

## Management's Discussion and Analysis (Unaudited)

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2010, by \$193,508,767 (**net assets**). Of this amount, \$7,665,103 (**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 \$9,804,559. Investment in capital assets, net of related debt increased by \$3,510,007, while unrestricted net assets increased by \$2,764,705 and restricted net assets increased by \$3,529,847. The reduction in debt was the primary reason that the investment in capital assets, net of related debt increased. The unrestricted increase was due to TIF District revenues exceeding expenses and an increase in the General fund. The restricted increase was due to an increase in development receipts.
- The City's governmental funds reported, as of December 31, 2010, combined ending fund balances of \$22,129,948, an increase of \$5,248,006 from the prior year. The increase was primarily due to the receipt of revenue in the TIF Districts and debt service funds which was applied to the repayment of debt. There was an (**unreserved fund balance**) in total of \$5,858,789 made up of a \$2,251,592 deficit in the TIF Districts fund and unreserved fund balances in other funds amounting to \$8,110,381 or approximately 37 percent of the total fund balance that is available for spending at the government's discretion.
- The unreserved fund balance as of December 31, 2010 for the general fund was \$5,381,412 or approximately 22 percent of total anticipated 2011 general fund expenditures.
- The City's Governmental activities debt decreased by \$5,275,000 during 2010 from scheduled repayments. The total general obligation debt that has to be repaid by the general taxpayer is less than one quarter of one percent of the City's equalized valuation. See table 11 for complete details.

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

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

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Library Operating Fund, 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 proprietary fund financial statements can be found on Exhibits G, H & I of this report.

### **Fiduciary funds**

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

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

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements is found on pages 38 – 73 of this report.

## Other information

In addition to the basic financial statements, notes and accompanying notes, this report also presents certain **required supplementary information** concerning the City of Franklin's progress in funding its pension obligations to its public works employees and its retiree health obligations to eligible full time employees. Required supplementary information can be found on page 74 of this report.

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 11.2 can be found on pages 75 – 91 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 \$193,508,767 and \$183,704,208 at the end of 2010 and 2009, respectively.

### CITY OF FRANKLIN NET ASSETS December 31, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 56,800,283	\$ 52,453,291	\$ 4,328,009	\$ 4,261,888	\$ 61,128,292	\$ 56,715,179
Capital assets	115,673,509	115,276,159	90,202,124	90,828,559	205,875,633	206,104,718
Total assets	172,473,792	167,729,450	94,530,133	95,090,447	267,003,925	262,819,897
Current liabilities	38,811,740	37,222,328	1,225,744	1,078,700	40,037,484	38,301,028
Long-term liabilities	33,380,871	40,734,583	76,803	80,078	33,457,674	40,814,661
Total liabilities	72,192,611	77,956,911	1,302,547	1,158,778	73,495,158	79,115,689
Net assets:						
Invested in capital assets, net of related debt	90,592,480	86,456,038	90,202,124	90,828,559	180,794,604	177,284,597
Restricted	4,787,208	1,291,825	261,852	227,388	5,049,060	1,519,213
Unrestricted	4,901,493	2,024,676	2,763,610	2,875,722	7,665,103	4,900,398
Total net assets	\$ 100,281,181	\$ 89,772,539	\$ 93,227,586	\$ 93,931,669	\$ 193,508,767	\$ 183,704,208

The largest portion of the City's net assets (approximately 93 and 96 percent, in 2010 and 2009, 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 \$180,794,604 and \$177,284,597 in 2010 and 2009, respectively of the year end net assets. The changes in capital assets were as follows:

	Net Capital Asset		Change in Capital		Net
	Additions	Depreciation	Related Debt		Increase
2010	\$ 4,298,852	\$ (4,527,937)	\$ 3,739,092	\$	3,510,007
2009	\$ 6,515,153	\$ (4,242,863)	\$ 10,160,146	\$	12,432,436

The major City project contributing to this increase was the reconstruction of 51<sup>st</sup> Street from Drexel to Puetz Road. This project was accomplished through a State stimulus project. In 2009 the reconstruction of Drexel Avenue from 27<sup>th</sup> Street to 31<sup>st</sup> Street, the reconstruction of Fire Station #3 and increased road resurfacing due to the low price of asphalt. In addition the debt repayments resulted in a significant decrease in capital related debt.

Infrastructure contributed by developers and others contributed to the capitalized infrastructure through; capital grants and contributions of governmental activities of approximately \$1,455,000 in 2010 and \$351,000 in 2009 and through capital grants and contributions for business-type activities of \$211,000 in 2010 and \$568,000 in 2009.

An additional portion of the City's net assets (2.6 percent and 0.8 percent in 2010 and 2009, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$5,049,060 and \$1,519,213, respectively in those net assets that were restricted to specific purposes with the remaining balance in unrestricted net assets of \$7,665,103 and \$4,900,398, in 2010 and 2009 respectively that may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years the City was able to report positive balances in the unrestricted net assets of the government as a whole as well as for its separate business-type activities.

There was a 2010 increase of \$3,529,847 in restricted net assets reported in connection with government-wide activities. The increase was primarily due to the increase in available Development funds.

There was a 2009 decrease of \$4,444,255 in restricted net assets reported in connection with government-wide activities. The decrease was primarily due to the reduction in available debt service funds (\$1,915,000), additional interfund advances (\$2,645,000), and lesser changes in other restricted funds.

There was a 2010 increase of \$2,764,705 in unrestricted net assets reported in government-wide activities. The major reasons for the increase were the approximate net increases in TIF Districts funds of \$3,500,000 and in the general fund of \$400,000.

There was a 2009 decrease of \$2,317,663 in unrestricted net assets reported in connection with government-wide activities. The major reasons for the decrease was the use of funds for debt service purposes (\$2,645,000) and the reduction in the general fund (\$440,403) due to using net assets to ease the transition to fully funding the OPEB obligations and in encountering the shortfall in budgetary revenue of about \$1,000,000.

### Government-wide activities

The details of changes in net assets follow:

#### City of Franklin Changes in Net Assets For the Years Ending December 31, 2010 and 2009

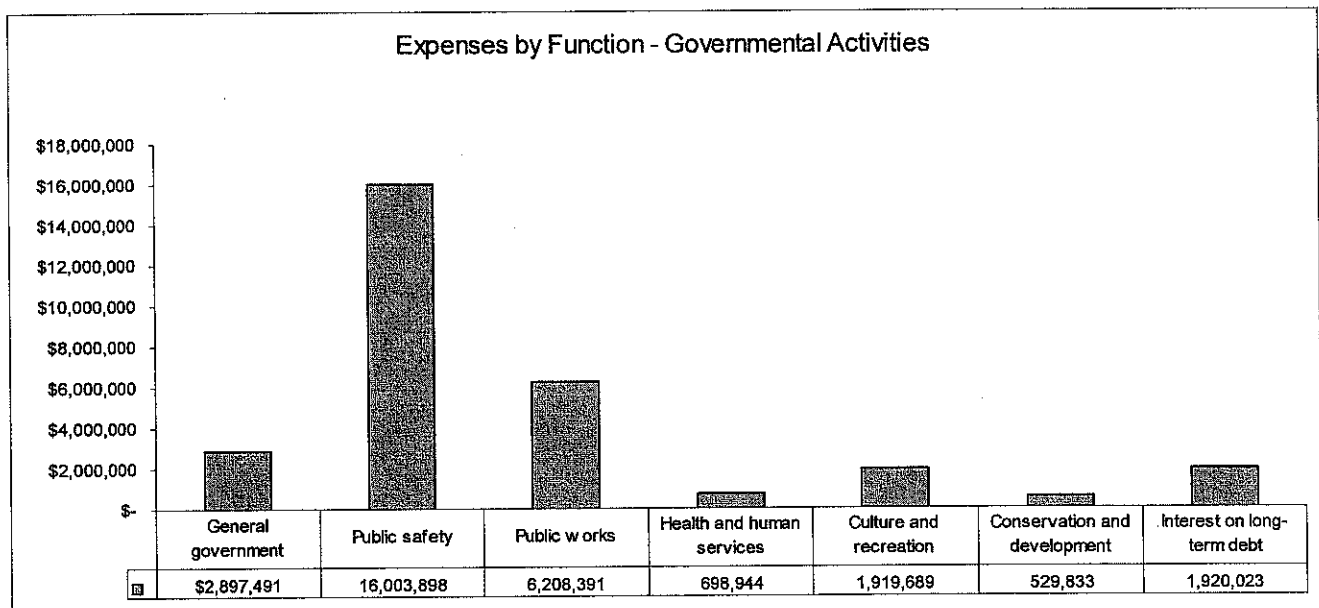
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for services	\$ 4,149,847	\$ 3,317,477	\$ 7,457,755	\$ 7,448,519	\$ 11,607,602	\$ 10,765,996
Operating grants & contributions	1,921,805	2,080,213	-	-	1,921,805	2,080,213
Capital grants & contributions	2,570,564	1,190,090	210,668	337,667	2,781,232	1,527,757
General revenue:						
Property taxes	27,881,525	24,966,591	-	-	27,881,525	24,966,591
Other taxes	699,431	666,767	-	-	699,431	666,767
Intergovernmental	1,485,982	1,380,418	-	-	1,485,982	1,380,418
Investment earnings	907,723	1,401,560	41,393	46,738	949,116	1,448,298
Other	58,885	43,566	50,164	57,627	109,049	101,193
Total revenue	<u>39,675,762</u>	<u>35,046,682</u>	<u>7,759,980</u>	<u>7,890,551</u>	<u>47,435,742</u>	<u>42,937,233</u>
Expenses:						
General government	2,897,491	2,948,713	-	-	2,897,491	2,948,713
Public safety	16,003,898	15,526,031	-	-	16,003,898	15,526,031
Public works	6,208,391	6,034,720	-	-	6,208,391	6,034,720
Health & human services	698,944	708,084	-	-	698,944	708,084
Culture & recreation	1,919,689	1,780,896	-	-	1,919,689	1,780,896
Conservation & development	529,833	572,342	-	-	529,833	572,342
Interest on long-term debt	1,920,023	2,253,215	-	-	1,920,023	2,253,215
Water	-	-	4,076,409	4,216,453	4,076,409	4,216,453
Sewer	-	-	3,376,505	3,226,261	3,376,505	3,226,261
Total expenses	<u>30,178,269</u>	<u>29,824,001</u>	<u>7,452,914</u>	<u>7,442,714</u>	<u>37,631,183</u>	<u>37,266,715</u>
Increase in net assets before transfers	9,497,493	5,222,681	307,066	447,837	9,804,559	5,670,518
Transfers	1,011,149	(100,726)	(1,011,149)	100,726	-	-
<i>Change</i> Increase in net assets	<u>10,508,642</u>	<u>5,121,955</u>	<u>(704,083)</u>	<u>548,563</u>	<u>9,804,559</u>	<u>5,670,518</u>
Net assets - beginning	<u>89,772,539</u>	<u>84,650,584</u>	<u>93,931,669</u>	<u>93,383,106</u>	<u>183,704,208</u>	<u>178,033,690</u>
Net assets - ending	<u>\$ 100,281,181</u>	<u>\$ 89,772,539</u>	<u>\$ 93,227,586</u>	<u>\$ 93,931,669</u>	<u>\$ 193,508,767</u>	<u>\$ 183,704,208</u>

Governmental activities in 2010 increased the City's net assets by \$10,508,642 accounting for 89 percent of the total growth in the net assets of the City. Elements of this increase follow:

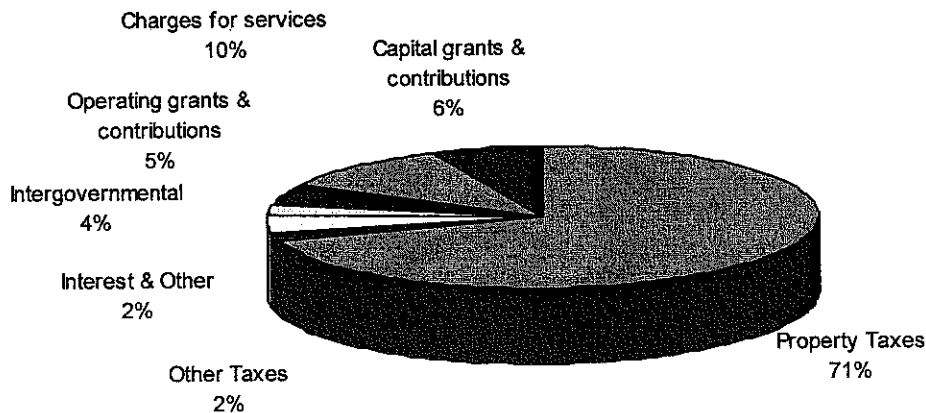
- Increase due to General Fund activity of \$397,984
- Net increase in Debt service activities of \$1,753,805
- Increase in governmental activities capital assets net of depreciation of \$397,350
- Net decrease from internal service activities of \$99,635
- Net decrease from special assessment activities of \$353,793
- Net increase from TIF Districts activities of \$7,017,398
- Increase due to Development activities of \$569,264
- Increase due to Utility Improvement activities of \$209,481
- Increase due to Capital Improvement activities of \$343,455
- Increase due to Street Improvement activities of \$200,234
- Net increase from other funds activities of \$73,099

Governmental activities in 2009 increased the City's net assets by \$5,121,955 accounting for 91 percent of the total growth in the net assets of the City. Elements of this increase follow:

- Decrease due to General Fund activity of \$457,019
- Increase due to the decrease in Long term Debt of \$1,737,327
- Increase in governmental activities capital assets net of depreciation of \$2,286,217
- Increase due to the increase from TIF District activities of \$2,744,498
- Net increase from internal service activities of \$678,445
- Net increase from special assessment activities of \$21,409
- Decrease due to Capital Improvement activities of \$991,330
- Decrease due to Street Improvement activities of \$704,633
- Net decrease from other funds activities of \$192,959



### Revenue by Source - Governmental Activities



#### Business-type activities

In 2010, business-type activities decreased the City's net assets by \$704,083 or .7 percent from the prior year. The key elements of this decrease follow:

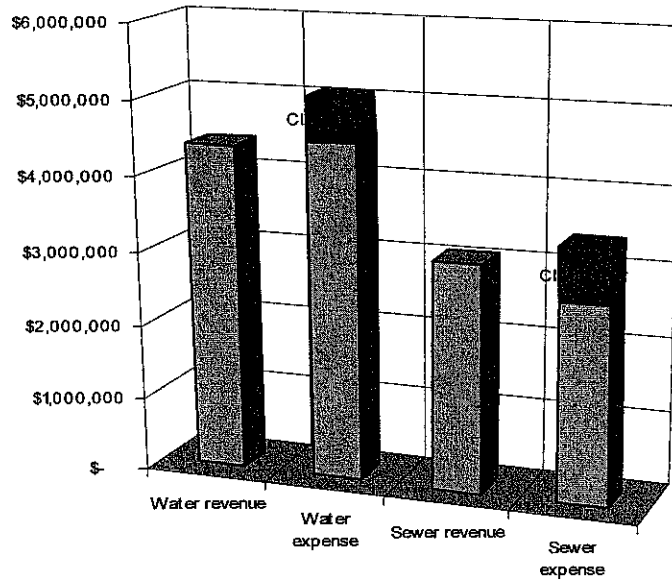
- The increase from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$380,183. The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. Both the water and sewer activities are currently meeting this goal.
- Contributions of water infrastructure - \$133,576 consisting of four developer projects and one City project
- Contributions of sewer infrastructure - \$79,309 consisting of two developer projects
- Depreciation expense related to contributed assets - \$1,297,151

In 2009, business-type activities increased the City's net assets by \$548,563 or .6 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 \$298,673. 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.
- Contributions of water infrastructure - \$1,336,229 consisting of three developer projects and three City projects
- Contributions of sewer infrastructure - \$25,444 consisting of one developer projects
- Depreciation expense related to contributed assets - \$1,111,783

The following graph compares the 2010 charges for services to the operating expenses for water and sewer activities.

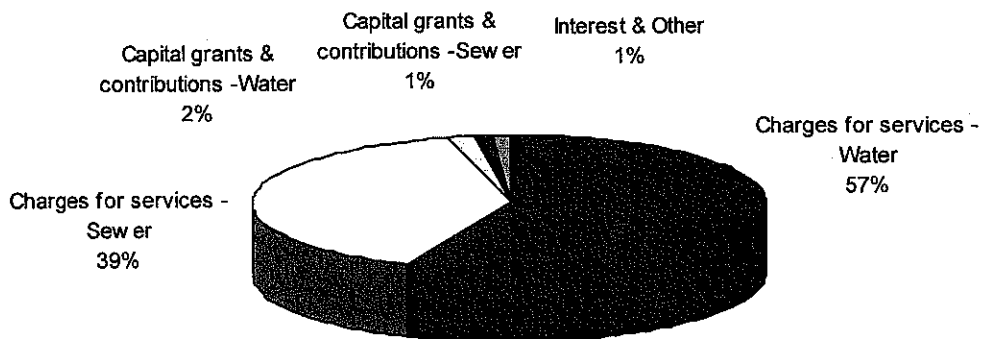
**Operating Revenue and Expense - Business-type Activities**



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

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

**Revenue by Source - Business-type Activities**



## 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 \$22,129,948, an increase of \$5,248,006 in comparison with the prior year. At year end there was unreserved fund balance in total of \$5,858,789. Of this total unreserved fund balance, the following amounts were committed to specific types of activities; i.e., \$5,381,412 for general fund activities, \$179,224 for special revenue fund activities, \$2,549,745 for capital project activities offset by a \$2,551,592 deficit in TIF Districts activities. The TIF Districts deficit is due to the favorable type of interim financing selected and will diminish as revenue is received and used to repay the financing.

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 (\$8,393,278), 2) for advances to other funds (\$4,263,000) 3) for development purposes (\$2,145,826), 4) for library purposes (\$488,302), 5) uncompleted contracts (\$155,000), 6) encumbrances (\$72,000) and 7) prepaid expenses, inventories, utility improvement, donations and grants (\$753,753).

The **General Fund** is the chief operating fund of the City. As of December 31, 2010, the total fund balance of the general fund was \$5,476,585 of which \$5,381,412 was unreserved. This unreserved fund balance represents approximately 22% of 2011 general fund expenditures.

The total fund balance of the general fund increased by \$371,947 in fiscal year 2010. The 2010 annual program budget for the City's general fund identified an appropriation of \$900,000 in fund balance to reduce the impact of taxes levied and to balance the budget. Actual expenses were less than budgeted expenses by 2.2 percent or \$534,235 and actual revenue was more than budget revenue in the general fund by \$90,212 or 0.4 percent. This resulted in the fund balance increasing by \$371,947. The underexpenditures were mainly from vacancy in authorized positions and unused contingency.

The **Debt Service Fund** has a total fund balance of \$3,021,278, \$233,278 is reserved for the payment of debt service and \$2,788,000 is reserved for advances made to the TIF Districts fund. The fund balance increase of \$942,378 was planned to allow the repayment of \$1.17 million in interfund advances in connection with the calling of 2010 and 2011 debt to better utilize available liquid assets.

The **TIF Districts Fund** has an unreserved fund deficit of \$2,251,592 and a reserved fund balance of \$8,207,000 for a net fund balance of \$5,955,408. The fund deficit is due to borrowing and investing those funds in infrastructure. The fund balance is due to an \$8.16 million note receivable issued under a development agreement and some contractual obligations.

The **Nonmajor Government Funds** have a total fund balance of \$7,676,677. The fund balance increase came mainly from increases in the Capital funds as resources were received and very few projects were undertaken resulting in the fund balances increasing.

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 \$1,988,848, an increase of \$231,855 from December 31, 2009. Total net assets declined due the low level of activity being less than the depreciation incurred.

Unrestricted net assets of the Sanitary Sewer Fund at the end of the year amounted to \$774,762, a decrease of \$343,967 from December 31, 2009. Total net assets declined due the low level of activity resulting in capital contributions being less than the depreciation on contributed assets.

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

### **General Fund Budgetary Highlights**

Budgetary revenues exceeded the budget with a small increase over budget in a number of issues offsetting a larger (\$168,794) decline in interest revenue due to low rates available.

Actual expenditures were less than budgeted expenditures by \$534,235. This amount was across all functions with, Administration, police, dispatch and highway departments accounted for the largest portion of the under expenditures. The unused contingency budget was \$49,042. There were overexpenditures in fire, street lighting, weed control, and insurance budgets.

Revenue was budgeted flat with the prior year and was realized. Expenditures came in below budget and below the underspending goal resulting in the general fund balance increasing by \$371,947.

### **Capital assets.**

The City's investment in capital assets for its governmental and business type activities as of December 31, 2010, amounts to \$205,875,633 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	
	2010	2009	2010	2009	2010	2009
Land	\$ 24,695,045	\$ 24,664,244	\$ 521,225	\$ 429,884	\$ 25,216,270	\$ 25,094,128
Buildings and Improvements	23,997,831	23,924,476	2,322,250	2,322,250	26,320,081	26,246,726
Improvements other than buildings	87,929,115	85,791,859	106,835,026	106,500,217	194,764,141	192,292,076
Machinery and and equipment	15,702,981	14,934,355	2,563,445	2,535,712	18,266,426	17,470,067
Construction in process	<u>52,225</u>	<u>151,662</u>	<u>643,841</u>	<u>56,229</u>	<u>696,066</u>	<u>207,891</u>
Total capital assets	152,377,197	149,466,596	112,885,787	111,844,292	265,262,984	261,310,888
Less Accumulated depreciation	<u>(36,703,688)</u>	<u>(34,190,437)</u>	<u>(22,683,663)</u>	<u>(21,015,733)</u>	<u>(59,387,351)</u>	<u>(55,206,170)</u>
Capital assets net of depreciation	<u>\$ 115,673,509</u>	<u>\$ 115,276,159</u>	<u>\$ 90,202,124</u>	<u>\$ 90,828,559</u>	<u>\$ 205,875,633</u>	<u>\$ 206,104,718</u>

The total decline in the City's net investment in capital assets net of depreciation for the current fiscal year was \$229,085 or a 0.1 percent decrease due to the lower level of new additions.

For further details on capital asset activity, refer to Note 1(D)5 and Note 4(D) of the Notes to Financial Statements and Schedules 11 – 11.2.

### Long-term debt

At December 31, 2010, the City had general obligation note and bond issues outstanding totaling \$39,890,000. 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 \$183,525,435. The City's current outstanding general obligation debt is 22% of the statutory debt limit. In the last 15 years the City has not exceeded 34% of the statutory debt limit.

The City's present rating from Moody's for its general obligation debt is "Aa1".

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	
	2010	2009	2010	2009	2010	2009
General obligation						
Notes	\$ 30,160,000	\$ 35,285,000	\$ -	\$ -	\$ 30,160,000	\$ 35,285,000
Bonds	<u>9,730,000</u>	<u>9,880,000</u>	<u>-</u>	<u>-</u>	<u>9,730,000</u>	<u>9,880,000</u>
Total	<u>\$ 39,890,000</u>	<u>\$ 45,165,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,890,000</u>	<u>\$ 45,165,000</u>

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 10 – 13 in the statistical section of the report.

### Other Changes of Significance

#### New Landfill Siting Agreement

The City of Franklin entered into a new landfill siting agreement with Waste Management of Wisconsin, Inc. The agreement will allow the company to expand the existing landfill. When the landfill expansion begins to accept waste the City and other affected municipalities will begin to receive a siting payment. The company provided upfront payments in 2010 and 2011 of \$450,000. The actual payments will be made on a per ton basis when waste is accepted and the upfront payments will reduce the amounts received. The ultimate amount that may be received is dependent upon the a ruling that the company receives from the State DNR as to how much area can be incorporated in the landfill.

#### Post Employment Health Care Benefits

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

The Government Accounting Standards Board (GASB) issued Statement #45 effective for the City of Franklin on January 1, 2008 that said that the expense of these benefits has to be recognized over the working lives of the employees. The Common Council concluded that the City of Franklin should not only recognize the expense on its financial statements but should fund those amounts out of its general revenue starting in 2008 with the establishment of a section 115 trust. The actuarial computed annual required contribution under GASB #45 for 2010 was \$793,852 and for 2009 was \$591,351. The increase was due to enhanced benefits negotiated with the represented employees of the Police Department.

More detailed information can be found in footnote 5C.

## **Economic Factors, Tax Rates and Next Year's Budgets**

- The unemployment rate as of December 31, 2010 for the City was 5.8%, Milwaukee County which includes the City, is 8.1%. This compares with an unemployment rate of 7.5% for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were 0.3%, 1.50%, and 3.18%, respectively.
- The tax levy increase for the current and prior two years were, \$284,000, \$587,000 and \$1,054,000, respectively.
- The 2011 budgets require a local tax rate that increases 1.99% which together with growth will result in a tax levy increase of \$539,000 or 2.6%.

## **Requests for Information**

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

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