,750	1,851,281	5,250,595
Total metered sales	-	-	-	-	3,707,830
Group health & dental charges	18,418	-	-	-	18,418
Unmetered sales	541,518	530,743	-	-	541,518
Public fire protection service	94,929	84,927	-	-	94,529
Private fire protection service	32,316	29,217	18,697	15,422	51,013
Forfeited discounts, penalties and other	3,926,626	3,585,661	2,029,447	1,866,703	5,956,073
Total operating revenue	2,353,129	2,114,595	1,760,179	1,763,350	4,113,308
OPERATING EXPENSES	789,562	796,563	620,906	608,867	1,410,468
Cost of sales and services	450,683	431,767	259,007	231,435	709,690
Depreciation	3,593,374	3,342,925	2,640,092	2,603,652	6,233,466
Administration	333,252	242,736	(610,645)	(736,949)	(277,393)
Total operating expenses	86,352	76,707	26,845	35,746	113,197
Operating income (loss)	37,271	43,350	4,165	3,490	41,436
NON-OPERATING REVENUE (EXPENSES)	(27,150)	-	-	-	(27,150)
Investment earnings	96,473	120,057	31,010	39,236	127,483
Sundry	429,725	362,793	(579,635)	(697,713)	(149,910)
Loss on property abandoned	1,966,833	2,313,373	1,060,306	1,911,741	3,027,139
Total non-operating revenue (expenses)	(835,196)	(775,518)	(2,149)	(1,820)	(837,345)
Income (loss) before capital contributions and transfers	1,561,362	1,900,648	478,522	1,212,208	2,039,884
Capital contributions	44,531,890	42,631,242	46,238,606	45,026,398	90,770,496
Transfers in	\$ 46,093,252	\$ 44,531,890	\$ 46,717,128	\$ 46,238,606	\$ 92,810,380
Transfers out	-	-	-	-	-
Change in net assets	-	-	-	-	-
Net assets - beginning	-	-	-	-	-
Net assets - ending	-	-	-	-	-

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2007
 (with comparative information for the year ended December 31, 2006)

	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	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,680,829	\$ 3,389,001	\$ 1,981,829	\$ 1,814,980	\$ 5,662,658
Receipts for interfund services provided	227,686	226,897	1,943	1,750	229,629
Payments to suppliers	(2,346,430)	(2,335,502)	(1,613,428)	(1,318,372)	(3,959,858)
Payments to employees	(473,825)	(448,289)	(474,669)	(537,959)	(948,494)
Payments for interfund services used	90,000	85,600	(90,000)	(85,600)	-
Net cash flows provided by (used in) operating activities	1,178,260	917,707	(194,325)	(125,201)	983,935
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer out - paid for tax equivalent	(835,196)	(775,518)	(2,149)	(1,820)	(837,345)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(247,926)	(329,245)	(94,212)	(51,786)	(342,138)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	86,352	76,707	26,845	35,746	113,197
Net increase (decrease) in cash and cash equivalents	181,490	(110,349)	(263,841)	(143,061)	(82,351)
Cash and cash equivalents - Beginning	1,125,885	1,236,234	917,959	1,061,020	2,043,844
Cash and cash equivalents - Ending	\$ 1,307,375	\$ 1,125,885	\$ 654,118	\$ 917,959	\$ 1,961,493
Cash and Investments - Unrestricted	\$ 1,307,375	\$ 1,125,885	\$ 428,941	\$ 702,692	\$ 1,736,316
Cash and Investments - Restricted	-	-	225,177	215,267	225,177
	<u>\$ 1,307,375</u>	<u>\$ 1,125,885</u>	<u>\$ 654,118</u>	<u>\$ 917,959</u>	<u>\$ 1,961,493</u>

Continued

CITY OF FRANKLIN
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2007

ASSETS	<u>Agency Funds</u>
Cash and investments	\$ 41,959,247
Taxes receivable	17,753,053
Accounts receivable	<u>37,096</u>
Total assets	<u>59,749,396</u>
LIABILITIES	
Accounts payable	132,234
Due to other governments	59,605,079
Special deposits	<u>12,083</u>
Total liabilities	<u>59,749,396</u>
Total net assets	<u>\$ -</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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 accounting 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. Each discretely presented component unit is 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 a certain Tax Incremental Financing (TIF) 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 TIF development projects for the benefit of the City and its citizens. The Authority's operations are included in the governmental activities of the government-wide financial statements and in a TIF District capital projects fund. The Authority follows the accounting policies of the City. Separate financial statements are not published for the Authority.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities 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 nonexchange 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 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, liabilities, net assets/fund equity, revenue and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter is excluded from the 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 non-major funds within the governmental and proprietary fund statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- a. Total assets, liabilities, 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.

TIF Districts Fund – A capital projects fund that accounts for resource accumulation from the tax increment and other revenue along with payments made for capital outlay, other expenditures, principal and interest on long-term debt obligations of the TIF Districts.

Major Enterprise Funds

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.

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.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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 OPEB, Library Operating, Library Auxiliary, Master Plan, Donations, Civic Celebrations and Grants.

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 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.

Agency 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 agency funds include a property tax fund and an other agency fund that records the agency activity for emergency government, monitoring and siting activities funded by others.

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

Government-Wide Financial Statements

The government-wide statement of net assets 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 and liabilities 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.

Taxes receivable for the following year are recorded as receivables and deferred revenue. 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. Unbilled receivables are recorded as revenue when services are performed.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (Continued)

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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 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 revenue 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 that are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are recorded as deferred revenue.

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 revenue.

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Deferred revenue is reported on the governmental funds balance sheet. Deferred revenue arises from taxes levied in the current year that are for subsequent year's operations. For governmental funds financial statements deferred revenue arises where potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also 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 for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary funds 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.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. Proprietary funds distinguish operating revenue and expenses from non-operating 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 Sewage District.

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 non-operating revenue and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS 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.

Investments of City funds are restricted by state statutes. Investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. 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.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The Local Government Investment Pool.
- 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.

The City's investment policy restricts allowable investments to investments that follow state statutes. In addition the investment policy:

- a. Requires a minimum rating of AA by both Moody's and Standard & Poor's.
- b. Limits an issuer or asset class to less than 10% of the market value of the portfolio with the exception of U.S. Government Treasury and Agency securities.
- c. Specifies a minimum amount of cash equivalents be maintained, an average life of the portfolio not exceeding 2 ½ years and no individual issue with a maturity exceeding 5 years at the date of purchase.
- d. Limits investments highly sensitive to market changes through its duration and diversification policies.
- e. Prohibits the investment in foreign owned securities.
- f. Limits derivative investments to those with a final maturity or seven years or less.

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

- a. Custodial credit risk – investments are held by trustee or third party custodian.
– deposits in excess of FDIC insurance limits are maintained in either the State LGIP or collateralized accounts in amounts at least 75% of the average yearly balances.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

- b. Credit risk – securities purchased need to have a 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. securities.
- d. Interest rate risk – managed by limiting the length of maturity and the average life of the portfolio.

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 City accounting 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 2007, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

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, 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 assets.

Property tax calendar – 2007 tax roll:

Lien date and levy date	December 2007
Tax bills mailed	December 2007
Payment in full, or	January 31, 2008
First installment due	January 31, 2008
Second installment due	March 31, 2008
Third installment due	May 31, 2008
Personal property taxes in full	January 31, 2008
Final tax settlement with County	August 15, 2008
Tax deed by County – 2007	
Delinquent real estate taxes	October 2010

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

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 (non-current portion) 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 assets. Any residual balances outstanding between the governmental activities and the proprietary activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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. 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.

4. Restricted Assets

Mandatory segregation of assets are presented as restricted assets. Such segregation is required by bond agreements and other external parties. Current liabilities payable from restricted assets are so classified. The excess of restricted assets over current liabilities will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 and an estimated useful life of three years or more. All capital assets are recorded at historical cost or at estimated historical cost if actual amounts are not available. Donated capital assets are recorded at their 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 accumulated depreciation.

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 assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by asset type of follows:

Buildings and improvements	20-50 Years
Machinery and Equipment	5-30 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.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

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, sick leave, 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, as a result of employee resignations or retirements and are payable with expendable available resources.

Payments for vested compensatory time, sick leave, severance pay and vacation pay will be made at rates in effect when the benefits are used. Accumulated vested compensatory time, sick leave, severance pay and vacation pay liabilities are determined on the basis of current salary rates and include salary related payments.

The City also provides postemployment health and dental care benefits for all eligible employees. Eligibility and benefit levels are based on contractual agreements with employee groups, City ordinances and employee benefit policies. Some employees may leave their accumulated severance to pay for their portion of health care premiums. The City contribution to postretirement health care approximates 75% of the year of retirement premium cost with the employee paying any balance due plus the cost of any dental benefit selected. The City's portion of health care cost is recognized as expenditure in the period premiums are paid. Funding for those costs is provided out of the current operating budget of the City. The contributions are financed on a pay as you go basis.

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 primarily 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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. LONG-TERM OBLIGATIONS/CONDUIT DEBT (continued)

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.

For the government-wide and proprietary fund statements, issuance costs, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. 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 both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

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.

10. Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding any unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Equity Classifications (continued)

- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year’s budget due to legal restrictions or resources which are not available for current spending. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

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, 2006, from which the data was derived.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long term assets that are not available to pay for current period expenditures and therefore are deferred in the funds”. The details of this difference are as follows:

Special Assessments	<u>\$2,885,301</u>
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Capital assets used in government funds are not financial resources and, therefore, are not reported in the funds.

Land	\$24,286,755
Buildings	22,198,446
Machinery and equipment	13,685,806
Infrastructure	77,748,558
Construction in progress	144,154
Less: Accumulated depreciation	<u>(29,542,965)</u>
Adjustment for capital assets	<u>\$108,520,754</u>

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. All liabilities-both current and long-term-are reported in the statement of net assets.

General obligation debt	\$49,705,000
Lease revenue bonds	2,375,000
Deferred amounts for premiums	304,134
Unamortized debt issue costs	(833,617)
Compensated absences	1,433,620
Net pension obligation	133,158
Accrued interest	<u>712,876</u>
Combined adjustment for long-term liabilities	<u>\$53,830,171</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. Explanation of Certain differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances include a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government wide statement of activities. One element of that reconciliation explains that “revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds”. The details of this difference are as follows:

Special assessment levies	<u>\$509,153</u>
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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets”. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$19,925,000
Principal repayments:	
General obligation debt	<u>14,640,000</u>
Net adjustment to decrease net changes In fund balances – total governmental Funds to arrive at changes in net Assets of governmental activities	<u>\$5,285,000</u>

Another element of that reconciliation states that “Governmental funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of the differences are as follows:

Debt issuance costs incurred	\$130,602
Premium received	(34,970)
Call premium incurred	570,675
Amortization of issuance costs	(102,804)
Amortization of premium	<u>51,817</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$615,320</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

B. Explanation of Certain differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds". The details of this difference are as follows:

Compensated absences	\$108,246
Net pension obligations	133,158
Accrued interest	<u>70,227</u>
Net adjustments to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$311,631</u>

Another element of that reconciliation states that "revenue in the governmental funds that provides current financial resources but have been previously recorded as revenue in the statement of activities". The details of this difference are as follows:

Special assessment collections	<u>\$819,080</u>
Net adjustments to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$819,080</u>

NOTE 3 - 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 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 the GAAP basis statements present this item as a transfer in.

A budget has been adopted for the general, debt service, library, capital outlay, equipment replacement, capital improvement, street improvement, sanitary sewer and water utility funds. Budgets have not been formally adopted for other funds.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

The budgeted amounts presented include any amendments made during the year. The City may authorize transfers of budgeted 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 at the function level of expenditure.

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At December 31, 2007 the TIF Districts Fund had a deficit balance of \$4,651,138.

TIF District deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for TIF District #2 that was created before October 1, 1995, and 23 years for TIF Districts #3 & TIF District #4 created in 2005.

C. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 20 (2007), new legislation was passed that limits 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 3.86% for the 2007 levy collected in 2008 and 2.00% for the 2008 levy collected in 2009. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2008 levy.

NOTE 4 - 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 assets 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 \$100,000 for interest bearing accounts and \$100,000 for non interest bearing accounts. The City's

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to the City. This coverage has not been considered in computing the insured or collateralized amounts.

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by FDIC and State of Wisconsin Deposit Guarantee Fund insurance.

The City maintains a collateral arrangement with its main bank to provide collateralization in excess (about 20%) of deposits maintained at the bank. The collateral is maintained at the Federal Reserve and the City receives monthly reports of the collateral in place. The collateral balance at December 31, 2007 was \$39,234,860.

Cash and investments as shown on the December 31, 2007 City of Franklin Statement of Net Assets are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Cash and demand deposits	\$ 46,867,701	\$ 35,187,732	Custodial
U.S. treasuries and agencies	5,161,638	5,161,638	Credit and interest rate
Asset backed securities	1,173,625	1,173,625	Credit and interest rate
Corporate bonds	70,054	70,054	Credit, interest rate and concentration of credit
Local Government Investment Pool	<u>5,384,448</u>	<u>5,384,448</u>	Credit and interest rate
Total	<u>\$ 58,657,466</u>	<u>\$ 46,977,497</u>	

Reconciliation to the financial statements is shown below:

Per Statement of Net Assets

Primary Government:

Unrestricted cash and investments \$ 16,473,042

Restricted cash and investments 225,177

Per Statement of Fiduciary Net Assets 41,959,247

\$ 58,657,466

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

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, 2007 \$2,246,901 of the City's total bank balances of \$33,642,057 was 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. The City does not have any investments that were exposed to custodial credit risks at December 31, 2007.

Credit Risk Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. As of December 31, 2007 the City's investments in treasuries, agencies, corporate asset backed securities and corporate bonds were rated Moody's Investor Service from AA3 to AAA with only .3% of the portfolio subject to credit risk in the lowest (AA3) rating. Higher rated corporate securities (asset backed and bonds) make up 15.3% and treasury and agency securities make up 66.1% of the portfolio subject to credit risk. Local Government Investment Pool was 19.4% of the portfolio and is not rated or subject to credit risk.

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, 2007 no issue other than the Local Government Investment Pool, treasury or agency securities had a position of greater than five 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 in portfolio value.

As of December 31, 2007 the City's investments were as follows:

Investment Type (in thousands)	Fair Value	Investment Maturity in years		
		Less than 1	1 - 5	More than 5
Money Market	\$ 1,543,774	\$ 1,543,774	\$ -	\$ -
U.S. treasuries and agencies	5,161,638	2,099,540	2,951,978	110,120
Asset backed securities	1,173,625	-	1,173,625	-
Corporate bonds	70,054	70,054	-	-
Local Government Investment Pool	<u>5,384,448</u>	<u>5,384,448</u>	-	-
Total	<u>\$ 13,333,539</u>	<u>\$ 9,097,816</u>	<u>\$ 4,125,603</u>	<u>\$ 110,120</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - 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 a general valuation allowance, was \$101,021 at December 31, 2007. Other than the note receivable and special assessment receivables, all other receivables are expected to be collected within one year.

The City has a note receivable with a local business in the amount of \$10,000,000. Terms of the note call for semi-annual payments of interest at 1.95% and annual principal ranging from \$600,000 to \$670,000 until maturity on February 28, 2014 at that time the remaining balance will be due.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Funds:			
Property taxes receivable	\$ -	\$ 24,247,361	\$ 24,247,361
Special assessments not yet due	<u>2,885,301</u>	<u>-</u>	<u>2,885,301</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 2,885,301</u>	<u>\$ 24,247,361</u>	<u>\$ 27,132,662</u>

C. RESTRICTED ASSETS

Sewer Equipment Replacement Account

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 are accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2007 is \$225,177.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning	(Note 5F)	Restated			Ending
	Balance	Adjustment	Beginning	Additions	Dispositions	Balance
Governmental Activities						
Capital assets not depreciated:						
Land	\$ 7,870,390	\$ 14,747,528	\$ 22,617,918	\$ 1,668,837	\$ -	\$ 24,286,755
Construction in progress	1,863,283	-	1,863,283	3,779,168	(5,498,297)	144,154
Total capital assets not depreciated	<u>9,733,673</u>	<u>14,747,528</u>	<u>24,481,201</u>	<u>5,448,005</u>	<u>(5,498,297)</u>	<u>24,430,909</u>
Capital assets depreciated:						
Buildings & improvements	22,037,727	-	22,037,727	160,719	-	22,198,446
Machinery & equipment	12,111,100	1,220,164	13,331,264	1,339,222	(984,680)	13,685,806
Infrastructure	14,368,653	55,277,416	69,646,069	8,102,489	-	77,748,558
Total capital assets depreciated	<u>48,517,480</u>	<u>56,497,580</u>	<u>105,015,060</u>	<u>9,602,430</u>	<u>(984,680)</u>	<u>113,632,810</u>
Less: Accumulated depreciation for:						
Buildings & improvements	4,815,002	-	4,815,002	508,543	-	5,323,545
Machinery & equipment	7,420,067	660,299	8,080,366	773,511	(984,680)	7,869,197
Infrastructure	467,174	14,660,943	15,128,117	1,222,106	-	16,350,223
Total accumulated depreciation	<u>12,702,243</u>	<u>15,321,242</u>	<u>28,023,485</u>	<u>2,504,160</u>	<u>(984,680)</u>	<u>29,542,965</u>
Net capital assets depreciated	<u>35,815,237</u>	<u>41,176,338</u>	<u>76,991,575</u>	<u>7,098,270</u>	<u>-</u>	<u>84,089,845</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 45,548,910</u>	<u>\$ 55,923,866</u>	<u>\$ 101,472,776</u>	<u>\$ 12,546,275</u>	<u>\$ (5,498,297)</u>	<u>\$ 108,520,754</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 156,407
Public safety	574,624
Public works	1,457,334
Health & human services	4,175
Culture & recreation	306,423
Conservation & development	<u>5,197</u>
Total governmental activities depreciation expense	<u>\$ 2,504,160</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Dispositions	Ending Balance
Business-type Activities				
Capital Assets not depreciated:				
Land	\$ 426,384	\$ -	\$ -	\$ 426,384
Construction in progress	<u>566,427</u>	<u>662,700</u>	<u>(566,427)</u>	<u>662,700</u>
Total capital assets not depreciated	<u>992,811</u>	<u>662,700</u>	<u>(566,427)</u>	<u>1,089,084</u>
Capital assets depreciated:				
Buildings & improvements	2,373,341	10,000	-	2,383,341
Machinery & equipment	1,928,364	80,073	(48,636)	1,959,801
Infrastructure	<u>100,027,157</u>	<u>3,182,931</u>	<u>(31,200)</u>	<u>103,178,888</u>
Total capital assets depreciated	<u>104,328,862</u>	<u>3,273,004</u>	<u>(79,836)</u>	<u>107,522,030</u>
Less: Accumulated depreciation for:				
Buildings & improvements	641,801	75,349	-	717,150
Machinery & equipment	1,234,288	105,508	(48,636)	1,291,160
Infrastructure	<u>15,145,932</u>	<u>1,229,611</u>	<u>(15,593)</u>	<u>16,359,950</u>
Total accumulated depreciation	<u>17,022,021</u>	<u>1,410,468</u>	<u>(64,229)</u>	<u>18,368,260</u>
Net capital assets depreciated	<u>87,306,841</u>	<u>1,862,536</u>	<u>(15,607)</u>	<u>89,153,770</u>
Business-type Activities Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 88,299,652</u></u>	<u><u>\$ 2,525,236</u></u>	<u><u>\$ (582,034)</u></u>	<u><u>\$ 90,242,854</u></u>

Depreciation expense was charged to functions as follows.

Business-Type Activities:

Water	\$ 789,562
Sewer	<u>620,906</u>
	<u><u>\$ 1,410,468</u></u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables at December 31, 2007 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental funds:		
General	Water Utility	\$ 11,196
Enterprise funds:		
Sanitary Sewer	Water Utility	<u>45,572</u>
Subtotal - Fund Financial Statements		56,768
Less: Fund eliminations		<u>45,572</u>
Total internal balances - Government-Wide Statement of Net Assets		<u>\$ 11,196</u>

The principal purpose of these 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 assets, interfund balances owed within the governmental activities or business – type activities are netted and eliminated.

Long Term Advances

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 new TIF Districts to carry out their approved project plans and may be replaced in the future by a direct borrowing. The TIF Districts interest rate is based upon the interest rate incurred by the debt service fund on it's borrowings or the reinvestment rate available to other funds. The advance will be repaid as the proportionate principal amounts in the debt service fund are due or when available TIF Districts resources are available.

Receivable Fund	Payable Fund	Amount	Amounts not due within one year
Governmental funds:			
General fund	TIF Districts	\$ 1,000,000	\$ -
Debt service	TIF Districts	10,000,000	8,500,000
Equipment replacement	TIF Districts	1,200,000	-
Development	TIF Districts	2,900,000	-
Less: Fund eliminations		<u>(15,100,000)</u>	
Total long-term advances - Government-Wide Statement of Net Assets		<u>\$ -</u>	

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Interfund Transfers

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 service 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.

Transfers during the year ended December 31, 2007 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Enterprise - Water Utility	\$ 835,196
	Enterprise - Sanitary Sewer	2,149
Debt Service	Capital Projects - Development	422,093
	Capital Projects - Capital Improvement	1,500,000
Special Revenue:		
OPEB	General	935,000
Civic Celebrations	General	20,958
Capital Projects Funds:		
Capital Outlay	General	80,000
	Special Revenue - Civic Celebrations	54,195
Equipment Replacement	Special Revenue - Donations	-
	Special Revenue - Grants	-
Capital Improvements	TIF Districts	153,623
	Capital Projects - Development	1,237,926
	Capital Projects - Utility Improvement	862,810
Utility Improvement	TIF Districts	<u>133,855</u>
Subtotal - Fund financial statements		6,237,805
Less: Fund eliminations		(5,400,460)
Less: Government-wide eliminations		<u>(1,397,603)</u>
Total transfers - Government-wide Statement of Activities		<u>\$ (560,258)</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2007 were as follows:

	Balance 12/31/06	Additions	Deletions	Balance 12/31/07	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 41,600,000	\$ 19,925,000	\$ 11,820,000	\$ 49,705,000	\$ 3,625,000
Lease revenue debt	5,195,000	-	2,820,000	2,375,000	2,375,000
Unamortized premium	320,981	34,970	51,817	304,134	51,817
Sub-total	<u>47,115,981</u>	<u>19,959,970</u>	<u>14,691,817</u>	<u>52,384,134</u>	<u>6,051,817</u>
Compensated absences					
Accrued vacation pay	346,007	766,983	752,841	360,149	360,149
Accrued severance pay	890,427	71,560	-	961,987	-
Accrued compensatory time	88,940	216,210	193,666	111,484	111,484
Total compensated absences	<u>1,325,374</u>	<u>1,054,753</u>	<u>946,507</u>	<u>1,433,620</u>	<u>471,633</u>
Government activities					
Long-term liabilities	<u>\$ 48,441,355</u>	<u>\$ 21,014,723</u>	<u>\$ 15,638,324</u>	<u>\$ 53,817,754</u>	<u>\$ 6,523,450</u>

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

Business-type Activities

Compensated absences					
Accrued vacation pay	\$ 39,163	\$ 36,891	\$ 36,539	39,515	\$ 39,515
Accrued severance pay	66,362	3,710	-	70,072	-
Accrued compensatory time	3,068	6,499	6,465	3,102	3,102
Business-type activities					
Long-term liabilities	<u>\$ 108,593</u>	<u>\$ 47,100</u>	<u>\$ 43,004</u>	<u>\$ 112,689</u>	<u>\$ 42,617</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.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

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

<u>Type</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Interest Payable</u>	<u>Original Amount</u>	<u>Balance Outstanding 12/31</u>
General obligation promissory notes						
	5/ 1/99	3.5-4.3	5/1/00-09	5/1&11/1	\$ 7,850,000	\$ 2,250,000
	5/15/01	4.25-4.60	3/ 1/02-11	3/1& 9/1	10,000,000	7,325,000
	8/15/05	3.75-3.90	3/ 1/07-15	3/1& 9/1	10,000,000	9,950,000
	1/1/06	3.75-3.90	3/ 1/09-11	3/1& 9/1	10,000,000	10,000,000
	1/3/07	4.95	3/ 1/08-14	3/1& 9/1	10,000,000	10,000,000
General obligation refunding bonds						
	4/15/01	4.3-5.40	3/ 1/02-21	3/1& 9/1	10,000,000	255,000
	1/3/07	3.80	3/ 1/08-21	3/1& 9/1	9,925,000	<u>9,925,000</u>
						<u>\$ 49,705,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance Outstanding 12/31</u>
2007				\$ 49,705,000
2008	\$ 3,625,000	\$ 2,002,331	\$ 5,627,331	46,080,000
2009	6,315,000	1,794,341	8,109,341	39,765,000
2010	6,650,000	1,525,776	8,175,776	33,115,000
2011	8,620,000	1,204,005	9,824,005	24,495,000
2012	2,675,000	968,524	3,643,524	21,820,000
2013 - 2017	17,115,000	2,200,696	19,315,696	4,705,000
2018 - 2021	<u>4,705,000</u>	<u>356,725</u>	<u>5,061,725</u>	-
	<u>\$ 49,705,000</u>	<u>\$ 10,052,398</u>	<u>\$ 59,757,398</u>	

The City's statutory debt limit and margin of indebtedness at December 31, 2007 are \$184,452,720 and \$134,747,720, respectively.

In 2007 the City defeased certain maturities of the April 15, 2001 general obligation bonds by placing the proceeds of new debt issued in 2007 in irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, trust account assets and liability for the defeased debt is not included in the City's financial statements. At December 31, 2007 \$9,470,000 of debt outstanding has been defeased debt is callable on March 1, 2011.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

Advanced Refunding

The City issued in January 2007 \$9,925,000 in general obligation bonds with an average interest rate of 3.80% to advance refund \$9,470,000 of general obligation bonds issued on 4/15/2001 with an average interest rate of 4.75%. The net proceeds of \$9,824,005 (after payment of \$97,477 in underwriting fees, insurance and other issuance costs) plus an additional \$175,000 of debt service fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2012 to 2021 maturities of the April 2001 debt issue. As a result the 2012 to 2021 maturities of the April 2001 debt issue are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the April 2001 refunded bonds prior to the advance refunding was \$14,662,978 from 2007 through 2021. The cash flow requirements on the 2007 general obligation refunding bonds are \$13,883,243 from 2007 through 2021. The advance refunding resulted in an economic gain of \$449,595.

Lease Revenue Debt

The Authority issued Redevelopment Lease Revenue Bonds for the purpose of financing a loan from the Authority to the City to finance project costs associated with the City's Tax Incremental District #2. The bonds are not general obligations of the Authority or the City, but are secured by the obligation of the City to make payments under a lease between the Authority and the City. The lease generally provides for payments by the City to the Authority in amounts equal to the principal and interest payments on the bonds on the dates such payments are due.

<u>Type</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Interest Payable</u>	<u>Original Amount</u>	<u>Balance 12/31</u>
Redevelopment Lease Revenue Bonds						
	7/1/98	6.65-6.95	4/1/04-08	4/1&10/1	\$ 5,275,000	\$ 1,200,000
	7/1/98	3.90-5.20	4/1/99-08	4/1&10/1	18,145,000	<u>1,175,000</u>
						<u>\$ 2,375,000</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

Annual principal and interest payments to maturity on Redevelopment Lease Revenue Bonded Debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance 12/31</u>
2007				\$ 2,375,000
2008	\$ 2,375,000	\$ 69,606	\$ 2,444,606	-
	<u>\$ 2,375,000</u>	<u>\$ 69,606</u>	<u>\$ 2,444,606</u>	

Conduit Debt Obligations

Twelve series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$117,985,000 are outstanding with a December 31, 2007 balance of \$109,151,850.

G. NET ASSETS/FUND BALANCES

Governmental Activities

Government activities net assets reported on the government-wide statement of net assets at December 31, 2007 include the following:

Invested in capital assets, net of related debt	\$ 24,286,755
Land	144,154
Construction in process	84,089,845
Other capital assets, net of accumulated depreciation	(32,665,216)
Less: related long term debt outstanding	<u>75,855,538</u>
Total invested in capital assets	
Restricted for:	
Debt service	1,527,909
Library	357,875
Emergency medical services	12,354
Utility improvement	380,961
Development	2,643,952
Donations	122,049
Grants	128,795
Total restricted	<u>5,173,895</u>
Unrestricted	<u>(1,099,755)</u>
Total governmental activities net assets	<u>\$ 79,929,678</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. NET ASSETS/FUND BALANCES (continued)

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2007 include the following:

Reserved - Major funds:

General Fund - Inventories, prepaid items and encumbrances	\$ 45,990
General Fund - Advances to other funds	1,000,000
Debt Service Fund - subsequent year debt service	2,240,785
Debt Service Fund - advances to other funds	10,000,000
TIF Districts Fund - contractual obligations and debt service	10,604,000

Reserved - Non Major funds:

Special Revenue Funds:

Library services	357,875
Emergency medical services, donations and grants	263,198

Capital Projects Funds:

Equipment Replacement - Advances to other funds	1,200,000
Capital Outlay & Equipment replacement - encumbrances	95,000
Capital Improvement - contractual obligations & encumbrances	997,000
Development - Advances to other funds	2,900,000
Utility improvement	380,961
Total reserved	<u>\$ 30,084,809</u>

Unreserved Major Fund - General Fund

Designated for working capital	\$ 3,580,000
Designated for subsequent year expenditures	950,000
Undesignated	359,492
Total General Fund	<u>4,889,492</u>

Unreserved Major Fund - TIF Districts Fund

Undesignated (Deficit)	<u>(15,255,138)</u>
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Unreserved Non Major funds:

Special Revenue funds

Designated for OPEB activities	948,646
Designated for master plan activities	191,255
Designated for civic celebration activities	66,628
Total Special Revenue funds	<u>1,206,529</u>

Capital project funds:

Designated for Capital Outlay	302,740
Designated for Equipment Replacement	652,718
Undesignated deficit for Capital Improvement	(721,198)
Designated for Street Improvement	707,096
Undesignated deficit for Development	(256,048)
Total Capital Project Funds	<u>685,308</u>

Total Unreserved Funds	<u>\$ (8,473,809)</u>
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CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 5 – OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System

All eligible protective 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 are eligible to participate in the System. Covered employees in the general category are required by statute to contribute 6.0% of their salary (5.1% for protective occupations with social security, and 3.4% for protective occupations without social security) to the plan.

Employers may make these contributions to the plan on behalf of the employees. 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, 2007 was \$6,823,147; the employer's total payroll was \$12,273,468. The total required contribution paid entirely by the employer for the year ended December 31, 2007 was \$1,275,929 or 18.7% of covered payroll. Of the total required contribution, 100 percent was contributed for the current year. Total contributions for the years ended December 31, 2006 and 2005 were \$1,234,508 and \$1,156,827, respectively, equal to the required contributions for each year.

The System provides 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.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 5 – 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 non-contributory 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 50306-9396.

Employees attaining the age of 60 are entitled to annual benefits of 1.98% of average compensation multiplied by the number of complete 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 do not make pension contributions. The City contributes all amounts necessary to fund the pension plan, using the aggregate 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.

During 2007 the administrator notified the City that it was discontinuing the present administration contract under which the plan is administered effective June 30, 2008. The City will replace the administration contract during 2008 and is withholding its 2007 contribution until the new administration contract is in place.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan (continued)

Annual Pension Cost

For 2007, the City's required contribution of \$252,283 under the present administration contract was determined during a January 1, 2007 actuarial valuation using the aggregate actuarial cost method.

The City is estimating that it's annual pension cost under a new administration contract will be significantly reduced. As a result during the year ended December 31, 2007, contributions totaling \$119,125 were accrued. This will cause a net pension obligation to be incurred in 2007. The accrued employer contribution amount represented 8.2% of current year payroll compared to the 18.9% anticipated in the 2007 actuarial report.

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets ranging from 5.0% to 7.0% compounded annually, (b) projected salary increases of 2.00% per year compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 1.88% to 5.10% per year, depending on age, attributable to seniority/merit. The assumptions did 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 four-year period.

Three Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2007	\$ 252,283	47%	\$ 133,158
12/31/2006	273,116	147%	-
12/31/2005	288,381	55%	129,381

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan (continued)

Annual Pension Cost

Actual Valuation Date	Three Year Trend Information (continued)					
	(A)	(B)	(C)	(D)	(E)	(F)
	Actuarial Asset Value	Actuarial Accrued Liability (AAL) - Aggregate	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2007	\$ 3,530,385	\$ 3,663,543	\$ 133,158	100%	\$ 1,256,564	11%
1/1/2006	2,999,953	2,999,953	-	100%	1,250,874	-%
1/1/2005	2,929,045	3,058,426	129,381	96%	1,267,823	10%

There were no significant changes in actuarial assumptions during the valuation year ended January 1, 2007.

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 may but are not required to make contributions. 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 2007, the City made the required contribution amounting to \$389,408, or 10% of covered payroll and employees made \$6,847 in additional voluntary contributions to the plan. The City may make amendments to the Plan.

C. POST RETIREMENT HEALTH CARE BENEFITS

The City provides to longer term employees certain health care benefits at a reduced cost during the period from their normal retirement date until they reach age 65. The cost of this retiree health care benefit is recognized as expenditures when premiums are due. For 2007, 18 retired employees and their dependents received this benefit at a cost to the City of approximately \$122,739.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 5 – OTHER INFORMATION (continued)

C. POST RETIREMENT HEALTH CARE BENEFITS (continued)

In 2007 the City established an OPEB special revenue fund and transferred \$935,000 to it in anticipation of adopting GASB 45 treatment of post retirement health care benefits in 2008. The transfer will provide some of the funding necessary to begin funding this new liability.

D. CONTINGENCIES AND COMMITMENTS

The City at times is party to various 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 or results of operations.

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 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 owners of property that the fees were originally charged.

The City has no material outstanding contractual commitments other than disclosed in these financial statements relating to various Public Works projects and equipment purchases at December 31, 2007.

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. The State of Wisconsin is currently experiencing budget problems and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 5 – 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 losses in excess of \$50,000 per year per individual. Liabilities are reported when it is probable that loss has occurred and the amount of the loss 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 three years ended December 31, 2007 are as follows:

	<u>Beginning of Year</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year</u>
2007	\$ 396,000	\$ 2,880,177	\$ 2,880,177	\$ 396,000
2006	366,000	2,746,730	2,716,730	396,000
2005	359,500	2,618,903	2,612,403	366,000

F. RESTATEMENT OF NET ASSETS

The City has restated its December 31, 2006 governmental activities net assets to retroactively capitalize right of way, donated land, roadbed, road surface, storm sewer, sidewalks, street lights, bridges and its library collection that occurred prior to January 1, 2003 in accordance with provisions of GASB 34 regarding implementation of infrastructure assets.

Governmental Activities Net Assets	
December 31, 2006 (as previously reported)	\$ 23,844,576
Add: Land - Right of way	12,737,217
Land - donated	2,010,311
Roadbed	34,997,152
Road surface	13,295,555
Storm Sewer	2,407,461
Sidewalks	1,642,052
Street Lights	2,186,649
Bridges	748,547
Library Collection	1,220,164
Less: Accumulated Depreciation	<u>(15,321,242)</u>
	<u>\$ 79,768,442</u>

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 City Library.

Library Auxiliary Fund - This fund accounts for the City Library's donations, fines and forfeitures.

Master Plan Fund - This fund accounts for resources dedicated to improving the Comprehensive Master Plan for the City.

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

Civic Celebrations Fund - This fund accounts for activity related to the City's Fourth of July, Fiftieth Anniversary or 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 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 a every other year local road improvement grant from the State.

Utility Improvement Fund - This fund is used to account for water and sewer connection fees 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
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007

	Special Revenue Funds							Total
	OPEB Fund	Library Operating Fund	Library Auxiliary Fund	Master Plan Fund	Donation Fund	Celebrations Fund	Grant Fund	
ASSETS								
Cash and investments	\$ 948,646	\$ 229,974	\$ 91,509	\$ 191,255	\$ 122,414	\$ 66,928	\$ 139,524	\$ 1,790,250
Receivables	-	76,388	-	-	-	-	672	77,060
Accounts receivable	125,000	1,150,000	-	-	-	-	-	1,275,000
Taxes receivable	-	-	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	-	-	6,794	6,794
Due from other governments	-	-	6,590	-	-	-	-	6,590
Prepaid items	-	-	-	-	-	-	-	-
Long-term advances	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,073,646	\$ 1,456,362	\$ 98,099	\$ 191,255	\$ 122,414	\$ 66,928	\$ 146,990	\$ 3,155,694
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ -	\$ 25,517	\$ -	\$ -	\$ 365	\$ 300	\$ 5,841	\$ 32,023
Accrued liabilities	-	21,069	-	-	-	-	-	21,069
Deferred revenue	125,000	1,150,000	-	-	-	-	-	1,275,000
Total Liabilities	125,000	1,196,586	-	-	365	300	5,841	1,328,092
FUND BALANCES								
Reserved for	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-	-	-
Contractual obligations	-	-	-	-	-	-	-	-
Library services	-	259,776	98,099	-	-	-	12,354	357,875
Emergency medical services	-	-	-	-	-	-	-	12,354
Utility improvements	-	-	-	-	-	-	-	-
Donations & grants	-	-	-	-	122,049	-	128,795	250,844
Unreserved reported in								
Special Revenue Funds	948,646	-	-	191,255	-	66,628	-	1,206,529
Capital Projects Funds	-	-	-	-	-	-	-	-
Total Fund Balances	948,646	259,776	98,099	191,255	122,049	66,628	141,149	1,827,602
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,073,646	\$ 1,456,362	\$ 98,099	\$ 191,255	\$ 122,414	\$ 66,928	\$ 146,990	\$ 3,155,694

(Continued)

CITY OF FRANKLIN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2007

	Special Revenue Funds							Total
	OPEB Fund	Library Operating Fund	Library Auxiliary Fund	Master Plan Fund	Donation Fund	Civic Celebrations Fund	Grant Fund	
REVENUE								
Taxes	\$ -	\$ 1,119,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,119,000
Intergovernmental revenue	-	-	-	-	1,349	-	130,815	132,164
Public charges for services	13,646	-	-	-	-	-	-	13,646
Special assessments	-	-	-	-	-	-	-	-
Investment earnings	-	39,212	471	11,311	6,938	-	754	58,686
Miscellaneous revenue	-	95,939	69,966	-	11,946	100,071	4,647	282,569
Total Revenue	<u>13,646</u>	<u>1,254,151</u>	<u>70,437</u>	<u>11,311</u>	<u>20,233</u>	<u>100,071</u>	<u>136,216</u>	<u>1,606,065</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	11,961	-	8,089	20,050
Health and human services	-	-	-	-	492	-	77,977	78,469
Culture and recreation	-	1,093,773	22,487	-	-	105,631	-	1,221,891
Conservation and development	-	90,045	24,332	9,451	-	-	-	9,451
Capital outlay	-	-	-	-	-	-	38,063	152,440
Total Expenditures	-	<u>1,183,818</u>	<u>46,819</u>	<u>9,451</u>	<u>12,453</u>	<u>105,631</u>	<u>124,129</u>	<u>1,482,301</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	13,646	70,333	23,618	1,860	7,780	(5,560)	12,087	123,764
OTHER FINANCING SOURCES (USES)								
Transfers in	935,000	-	-	-	-	20,958	-	955,958
Transfers out	-	-	-	-	-	(54,195)	-	(54,195)
Net change in fund balances	948,646	70,333	23,618	1,860	7,780	(38,797)	12,087	1,025,527
Fund balances - beginning	-	189,443	74,481	189,395	114,269	105,425	129,062	802,075
Fund balances - ending	<u>\$ 948,646</u>	<u>\$ 259,776</u>	<u>\$ 98,099</u>	<u>\$ 191,255</u>	<u>\$ 122,049</u>	<u>\$ 66,628</u>	<u>\$ 141,149</u>	<u>\$ 1,827,602</u>

(Continued)

CITY OF FRANKLIN
General Fund

Schedule of Revenue - Budget and Actual
Year Ended December 31, 2007

	<u>Original and final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
TAXES				
General property taxes	\$ 13,602,000	\$ 13,602,000	\$ 13,615,257	\$ 13,257
Water Utility - tax equivalent	775,000	775,000	837,345	62,345
Cable TV franchise fees	340,000	340,000	349,748	9,748
Mobile home assessments	36,000	36,000	29,598	(6,402)
Motel room tax	55,000	55,000	50,328	(4,672)
	<u>14,808,000</u>	<u>14,808,000</u>	<u>14,882,276</u>	<u>74,276</u>
INTERGOVERNMENTAL REVENUE				
State shared revenue	1,009,000	1,009,000	1,007,980	(1,020)
Fire insurance - dues	120,000	120,000	107,790	(12,210)
Local, state and federal grants and aids				
Computer Aid	120,000	120,000	42,703	(77,297)
Transportation aids	1,225,000	1,225,000	1,207,239	(17,761)
Recycling	77,000	77,000	77,262	262
Other	3,000	3,000	17,490	14,490
	<u>2,554,000</u>	<u>2,554,000</u>	<u>2,460,464</u>	<u>(93,536)</u>
LICENSES, FEES AND PERMITS				
Licenses:				
Beer and Liquor	29,600	29,600	39,600	10,000
Bartenders	13,500	13,500	17,910	4,410
Amusement and related	8,300	8,300	7,205	(1,095)
Peddlers	37,000	37,000	29,225	(7,775)
Food and related	12,050	12,050	14,265	2,215
Electrical contractors	14,500	14,500	16,743	2,243
Dog and cat	11,100	11,100	9,979	(1,121)
Other	4,450	4,450	4,138	(312)
Permits:				
Building	800,000	800,000	589,430	(210,570)
Electrical	140,000	140,000	109,042	(30,958)
Plumbing	170,000	170,000	100,197	(69,803)
Fire	7,500	7,500	5,700	(1,800)
Other	36,500	36,500	35,508	(992)
	<u>1,284,500</u>	<u>1,284,500</u>	<u>978,942</u>	<u>(305,558)</u>
FINES, FORFEITURES AND PENALTIES	<u>400,000</u>	<u>400,000</u>	<u>392,451</u>	<u>(7,549)</u>

(Continued)

CITY OF FRANKLIN
General Fund

Schedule of Revenue - Budget and Actual
Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
PUBLIC CHARGES FOR SERVICES				
General government				
Property reports and document fees	\$ 15,700	\$ 15,700	\$ 8,855	\$ (6,845)
Public safety				
Police Department and related	6,000	6,000	4,176	(1,824)
Ambulance service	430,000	718,000	624,864	(93,136)
Fire Department and related	139,000	139,000	162,811	23,811
Weights and measures	6,800	6,800	-	(6,800)
Public works				
Street lighting	3,000	3,000	3,089	89
Weed cutting	25,100	25,100	5,106	(19,994)
Engineering and DPW fees	161,000	161,000	155,447	(5,553)
Landfill tippage fees	418,000	418,000	401,577	(16,423)
Health and human services				
Health Clinics and other health fees	70,000	70,000	74,397	4,397
Conservation and development				
Zoning, subdivision and other filing fees	161,000	161,000	118,856	(42,144)
	<u>1,435,600</u>	<u>1,723,600</u>	<u>1,559,178</u>	<u>(164,422)</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES	<u>572,000</u>	<u>284,000</u>	<u>426,387</u>	<u>142,387</u>
INVESTMENT EARNINGS	<u>654,500</u>	<u>654,500</u>	<u>941,177</u>	<u>286,677</u>
MISCELLANEOUS REVENUE				
Municipal property rental	50,000	50,000	34,245	(15,755)
Property sale	5,000	5,000	-	(5,000)
Refunds and reimbursements	31,500	31,500	47,171	15,671
Insurance dividend	-	-	16,549	16,549
Other revenue	23,900	23,900	31,154	7,254
	<u>110,400</u>	<u>110,400</u>	<u>129,119</u>	<u>18,719</u>
TOTAL REVENUE	<u>\$ 21,819,000</u>	<u>\$ 21,819,000</u>	<u>\$ 21,769,994</u>	<u>\$ (49,006)</u>

**CITY OF FRANKLIN
General Fund**

**Schedule of Expenditures - Budget and Actual (on a budgetary basis)
Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
CURRENT				
General Government				
Common council	\$ 130,421	\$ 130,421	\$ 117,400	\$ 13,021
Municipal court	179,038	179,038	164,520	14,518
City clerk	274,401	274,401	261,838	12,563
Elections	17,319	17,319	13,784	3,535
Information services	414,350	414,350	346,206	68,144
Administraton	428,586	428,586	430,116	(1,530)
Finance	497,197	497,197	481,781	15,416
Audit	28,050	28,050	27,265	785
Assessor	246,980	246,980	241,340	5,640
Legal counsel	210,450	229,650	229,608	42
Municipal buildings	249,575	249,575	223,610	25,965
Property and liability insurance	67,800	67,800	66,960	840
Other	1,000	2,800	10,503	(7,703)
Contingency	336,000	255,000	-	255,000
Total General Government	<u>3,081,167</u>	<u>3,021,167</u>	<u>2,614,931</u>	<u>406,236</u>
Public Safety				
Police:				
Police	7,152,903	7,152,903	6,911,548	241,355
Dispatchers	962,158	962,158	886,937	75,221
Fire				
Fire	4,964,362	4,964,362	4,967,012	(2,650)
Safety Training	4,000	4,000	2,520	1,480
Fire protection service charge	217,900	217,900	217,856	44
Building inspection	941,779	941,779	847,409	94,370
Sealer of weights and measures	6,800	6,800	6,800	-
Total Public Safety	<u>14,249,902</u>	<u>14,249,902</u>	<u>13,840,082</u>	<u>409,820</u>
Public Works				
Engineering	557,226	557,226	540,561	16,665
Highway	2,104,050	2,096,050	2,037,530	58,520
Refuse collection	1,269,396	1,269,396	1,260,090	9,306
Street lighting	262,600	262,600	253,066	9,534
Weed control	25,100	25,100	9,213	15,887
Total Public Works	<u>4,218,372</u>	<u>4,210,372</u>	<u>4,100,460</u>	<u>109,912</u>
Health and Human Services				
Public health	544,065	544,065	512,331	31,734
Animal control	39,050	39,050	41,087	(2,037)
Total Health and Human Services	<u>583,115</u>	<u>583,115</u>	<u>553,418</u>	<u>29,697</u>
Culture and Recreation				
St. Martin's fair	48,951	48,951	42,745	6,206
Civic celebrations	25,900	25,900	20,958	4,942
Senior travel program	10,000	10,000	9,540	460
Parks	116,669	116,669	161,011	(44,342)
Total Culture and Recreation	<u>201,520</u>	<u>201,520</u>	<u>234,254</u>	<u>(32,734)</u>
Conservation and Development				
City development	534,924	549,924	509,201	40,723
TOTAL EXPENDITURES	<u>\$ 22,869,000</u>	<u>\$ 22,816,000</u>	<u>\$ 21,852,346</u>	<u>\$ 963,654</u>

CITY OF FRANKLIN
Debt Service Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE				
Taxes	\$ 2,110,000	\$ 2,110,000	\$ 2,110,000	\$ -
Public charges for services - Landfill siting	388,200	388,200	398,167	9,967
Special assessments	-	-	330,866	330,866
Investment earnings	48,189	373,748	728,006	354,258
Total Revenue	<u>2,546,389</u>	<u>2,871,948</u>	<u>3,567,039</u>	<u>695,091</u>
EXPENDITURES				
Debt service				
Principal	2,350,000	2,350,000	2,350,000	-
Interest	1,069,836	1,121,388	1,122,372	(984)
Debt issuance costs	-	97,500	97,477	23
Total Expenditures	<u>3,419,836</u>	<u>3,568,888</u>	<u>3,569,849</u>	<u>(961)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(873,447)	(696,940)	(2,810)	694,130
OTHER FINANCING SOURCES (USES)				
Transfers in	482,000	1,922,000	1,922,093	93
Transfers out	-	-	-	-
General obligation debt issued	17,575,000	-	-	-
Refunding debt issued	-	9,925,000	9,925,000	-
Premium (Discount) on debt issued	-	41,700	41,670	(30)
Payment to refunding escrow agent	-	(10,041,000)	(10,040,675)	325
Net change in fund balances	17,183,553	1,150,760	1,845,278	694,518
Fund balances - beginning	<u>10,395,507</u>	<u>10,395,507</u>	<u>10,395,507</u>	<u>-</u>
Fund balances - ending	<u>\$ 27,579,060</u>	<u>\$ 11,546,267</u>	<u>\$ 12,240,785</u>	<u>\$ 694,518</u>

CITY OF FRANKLIN
Library Operating Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2007

	<u>Original and final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
REVENUE			
Taxes	\$1,119,000	\$ 1,119,000	\$ -
Investment earnings	10,600	39,212	28,612
Miscellaneous revenue	50,000	95,939	45,939
Total Revenue	<u>1,179,600</u>	<u>1,254,151</u>	<u>74,551</u>
EXPENDITURES			
Current:			
Culture and recreation	1,101,286	1,093,773	7,513
Capital outlay	78,000	90,045	(12,045)
Total Expenditures	<u>1,179,286</u>	<u>1,183,818</u>	<u>(4,532)</u>
Net change in fund balances	314	70,333	70,019
Fund balances - beginning	<u>189,443</u>	<u>189,443</u>	<u>-</u>
Fund balances - ending	<u>\$ 189,757</u>	<u>\$ 259,776</u>	<u>\$ 70,019</u>

CITY OF FRANKLIN
Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual (on a budgetary basis)
Year Ended December 31, 2007

	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	\$ 445,000	\$ 445,000	\$ 445,000	\$ -	\$ 315,000	\$ 315,000	\$ 315,000	\$ -
Intergovernmental revenue	183,200	189,600	187,107	(2,493)	-	-	-	-
Public charges for services - Landfill siting	-	-	-	-	-	-	-	-
Investment earnings	15,000	15,000	21,416	6,416	30,000	30,000	122,625	92,625
Miscellaneous revenue	30,000	30,000	87,750	57,750	10,000	21,000	14,951	(6,049)
Total Revenue	<u>673,200</u>	<u>679,600</u>	<u>741,273</u>	<u>61,673</u>	<u>355,000</u>	<u>366,000</u>	<u>452,576</u>	<u>86,576</u>
EXPENDITURES								
Capital outlay	720,750	802,610	719,053	83,557	115,000	173,000	182,454	(9,454)
Total Expenditures	<u>720,750</u>	<u>802,610</u>	<u>719,053</u>	<u>83,557</u>	<u>115,000</u>	<u>173,000</u>	<u>182,454</u>	<u>(9,454)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(47,550)	(123,010)	22,220	145,230	240,000	193,000	270,122	77,122
OTHER FINANCING SOURCES (USES)								
Transfers in	-	45,000	134,195	134,195	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Net changes in fund balances	<u>\$ (47,550)</u>	<u>\$ (78,010)</u>	<u>156,415</u>	<u>\$ 279,425</u>	<u>\$ 240,000</u>	<u>\$ 193,000</u>	<u>270,122</u>	<u>\$ 77,122</u>
Adjustments to generally accepted accounting principles basis			6,000				89,000	
2007 encumbrances			-				(600,000)	
2006 encumbrances			<u>146,325</u>				<u>2,182,596</u>	
Fund balances - beginning			<u>\$ 308,740</u>				<u>\$ 1,941,718</u>	
Fund balances - ending								

Continued

CITY OF FRANKLIN
Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual (on a budgetary basis)
Year Ended December 31, 2007

	Capital Improvement Fund			Street Improvement Fund		
	Original Budget	Final Budget	Actual	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE						
Taxes	\$ -	\$ -	\$ -	\$ 910,000	\$ 910,000	\$ -
Intergovernmental revenue	172,500	170,000	-	125,000	79,077	(45,923)
Public charges for services - Landfill siting	-	-	27,705	-	-	-
Investment earnings	50,000	50,000	83,560	30,000	60,779	30,779
Miscellaneous revenue	-	1,500	-	-	-	-
Total Revenue	<u>222,500</u>	<u>221,500</u>	<u>111,265</u>	<u>1,065,000</u>	<u>1,049,856</u>	<u>(15,144)</u>
EXPENDITURES						
Capital outlay	2,474,000	5,419,600	4,257,392	1,265,000	721,097	543,903
Total Expenditures	<u>2,474,000</u>	<u>5,419,600</u>	<u>4,257,392</u>	<u>1,265,000</u>	<u>721,097</u>	<u>543,903</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(2,251,500)	(5,198,100)	(4,146,127)	(200,000)	328,759	528,759
OTHER FINANCING SOURCES (USES)						
Transfers in	417,900	3,120,100	2,254,359	100,000	-	(100,000)
Transfers out	-	(1,500,000)	(1,500,000)	-	-	-
Net changes in fund balances	<u>\$ (1,833,600)</u>	<u>\$ (3,578,000)</u>	<u>(3,391,768)</u>	<u>\$ (100,000)</u>	<u>328,759</u>	<u>\$ 428,759</u>
Adjustments to generally accepted accounting principles basis						
2007 encumbrances			336,000			
2006 encumbrances			(83,000)			
Fund balances - beginning			<u>3,414,570</u>			
Fund balances - ending			<u>\$ 275,802</u>			

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2007

Governmental funds capital assets:

Land	\$ 24,286,755
Buildings and improvements	22,198,446
Machinery and equipment	13,685,806
Infrastructure improvements	77,748,558
Construction in process	<u>144,154</u>

Total governmental funds capital assets \$ 138,063,719

Investment in governmental capital assets by source:

General Fund	\$ 2,831,084
Special Revenue Funds	1,871,992
Capital Projects Funds	67,084,909
Donations	<u>66,275,734</u>

Total governmental funds capital assets \$ 138,063,719

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended December 31, 2007

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure Improvements	Construction In process	Total
General Government:						
Mayor	\$ -	\$ -	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	-	-	4,769	-	-	4,769
Municipal court	-	-	7,446	-	-	7,446
City clerk	-	-	7,443	-	-	7,443
Elections	-	-	36,352	-	-	36,352
Information services	-	-	323,900	-	-	323,900
Administration	-	-	249,624	-	-	249,624
Human resources	-	-	1,295	-	-	1,295
Finance	-	-	52,167	-	-	52,167
Assessor	-	-	43,681	-	-	43,681
Treasury	-	-	-	-	-	-
Attorney	-	-	906	-	-	906
Municipal buildings	597,437	3,028,152	547,868	-	-	4,173,457
Total General Government	<u>597,437</u>	<u>3,028,152</u>	<u>1,277,653</u>	<u>-</u>	<u>-</u>	<u>4,903,242</u>
Public Safety:						
Police	1,201,829	8,418,912	2,325,798	-	-	11,946,539
Fire	63,248	2,483,410	3,025,572	-	-	5,572,230
Building inspection	-	-	272,491	-	-	272,491
Total Public Safety	<u>1,265,077</u>	<u>10,902,322</u>	<u>5,623,861</u>	<u>-</u>	<u>-</u>	<u>17,791,260</u>
Public Works:						
Engineering	-	-	196,037	-	-	196,037
Highway	349,621	2,617,136	4,039,845	-	-	7,006,602
Street Lighting	-	-	1,097	-	-	1,097
Infrastructure	17,746,780	-	-	77,748,558	-	95,495,338
Construction in process	-	-	-	-	144,154	144,154
Total Public Works	<u>18,096,401</u>	<u>2,617,136</u>	<u>4,236,979</u>	<u>77,748,558</u>	<u>144,154</u>	<u>102,843,228</u>
Health & Human Services:						
Health	-	-	72,678	-	-	72,678
Culture and Recreation:						
Library	16,769	4,903,626	2,142,059	-	-	7,062,454
Parks	4,311,071	747,210	253,625	-	-	5,311,906
Total Culture and Recreation	<u>4,327,840</u>	<u>5,650,836</u>	<u>2,395,684</u>	<u>-</u>	<u>-</u>	<u>12,374,360</u>
Conservation and Development:						
Community development	-	-	-	-	-	-
Planning	-	-	78,951	-	-	78,951
Total Conservation and Development	<u>-</u>	<u>-</u>	<u>78,951</u>	<u>-</u>	<u>-</u>	<u>78,951</u>
Total governmental funds capital assets	<u>\$24,286,755</u>	<u>\$ 22,198,446</u>	<u>\$13,685,806</u>	<u>\$77,748,558</u>	<u>\$ 144,154</u>	<u>\$ 138,063,719</u>

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended December 31, 2007

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets</u>			
	<u>12/31/06</u> (Restated)	<u>Additions</u>	<u>Deletions</u>	<u>12/31/07</u>
General Government:				
Mayor	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	4,769	-	-	4,769
Municipal court	7,446	-	-	7,446
City clerk	6,435	1,008	-	7,443
Elections	36,352	-	-	36,352
Information services	326,691	35,591	38,382	323,900
Administration	586,433	(3,370)	333,439	249,624
Human resources	1,295	-	-	1,295
Finance	28,103	24,064	-	52,167
Assessor	43,681	-	-	43,681
Treasury	33,214	(20,694)	12,520	-
Attorney	1,400	-	494	906
Municipal buildings	4,321,875	(146,639)	1,779	4,173,457
Total General Government	<u>5,399,896</u>	<u>(110,040)</u>	<u>386,614</u>	<u>4,903,242</u>
Public Safety:				
Police	12,005,203	218,490	277,154	11,946,539
Fire	5,125,193	577,077	130,040	5,572,230
Building inspection	271,472	1,019	-	272,491
Total Public Safety	<u>17,401,868</u>	<u>796,586</u>	<u>407,194</u>	<u>17,791,260</u>
Public Works:				
Engineering	205,068	7,185	16,216	196,037
Highway	6,499,300	600,789	93,487	7,006,602
Street Lighting	1,097	-	-	1,097
Infrastructure	86,731,768	8,763,570	-	95,495,338
Construction in process	1,863,283	3,779,168	5,498,297	144,154
Total Public Works	<u>95,300,516</u>	<u>13,150,712</u>	<u>5,608,000</u>	<u>102,843,228</u>
Health & Human Services:				
Health	<u>48,287</u>	<u>24,391</u>	<u>-</u>	<u>72,678</u>
Culture and Recreation:				
Library	6,958,506	185,117	81,169	7,062,454
Parks	4,308,237	1,003,669	-	5,311,906
Total Culture and Recreation	<u>11,266,743</u>	<u>1,188,786</u>	<u>81,169</u>	<u>12,374,360</u>
Conservation and Development:				
City development	<u>78,951</u>	<u>-</u>	<u>-</u>	<u>78,951</u>
Total Conservation and Development	<u>78,951</u>	<u>-</u>	<u>-</u>	<u>78,951</u>
Total governmental funds capital assets	<u>\$ 129,496,261</u>	<u>\$ 15,050,435</u>	<u>\$ 6,482,977</u>	<u>\$ 138,063,719</u>

CITY OF FRANKLIN
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended December 31, 2007

PROPERTY TAX AGENCY FUND	<u>12/31/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/07</u>
ASSETS				
Cash and investments	\$ 45,596,624	\$ 74,402,599	\$ 78,050,174	\$ 41,949,049
Receivables				
Taxes receivable	9,888,126	59,605,079	51,740,152	17,753,053
Accounts receivable	3,205	-	3,205	-
Total assets	<u>\$ 55,487,955</u>	<u>\$ 134,007,678</u>	<u>\$ 129,793,531</u>	<u>\$ 59,702,102</u>
LIABILITIES				
Accounts payable	\$ 245,596	\$ 97,023	\$ 245,596	\$ 97,023
Due to other governments	55,242,359	59,605,079	55,242,359	59,605,079
Total liabilities	<u>\$ 55,487,955</u>	<u>\$ 59,702,102</u>	<u>\$ 55,487,955</u>	<u>\$ 59,702,102</u>
OTHER AGENCY FUND				
ASSETS				
Cash and investments	\$ 11,639	\$ 40,843	\$ 42,284	\$ 10,198
Accounts receivable	-	37,096	-	37,096
Total assets	<u>\$ 11,639</u>	<u>\$ 77,939</u>	<u>\$ 42,284</u>	<u>\$ 47,294</u>
LIABILITIES				
Accounts payable	\$ -	\$ 35,211	\$ -	\$ 35,211
Special deposits	11,639	75,519	75,075	12,083
Total liabilities	<u>\$ 11,639</u>	<u>\$ 110,730</u>	<u>\$ 75,075</u>	<u>\$ 47,294</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 45,608,263	\$ 74,443,442	\$ 78,092,458	\$ 41,959,247
Receivables				
Taxes receivable	9,888,126	59,605,079	51,740,152	17,753,053
Accounts receivable	3,205	37,096	3,205	37,096
Total assets	<u>\$ 55,499,594</u>	<u>\$ 134,085,617</u>	<u>\$ 129,835,815</u>	<u>\$ 59,749,396</u>
LIABILITIES				
Accounts payable	\$ 245,596	\$ 132,234	\$ 245,596	\$ 132,234
Due to other governments	55,242,359	59,605,079	55,242,359	59,605,079
Special deposits	11,639	75,519	75,075	12,083
Total liabilities	<u>55,499,594</u>	<u>59,812,832</u>	<u>55,563,030</u>	<u>59,749,396</u>
Total net assets	<u>\$ -</u>	<u>\$ 74,272,785</u>	<u>\$ 74,272,785</u>	<u>\$ -</u>

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 financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Financial Trends

Table 1

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

Table 5

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

Debt Capacity

Table 10

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 13

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 15

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.

CITY OF FRANKLIN
Net Assets by Component
Last Five Years
(accrual basis of accounting)

	Fiscal Year				
	<u>2007</u>	<u>2006</u> (Restated)	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 75,855,538	\$ 61,597,340	\$ 1,634,674	\$ (5,824,448)	\$ (18,631,637)
Restricted					
Debt service	1,527,909	2,824,089	-	-	1,167,562
Library	357,875	263,924	248,174	235,895	140,576
Utility improvements	380,961	478,801	1,129,596	765,805	1,521,678
Development	2,643,952	3,484,891	2,853,329	2,743,066	977,495
Other purposes	263,198	243,331	236,147	147,544	110,895
Unrestricted	(1,099,755)	10,876,066	10,242,063	8,907,518	10,484,263
Total governmental activities net assets	\$ 79,929,678	\$ 79,768,442	\$ 16,343,983	\$ 6,975,380	\$ (4,229,168)
Business-type activities					
Invested in capital assets, net of related debt	\$ 90,242,854	\$ 88,299,652	\$ 85,098,937	\$ 81,402,130	\$ 66,424,389
Restricted					
Utility improvements	-	-	-	-	-
Development	-	-	-	-	-
Other purposes	225,177	215,267	178,274	132,035	118,986
Unrestricted	2,342,349	2,255,577	2,380,429	2,020,798	2,253,221
Total business-type activities net assets	\$ 92,810,380	\$ 90,770,496	\$ 87,657,640	\$ 83,554,963	\$ 68,796,596
Total					
Invested in capital assets, net of related debt	\$ 166,098,392	\$ 149,896,992	\$ 86,733,611	\$ 75,577,682	\$ 47,792,752
Restricted					
Debt service	1,527,909	2,824,089	-	-	1,167,562
Library	357,875	263,924	248,174	235,895	140,576
Utility improvements	380,961	478,801	1,129,596	765,805	1,521,678
Development	2,643,952	3,484,891	2,853,329	2,743,066	977,495
Other purposes	488,375	458,598	414,421	279,579	229,881
Unrestricted	1,242,594	13,131,643	12,622,492	10,928,316	12,737,484
Total net assets	\$ 172,740,058	\$ 170,538,938	\$ 104,001,623	\$ 90,530,343	\$ 64,567,428

Note Infrastructure for the years prior to 2003 was not included in the 2003 - 2005 totals

CITY OF FRANKLIN
Changes in Net Assets, Last Five Years
 (accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
Expenses					
Governmental activities:					
General government	\$ 2,769,041	\$ 2,730,575	\$ 2,588,256	\$ 2,535,943	\$ 2,560,386
Public safety	14,387,891	13,987,313	13,533,975	13,054,488	12,344,323
Public works	6,800,767	4,709,613	4,673,462	4,152,452	3,581,846
Health and human services	630,002	572,091	510,520	538,850	574,163
Culture and recreation	1,766,274	1,873,815	1,561,066	1,428,499	1,290,360
Conservation and development	6,591,661	634,983	666,277	498,096	451,957
Interest on long term debt	2,705,294	2,574,761	2,204,881	2,345,610	2,600,130
Total governmental activities expenses	<u>35,650,930</u>	<u>27,083,151</u>	<u>25,738,437</u>	<u>24,553,938</u>	<u>23,403,165</u>
Business-type activities					
Water	3,620,524	3,342,925	3,307,057	2,572,320	2,528,709
Sewer	2,640,092	2,603,652	2,349,419	2,143,916	2,032,336
Total business-type activities expenses	<u>6,260,616</u>	<u>5,946,577</u>	<u>5,656,476</u>	<u>4,716,236</u>	<u>4,561,045</u>
Total expenses	<u>\$ 41,911,546</u>	<u>\$ 33,029,728</u>	<u>\$ 31,394,913</u>	<u>\$ 29,270,174</u>	<u>\$ 27,964,210</u>
Program Revenue					
Governmental activities:					
Charges for services:					
General government	\$ 226,496	\$ 145,072	\$ 148,803	\$ 195,401	\$ 199,732
Public safety	2,473,830	2,784,237	2,715,134	2,478,751	2,238,099
Public works	1,071,513	1,497,290	1,543,476	1,473,029	1,344,447
Health and human services	89,853	62,339	91,767	61,273	46,549
Culture and recreation	138,793	237,278	212,301	201,129	229,366
Conservation and development	127,711	138,411	72,864	116,390	114,278
Operating grants and contributions	2,957,937	2,015,885	1,838,699	1,886,800	1,623,847
Capital grants and contributions	2,753,612	4,890,241	6,728,526	10,048,400	5,465,904
Total governmental activities program revenue	<u>9,839,745</u>	<u>11,770,753</u>	<u>13,351,570</u>	<u>16,461,173</u>	<u>11,262,222</u>
Business-type activities					
Charges for services:					
Water	3,926,626	3,585,661	3,815,195	2,810,730	3,098,124
Sewer	2,029,447	1,866,703	1,732,737	1,515,084	1,508,987
Capital grants and contributions	1,629,536	1,477,041	3,181,334	13,431,131	3,292,803
Total business-type activities program revenue	<u>7,585,609</u>	<u>6,929,405</u>	<u>8,729,266</u>	<u>17,756,945</u>	<u>7,899,914</u>
Total program revenue	<u>\$ 17,425,354</u>	<u>\$ 18,700,158</u>	<u>\$ 22,080,836</u>	<u>\$ 34,218,118</u>	<u>\$ 19,162,136</u>

continued

CITY OF FRANKLIN
Changes in Net Assets, Last Five Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
Net (Expense)/Revenue					
Governmental activities	\$ (25,811,185)	\$ (15,312,398)	\$ (12,386,867)	\$ (8,092,765)	\$ (12,140,943)
Business-type activities	1,324,993	982,828	3,072,790	13,040,709	3,338,869
Total net expense	\$ (24,486,192)	\$ (14,329,570)	\$ (9,314,077)	\$ 4,947,944	\$ (8,802,074)
General Revenue and other Changes in Net Assets					
Governmental activities:					
Property taxes levied for general purposes	\$ 16,404,257	\$ 15,350,390	\$ 14,576,053	\$ 13,397,596	\$ 12,873,459
Property taxes levied for debt service	2,110,000	2,210,000	2,310,000	2,410,211	2,610,624
Property taxes levied for TIF Districts	3,127,116	2,860,368	2,919,738	2,729,979	2,631,082
Other taxes	429,674	419,168	381,116	376,038	352,280
Intergovernmental revenue not restricted to specific programs	1,461,840	1,334,594	1,271,794	1,335,925	1,593,937
Investment earnings	2,547,179	2,531,912	1,111,774	516,683	573,903
Miscellaneous revenue	452,613	77,294	119,276	164,526	233,884
Transfers	(560,258)	(1,970,735)	(934,281)	(1,633,645)	(1,583,871)
Total governmental activities	25,972,421	22,812,991	21,755,470	19,297,313	19,285,298
Business-type activities:					
Investment earnings	113,197	112,453	44,096	18,455	18,399
Miscellaneous revenue	41,436	46,840	51,510	65,558	53,774
Transfers	560,258	1,970,735	934,281	1,633,645	1,583,871
Total business-type activities	714,891	2,130,028	1,029,887	1,717,658	1,656,044
Total	\$ 26,687,312	\$ 24,943,019	\$ 22,785,357	\$ 21,014,971	\$ 20,941,342
Change in Net Assets					
Governmental activities	\$ 161,236	\$ 7,500,593	\$ 9,368,603	\$ 11,204,548	\$ 7,144,355
Business-type activities:	2,039,884	3,112,856	4,102,677	14,758,367	4,994,913
Total	\$ 2,201,120	\$ 10,613,449	\$ 13,471,280	\$ 25,962,915	\$ 12,139,268

CITY OF FRANKLIN

Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved for:										
Inventories and prepaid items	\$ 24,990	\$ 31,870	\$ 38,391	\$ 28,928	\$ 13,691	\$ 20,876	\$ 12,355	\$ 18,950	\$ 13,479	\$ 25,520
Encumbrances	21,000	10,000	19,000	103,000	-	90,000	102,000	53,000	119,500	35,000
Advances to other funds	1,000,000	700,000	-	-	-	1,200,000	-	-	-	-
Unreserved	4,889,492	6,279,964	6,411,669	6,150,910	6,092,549	4,236,941	4,624,529	4,882,489	3,767,517	3,483,639
Total general fund	5,935,482	7,021,834	6,469,060	6,282,838	6,106,240	5,547,817	4,738,884	4,954,439	3,900,496	3,544,159
All other government funds										
Reserved for:										
Encumbrances and prepaids	431,000	687,100	211,032	16,000	22,000	120,000	1,608,000	3,346,743	1,909,181	180,579
Advances to other funds	14,100,000	6,928,769	6,717,987	-	-	-	-	-	-	-
Contractual obligations	1,265,000	1,849,000	623,142	208,274	101,096	1,380,000	1,513,971	4,669,590	293,171	274,896
Debt service	12,240,785	3,466,738	2,001,554	126,566	1,572,038	2,177,942	1,397,696	1,445,005	1,622,485	1,531,724
Library services	357,875	259,824	-	-	-	-	-	-	-	-
Emergency medical services	12,354	11,452	16,624	11,261	14,334	11,035	10,329	5,107	13,691	22,017
Utility improvements	380,961	478,801	1,129,596	765,805	1,521,678	2,379,691	2,425,482	2,552,082	2,455,853	2,028,873
Development	-	3,484,891	2,853,329	2,743,066	977,495	706,055	346,290	1,021,678	1,504,150	1,037,465
Donations & grants	250,844	231,879	167,834	136,283	96,561	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,206,529	294,820	218,770	184,079	122,892	217,953	1,510,705	1,762,883	1,703,954	1,655,562
Capital projects funds	(14,569,830)	(979,643)	5,158,222	3,680,288	4,535,777	1,580,555	3,381,858	743,576	1,173,283	332,954
Total all other government funds	15,675,518	16,713,631	19,098,090	7,871,622	8,963,871	8,573,231	12,194,331	15,546,664	10,675,768	7,064,070
Total fund balances	\$ 21,611,000	\$ 23,735,465	\$ 25,567,150	\$ 14,154,460	\$ 15,070,111	\$ 14,121,048	\$ 16,933,215	\$ 20,501,103	\$ 14,576,264	\$ 10,608,229

* Prior to 2002 the Sanitary Service Fund was accounted for as a Special Revenue Fund. In 2002 it was restated and reported as an Enterprise Fund.

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenue										
Taxes	\$ 22,071,047	\$ 20,839,926	\$ 20,186,907	\$ 16,183,845	\$ 15,836,363	\$ 15,363,328	\$ 14,063,238	\$ 12,347,118	\$ 10,905,928	\$ 10,327,052
Intergovernmental revenue	4,269,969	3,088,814	2,917,513	3,065,509	3,067,155	3,051,785	2,430,911	2,477,565	2,625,717	2,396,372
Licenses and permits	978,942	1,386,588	1,486,966	1,258,457	1,030,984	1,254,563	1,029,645	993,387	1,093,408	1,105,878
Fines, forfeitures and penalties	392,451	332,090	361,656	397,169	362,638	414,878	440,039	419,194	518,050	291,751
Public charges for services	1,998,696	2,160,144	2,087,870	2,063,984	1,883,878	1,642,046	2,980,283	2,896,031	2,247,268	2,153,083
Special assessments	1,581,962	3,688,746	3,620,814	3,787,927	3,213,453	2,230,968	2,068,979	1,714,101	1,717,424	1,935,061
Intergovernmental charges for services	426,387	574,895	591,834	575,009	628,953	607,395	592,155	574,219	563,627	535,871
Investment earnings	2,513,703	2,504,185	1,127,163	495,190	604,777	1,472,269	2,492,397	2,692,823	1,631,358	1,584,248
Miscellaneous revenue	934,141	752,207	806,105	447,992	531,152	5,094	237,862	230,000	151,200	147,000
Total revenue	35,167,298	35,327,535	33,186,828	28,275,082	27,159,353	26,042,326	26,335,509	24,344,438	21,453,980	20,476,316
Expenditures										
Current										
General government	2,609,731	2,487,071	2,314,862	2,262,025	2,293,969	2,069,034	2,442,096	2,394,779	2,152,603	2,031,206
Public safety	13,856,032	13,239,602	12,677,768	12,109,107	11,250,298	10,589,766	9,739,870	8,552,675	7,745,359	7,253,571
Public works	4,110,460	4,039,438	3,746,773	3,580,392	3,395,468	3,134,753	4,654,552	4,118,938	3,723,049	3,605,266
Health and human services	631,887	572,918	499,496	531,422	558,538	496,220	463,430	410,470	404,047	370,082
Culture, recreation and education	1,436,987	1,568,591	1,270,440	1,135,822	1,075,349	1,081,661	938,043	747,812	686,083	662,658
Conservation and development	6,587,035	628,634	654,928	378,216	434,087	382,853	519,149	408,818	367,056	263,411
Capital outlay	10,931,589	8,882,837	3,735,408	2,248,893	1,497,147	5,834,266	16,697,369	8,490,538	7,525,477	4,157,325
Debt service	5,170,000	4,050,000	4,215,000	4,000,000	2,660,000	2,050,000	2,800,000	2,210,000	2,005,000	1,980,000
Principal	2,584,080	2,838,291	2,123,340	1,311,211	1,481,563	1,519,296	1,648,888	1,085,569	727,271	675,128
Interest	130,602	35,700	46,250	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	48,048,403	38,343,082	31,284,265	27,557,088	24,626,419	27,157,849	39,903,397	28,419,599	25,335,945	20,998,647
Excess of revenue over (under) expenditures	(12,881,105)	(3,015,547)	1,902,563	717,994	2,532,934	(1,115,523)	(13,567,888)	(4,075,161)	(3,881,965)	(522,331)
Other financing sources (uses)										
Debt issued	10,000,000	10,000,000	10,000,000	-	-	-	20,000,000	10,000,000	7,850,000	-
Refunding debt issued	9,925,000	-	-	-	-	-	-	-	-	-
Premium on debt issued	34,970	176,524	204,561	-	-	-	-	-	-	-
Payment to refunding escrow agent	(10,040,675)	-	-	-	-	-	(10,000,000)	-	-	-
Principal payment on current refunding	6,237,805	3,957,696	3,486,467	3,273,639	7,213,563	1,389,971	4,588,401	3,364,154	1,376,635	1,057,769
Transfers in	(5,400,460)	(3,180,358)	(4,420,748)	(4,907,284)	(8,737,434)	(1,389,971)	(4,588,401)	(3,364,154)	(1,376,635)	(1,057,769)
Transfers out	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (2,124,465)	\$ (1,831,665)	\$ 11,172,843	\$ (915,651)	\$ 949,063	\$ (1,115,523)	\$ (3,567,888)	\$ 5,924,839	\$ 3,968,035	\$ (522,331)
Debt service as a percentage of non capital expenditures	21.2%	23.5%	23.2%	21.0%	17.8%	16.7%	19.2%	16.5%	15.3%	15.8%

CITY OF FRANKLIN

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				
2007	\$ 3,510,260,140	\$ 3,614,744,300	\$ 71,027,000	\$ 74,310,100	\$ 3,581,287,140	\$ 5.78	\$ 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%
2004	2,490,166,000	2,631,564,000	50,652,170	50,381,500	2,540,818,170	6.95	2,681,945,500	94.74%
2003 *	2,372,417,000	2,341,523,800	55,465,640	59,241,700	2,427,882,640	6.80	2,400,765,500	101.13%
2002	1,941,915,300	2,163,203,000	53,763,740	59,807,500	1,995,679,040	8.17	2,223,010,500	89.77%
2001	1,879,099,900	1,972,111,000	51,974,570	54,560,300	1,931,074,470	8.06	2,026,671,300	95.28%
2000 *	1,799,970,800	1,820,406,200	50,301,130	51,132,100	1,850,271,930	7.61	1,871,538,300	98.86%
1999	1,567,625,300	1,665,355,900	46,380,610	48,548,400	1,614,005,910	7.59	1,713,904,300	94.17%
1998 *	1,476,480,400	1,477,089,900	44,525,240	48,421,900	1,521,005,640	7.05	1,525,511,800	99.70%

Assessed Valuation by School District - 2007

* Reassessment year	Oak Creek/		Total
	Franklin School District	Whitnall School District	
Within sewerage district	\$ 2,629,859,740	\$ 586,679,800	\$ 239,146,900
Outside sewerage district	102,390,700	23,210,000	-
Total	\$ 2,732,250,440	\$ 609,889,800	\$ 239,146,900
			\$ 3,455,686,440
			125,600,700
			\$ 3,581,287,140

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

Estimated Actual Property Value and Construction Data
Last Ten Years

Fiscal year	(1)				(2)			
	Estimate Actual Property value				Residential Construction	Nonresidential Construction	Value	
	Residential	Commercial and Manufacturing	Agricultural, Swamp and Other	Total				# of Units
2007	\$ 2,751,324,400	\$ 844,563,800	\$ 18,856,100	\$ 3,614,744,300	99	49	\$ 20,017,954	\$ 39,920,210
2006	2,611,111,600	769,933,200	25,208,000	3,406,252,800	308	91	55,690,187	116,376,447
2005	2,236,076,000	696,096,000	23,132,500	2,955,304,500	458	49	86,085,165	49,075,431
2004	2,012,614,000	594,978,200	23,971,800	2,631,564,000	503	55	74,586,030	14,352,822
2003	1,787,275,700	530,582,600	23,665,500	2,341,523,800	349	16	48,274,386	47,915,016
2002	1,670,088,100	468,985,700	24,129,200	2,163,203,000	333	41	46,788,277	99,018,727
2001	1,512,872,800	436,680,100	22,558,100	1,972,111,000	362	49	48,697,266	18,557,129
2000	1,371,755,900	428,038,100	20,612,200	1,820,406,200	391	67	45,645,198	15,310,444
1999	1,285,963,000	355,905,700	23,487,200	1,665,355,900	455	82	54,801,996	24,059,762
1998	1,154,902,500	299,542,300	22,645,100	1,477,089,900	353	68	43,582,213	42,380,268

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

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

CITY OF FRANKLIN

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 (**)										
	General		OPEB		Library		Debt Service		Capital Outlay		Equipment Revolving		Street Improvement		Total		School Districts		Milwaukee Area		Milwaukee Metropolitan Sewerage District		State			
2008	\$ 4.29	\$ 0.04	\$ 0.34	\$ 0.59	\$ 0.14	\$ 0.10	\$ 0.28	\$ 5.78	\$ 10.98	\$ 7.85	\$ 9.40	\$ (1.52)	\$ 1.83	\$ 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									
2005	5.06	-	0.40	0.95	0.14	0.10	0.30	6.95	12.61	7.93	11.30	(1.50)	2.05	4.81	1.62	0.21	26.75									
2004 *	4.88	-	0.38	1.04	0.09	0.11	0.30	6.80	12.74	8.42	10.80	(1.55)	1.95	4.72	1.57	0.20	26.43									
2003	5.67	-	0.45	1.37	0.20	0.14	0.34	8.17	13.86	10.19	12.71	(1.92)	2.24	5.67	1.89	0.22	30.13									
2002	5.32	-	0.43	1.52	0.26	0.25	0.28	8.06	14.50	9.95	12.52	(1.99)	2.13	5.65	1.78	0.21	30.34									
2001 *	5.80	-	-	1.25	-	0.36	0.20	7.61	13.89	8.98	13.22	(2.10)	2.05	5.60	1.72	0.20	28.97									
2000	5.87	-	-	1.14	-	0.37	0.21	7.59	16.19	9.13	13.48	(2.39)	2.17	5.83	1.81	0.21	31.41									
1999 *	5.34	-	-	1.13	-	0.36	0.22	7.05	16.68	9.26	13.43	(2.39)	2.00	5.68	1.70	0.20	30.92									

Note: * Reassessment impact

** The City has five 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

Table 8

CITY OF FRANKLIN

Principal Property Tax Payers
Current year and Nine Years Ago

Taxpayer	Type of Business	2007			1998		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Northwestern Mutual	Insurance Services	\$ 79,933,200	1	2.23%	\$ -	-	-
Covenant Health Care System	Medical facilities	20,465,300	2	0.57%	-	-	-
Whitnall Pointe Apartments	Apartments	20,326,600	3	0.57%	16,452,220	2	1.08%
VTLC Development	Packaging Manufacturing	19,430,600	4	0.54%	-	3	1.02%
Manchester Oaks	Apartments	19,314,800	5	0.54%	15,492,960	4	0.82%
Wal-Mart	Retailer	18,882,200	6	0.53%	12,504,420	4	-
Menard Inc	Retail - Home Improvement	15,013,000	7	0.42%	-	1	1.12%
Harley Davidson	Motorcycle manufacturing	14,673,300	8	0.41%	17,039,200	8	0.45%
All Glass Aquarium	Aquariums and fluorescent lights	13,210,800	9	0.37%	6,839,900	6	0.69%
Waste Management	Landfill and refuse collection	13,181,300	10	0.37%	10,558,720	5	0.80%
Krones Inc	High speed labeling and filler machines	-	-	-	12,178,000	7	0.59%
Mission Hills Apts	Apartments	-	-	0.00%	8,936,120	9	0.41%
Franklin Plaza	Retail shopping	-	-	-	6,256,400	10	0.39%
O'Braun Corporation	Retail shopping	-	-	-	5,966,400	-	-
		<u>\$ 234,431,100</u>		6.55%	<u>\$ 112,224,340</u>		7.37%

CITY OF FRANKLIN
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			
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
2004	2,729,979	15,813,611	18,543,590	18,537,786	99.97%	65,425
2003	2,631,082	15,606,851	18,237,933	18,115,165	99.33%	57,488
2002	2,686,561	14,861,543	17,548,104	17,483,984	99.63%	83,606
2001	2,220,643	13,487,899	15,708,542	15,717,957	100.06%	51,020
2000	1,886,513	11,780,580	13,667,093	13,668,358	100.01%	32,365
1999	1,434,790	10,369,960	11,804,750	11,781,618	99.80%	42,827
1998	799,660	9,782,325	10,581,985	10,577,203	99.95%	40,742

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

Ratios of Net General Bonded Debt Outstanding
Last Ten Years

Fiscal year	General Bonded Debt				Business-type		Total General Bonded Debt	Less Debt Service Fund Balances	Less Amounts due from Tax Incremental Financing Districts	Less Amounts due from Future Development	Net General Bonded Debt	Percent of Estimated Actual Property Value	Percent of Personal Income	Per Capita
	Governmental		Water		General Obligations Notes	Lease Revenue Bonds								
	General Obligations Notes	General Obligations Notes	General Obligations Notes	General Obligations Notes										
2007	\$ 10,180,000	\$ 39,525,000	\$ 2,375,000	\$ -	\$ 52,080,000	\$ (12,240,785)	\$ (22,375,000)	\$ (4,294,700)	\$ 13,169,515	0.36%	N/A	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		
2004	10,725,000	14,075,000	20,030,000	-	44,830,000	(126,566)	(20,030,000)	(4,943,000)	19,730,434	0.75%	2.21%	620		
2003	11,075,000	17,725,000	22,270,000	-	51,070,000	(1,572,038)	(22,270,000)	(5,028,767)	22,199,195	0.95%	2.58%	705		
2002	11,425,000	20,035,000	23,570,000	940,000	55,970,000	(2,177,942)	(23,570,000)	(5,132,500)	25,089,558	1.16%	3.00%	816		
2001	11,750,000	21,760,000	24,655,000	990,000	59,155,000	(1,397,696)	(24,655,000)	-	33,102,304	1.68%	4.15%	1,096		
2000	2,050,000	24,260,000	25,270,000	1,040,000	52,620,000	(1,445,005)	(25,270,000)	-	25,904,995	1.42%	3.06%	878		
1999	2,350,000	16,170,000	25,645,000	1,085,000	45,250,000	(1,622,485)	(25,645,000)	-	17,982,515	1.08%	2.45%	647		
1998	2,650,000	10,025,000	26,210,000	1,130,000	40,015,000	(1,531,724)	(26,210,000)	-	12,273,276	0.83%	1.81%	451		

(1) Estimated Actual Property values are found in Table 6

(2) Population and personal income can be found in Table 13

Notes: In 2007 the City issued \$19,925,000. Proceeds of \$9,925M were used to refinance existing general obligation bonds
 In 2006 the City issued \$10,000,000. Proceeds were used to refinance existing lease revenue bonds
 In 2005 the City issued \$10,000,000. Proceeds were used to provide funding for two new TIF Districts and public works projects.
 In 2002 the City established an impact fee ordinance that allows for new development to pay for a portion of the police station, fire station and library
 In 2001 the City issued \$10,000,000. Proceeds were used for building a new library, fire station and public works projects
 In 2000 the City issued \$10,000,000. Proceeds were used for building a new police station
 In 1999 the City issued \$7,850,000. Proceeds were used for public works projects

CITY OF FRANKLIN
SCHEDULE OF DIRECT AND OVERLAPPING DEBT
 December 31, 2007

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to City	Amount applicable to City	School Districts		MATC	MMSD	Overlapping Debt Total	City of Franklin	Total
				Franklin	Whitnall Oak Creek/Franklin					
Milwaukee County	\$ 452,851,379	5.3920%	\$ 24,417,746							
Whitnall School District	3,945,000	14.8123%	584,345							
Oak Creek - Franklin School District	63,225,000	14.7364%	9,317,100							
Franklin School District	16,615,000	100.0000%	16,615,000							
Milwaukee Area Technical College	60,890,000	4.4230%	2,693,188							
Milwaukee Metropolitan Sewerage District	768,559,326	5.3181%	40,872,492							
Total Overlapping Debt	1,366,085,705		94,499,871							
City of Franklin	49,705,000	100.0000%	49,705,000							
Total	\$ 1,415,790,705		\$ 144,204,871							
History	Milwaukee County	Franklin	Whitnall	Oak Creek/Franklin	MATC	MMSD	Overlapping Debt Total	City of Franklin	Total	
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	
2004	24,242,972	24,505,000	984,609	4,397,036	3,067,016	34,910,053	92,106,686	24,800,000	116,906,686	
2003	23,590,876	26,800,000	1,085,129	3,890,811	3,105,710	32,092,924	90,565,450	28,800,000	119,365,450	
2002	24,017,363	28,970,000	1,217,714	4,182,879	3,138,871	26,420,585	87,947,412	32,400,000	120,347,412	
2001	23,253,427	31,050,000	1,291,253	4,270,581	3,180,458	24,232,203	87,277,922	34,500,000	121,777,922	
2000	23,732,320	32,330,000	1,538,775	1,369,729	3,118,897	19,375,672	81,465,393	27,350,000	108,815,393	
1999	21,314,924	34,201,668	1,587,855	1,596,901	3,141,971	18,397,065	80,240,384	19,605,000	99,845,384	
1998	21,385,757	36,185,689	494,994	1,425,085	2,428,633	17,867,853	79,788,011	13,805,000	93,593,011	

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.

CITY OF FRANKLIN
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
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%
2004	2,681,945,500	134,097,275	24,800,000	109,297,275	18.49%
2003	2,400,765,500	120,038,275	28,800,000	91,238,275	23.99%
2002	2,223,010,500	111,150,525	32,400,000	78,750,525	29.15%
2001	2,026,671,300	101,333,565	34,500,000	66,833,565	34.05%
2000	1,871,538,300	93,576,915	27,350,000	66,226,915	29.23%
1999	1,713,904,300	85,695,215	19,605,000	66,090,215	22.88%
1998	1,525,511,800	76,275,590	13,805,000	62,470,590	18.10%

(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.

Table 13

CITY OF FRANKLIN

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	State of Wisconsin	City of Franklin	Milwaukee County	State of Wisconsin
2007	33,380	N/A	N/A	N/A	N/A	3.7%	5.3%	4.6%
2006	33,000	\$ 1,091,761,153	\$ 33,084	\$ 20,782	\$ 23,845	3.1%	5.3%	4.5%
2005	32,548	951,934,636	29,247	19,372	22,214	3.4%	5.2%	4.5%
2004	31,804	893,501,576	28,094	18,240	21,055	3.5%	5.2%	4.3%
2003	31,467	859,395,237	27,311	17,900	20,606	4.6%	5.9%	4.9%
2002	30,749	836,126,808	27,192	17,492	19,809	4.9%	6.5%	5.3%
2001	30,199	796,951,610	26,390	18,082	20,091	3.5%	5.6%	4.6%
2000	29,494	846,536,788	28,702	18,067	20,503	2.6%	4.7%	3.5%
1999	27,780	733,225,320	26,394	17,400	19,657	2.2%	3.8%	3.0%
1998	27,186	678,616,932	24,962	16,342	18,275	2.3%	4.0%	3.4%

- (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

Principal Employers

Current year and Nine Years Ago

Taxpayer	Type of Business	2007				1998			
		Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment		
Northwestern Mutual	Insurance/Investment Services	1,100	1	6.08%	-	-	-	-	
Franklin Public Schools	K-12 Education	580	2	3.21%	524	3	3.31%		
Milwaukee County	Government	465	3	2.57%	500	4	3.16%		
House of Correction	Off-road engine components	400	4	2.21%	550	2	3.48%		
General Automotive Mfg LLC	High speed labeling machines	390	5	2.16%	795	1	5.03%		
Krones, Incorporated	and high speed filler								
Waste Management	Landfill and refuse collection	340	6	1.88%	-	-	-		
Conway Transport	General Freight Trucking	300	7	1.66%	-	-	-		
City of Franklin	Government	257	8	1.42%	220	7	1.39%		
Wal-Mart	Retailer	250	9	1.38%	392	5	2.48%		
Harley Davidson	Distribution Center	200	10	1.11%	-	-	-		
All Glass Aquarium	Aquariums and fluorescent lights	-	-	-	350	6	2.21%		
Electronic Cable Specialists	Wire harnesses	-	-	-	220	8	1.39%		
Vesta Inc	Silicone rubber molded products	-	-	-	200	9	1.27%		
Supersaver Foods	Retail grocery store	-	-	-	200	10	1.27%		
		4,282		23.68%	3,951		25.00%		

Source: Past Debt offering Official Statements and employer surveys

Table 15

CITY OF FRANKLIN

Full-time Equivalent City Government Employees by Function
Last Ten Years

Department	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Government											
Common Council	0.48	0.48	0.48						0.20	0.20	0.20
Municipal Buildings	2.00	2.00	2.00	0.50	0.45	0.45	0.45	0.20	0.20	0.20	0.20
Clerk ¹	3.53	3.53	3.50	3.50	3.50	3.50	3.50	3.50	3.50	5.50	5.00
Information Services	-	-	-	-	-	-	-	1.00	2.00	1.00	1.00
Administration ¹	3.80	3.80	3.80	3.75	3.25	3.00	3.00	3.00	3.00	-	-
Finance	7.10	7.30	7.30	7.45	7.45	7.18	7.38	7.38	7.33	6.76	6.74
Assessor	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Municipal Buildings	4.83	4.83	4.90	4.68	4.68	5.06	4.56	4.06	3.06	2.58	2.58
Total General Government	22.74	22.94	22.98	20.88	21.33	21.19	20.89	21.14	21.09	18.04	17.52
Public Safety											
Police	77.25	77.25	77.25	78.75	78.75	78.75	78.75	76.75	76.50	71.50	66.50
Fire	46.45	45.45	44.00	44.00	44.00	44.00	44.50	44.00	38.00	34.50	31.50
Paid on Call Fire	-	-	-	-	-	-	6.00	6.00	21.00	35.00	45.00
Building Inspection	10.00	10.00	10.00	12.00	11.00	12.00	11.00	11.00	11.00	10.38	9.38
Total Public Safety	133.70	132.70	131.25	134.75	133.75	134.75	140.25	137.75	146.50	151.38	152.38
Public Works											
Engineering	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	8.70	8.70	7.35
Highway	22.00	22.00	22.00	22.00	21.00	22.00	21.00	19.75	19.75	18.75	16.75
Parks	2.27	1.79	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Total Public Works	34.07	33.59	33.05	33.05	32.05	33.05	32.05	30.80	29.70	28.70	25.35
Public Health	6.50	6.63	6.50	6.50	6.35	6.35	6.35	6.16	6.16	6.10	6.00
City Development	7.60	7.60	6.60	6.60	5.21	6.49	5.84	5.09	5.15	3.90	3.95
Total General Fund	204.61	203.46	200.38	201.78	198.69	201.83	205.38	200.94	208.60	208.12	205.20
Public Health - Grant	-	-	-	0.25	0.60	0.60	0.60	0.60	-	-	-
Library	17.20	17.22	16.92	16.10	15.59	15.04	15.29	12.81	11.77	10.15	10.37
Sewer & Water	12.85	12.85	12.85	11.10	10.80	9.80	10.75	9.75	9.75	8.75	8.75
Total (including paid on call)	234.66	233.53	230.15	229.23	225.68	227.27	232.02	224.10	230.12	227.02	224.32
Total FTE's	234.66	233.53	230.15	229.23	225.68	227.27	226.02	218.10	209.12	192.02	179.32

¹ Prior to 2000 the Clerk Department and included the Administration and Human Resource position² Prior to 2001 the Library was part of the General Fund

CITY OF FRANKLIN

Operating Indicators by Function/Program
Last Ten Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police	900	764	775	765	822	681	754	743	743	726
Part 1 Major Crimes	1,608	2,021	1,954	1,754	1,682	1,817	2,282	2,114	1,772	1,552
Arrests	6,800	5,191	5,945	6,740	5,403	6,460	6,882	7,181	5,191	3,706
Traffic Citations	1,600	1,539	2,076	1,892	1,732	1,899	1,919	1,787	1,492	1,739
Parking Citations	28,000	27,474	-	-	-	-	-	-	-	-
Call for service	86,922	81,500	77,146	81,790	87,053	82,488	83,268	79,654	73,486	68,595
Call to Dispatch	59	59	59	59	59	59	59	55	55	50
Number of sworn officers										
Fire	583	588	514	557	531	463	510	559	551	495
Fire Responses	2,779	2,526	2,451	2,225	2,114	2,235	2,163	1,896	1,653	1,409
EMS Responses	2,400	2,267	2,056	1,800	1,770	1,610	1,593	1,376	1,436	1,203
Fire Inspections	46	45	43	43	43	43	43	37	33	30
Number of full-time firefighters	-	-	-	-	-	6	6	21	35	45
Number of paid on call firefighters										
Highway	35	21	19	17	21	15	19	12	11	10
Miles of crack sealing	460	1,640	823	988	1,101	1,000	1,058	852	299	150
Tress pruned	152	150	150	150	149	147	145	140	130	123
Vehicles maintained										
Solid Waste	8,400	8,368	8,296	8,372	5,722	6,669	6,992	7,008	7,013	5,958
Non-recyclable refuse collected (tons)	3,100	3,108	3,132	3,097	2,617	2,810	2,451	2,502	2,307	2,372
Recyclables collected (tons)	210	208	193	246	277	282	84	250	175	294
Yard Waste (tons)										
Health	1,500	1,602	1,440	946	660	605	690	817	913	818
Home Visits	3,250	3,004	3,140	2,550	3,088	2,877	2,376	2,678	2,886	3,095
Immunization Clinic visits	450	393	420	454	483	420	430	446	408	365
Sanitarian Inspections										
Animal Control	205	194	208	214	175	193	190	170	174	186
Animal Control Pickups										
Library	468,000	465,468	452,382	434,568	400,986	350,000	269,549	231,220	200,657	176,565
Circulation	125,780	120,724	117,804	110,376	65,000	60,000	56,000	54,038	52,023	46,719
Collection size	54,000	51,187	46,364	39,059	35,050	21,145	8,133	7,067	4,318	-
Internet use										
Sanitary Sewer	9,759	9,567	9,216	8,769	8,580	8,380	8,075	7,794	7,561	7,219
Number of Customers	300,000	119,200	317,042	222,461	247,681	217,000	230,000	314,500	224,120	227,040
Feet of sewer cleaned										
Water	7,561	7,288	6,930	5,311	4,695	4,670	4,572	4,460	3,931	3,640
Number of Customers -average	2,507,000	2,269,000	2,519,000	1,929,000	1,864,000	1,875,000	1,815,000	1,618,000	1,602,000	1,360,000
Average daily consumption	6,097,420	5,023,029	5,737,376	4,612,000	5,270,000	5,063,000	5,159,000	2,589,000	3,422,000	4,044,000
Peak daily Consumption										

Table 17

CITY OF FRANKLIN

Capital Asset Statistics by Function/Program
Last Ten Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
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:										
Total acres	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180
Taxable acres (approximate)	15,634	15,642	17,700	17,700	17,700	17,700	17,300	17,300	17,300	17,300
Acres developed (approximate)	10,878	10,210	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200
Acres in park and open space	3,851	3,684	3,500	3,500	3,500	3,500	3,500	3,500	3,500	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	23.14	23.14	23.14
Local	165.31	164.74	162.78	159.85	155.68	152.55	150.89	149.29	147.48	138.38
Fire protection and ambulance service:										
Number of manned fire stations	3	3	3	3	3	3	3	2	2	2
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	181	180	176	163	154	147	144	144	143	141
Miles of watermain	163	157	154	124	98	95	89	89	82	78
Number of fire hydrants	2,058	1,956	1,890	1,726	1,362	1,295	1,242	1,186	1,084	1,024
Recreation and culture:										
Number of trails	4	3	3	2	2	2	2	2	2	2
Number of city parks	12	11	11	11	11	11	11	11	10	10
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	-	-	-	-
Fire Stations	26,480	26,480	26,480	26,480	26,480	26,480	21,060	21,060	21,060	21,060
Library	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