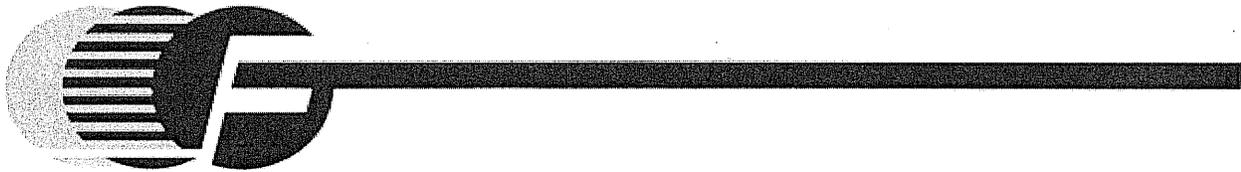


Comprehensive Annual Financial Report

City of Franklin, Wisconsin

For the Year Ended December 31, 2011



Franklin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FRANKLIN

FOR THE YEAR ENDED DECEMBER 31, 2011

**PREPARED BY THE
DEPARTMENT OF FINANCE**

DIRECTOR OF FINANCE & TREASURER

CALVIN A. PATTERSON

CITY OF FRANKLIN

TABLE OF CONTENTS

December 31, 2011

INTRODUCTORY SECTION

	<u>Page</u>
Transmittal Letter	1
Organization Chart	6
List of Principal Officials	7
GFOA Certificate of Achievement	8

FINANCIAL SECTION

Independent Auditors' Report		9
Management's Discussion and Analysis		11
Basic Financial Statements		
	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	25
Statement of Activities	B	26
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	27
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	D	28
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	29
General Fund – Statement of Revenue, Expenditures and Changes In Fund Balances – Budget and Actual (on a Budgetary Basis)	F	30
Statement of Net Assets – Proprietary Funds	G	31
Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds	H	33
Statement of Cash Flows – Proprietary Funds	I	34
Statement of Fiduciary Net Assets – Fiduciary Funds	J	36
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	K	37
Notes to Financial Statements		38
Required Supplementary Information		74
Schedule of funding progress – Public Works Employees Pension Plan – Post Employment Benefits Trust		

CITY OF FRANKLIN
TABLE OF CONTENTS
December 31, 2011

FINANCIAL SECTION (CONTINUED)

Combining and Individual Fund Financial Statements and Schedules:

	<u>Schedule</u>	<u>Page</u>
Combining Balance Sheet – Nonmajor Governmental Funds	1	75
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	2	77
Schedule of Revenue – Budget and Actual (on a Budgetary Basis) – General Fund	3	79
Schedule of Expenditures –Budget and Actual (on a Budgetary Basis) – General Fund	4	81
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	5	82
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Library Operating Fund	6	83
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (on a Budgetary Basis) – Capital Projects	7	84
Combining Schedule of Changes in Assets and Liabilities – Agency Funds	8	86
TIF Districts Fund – Combining Balance Sheet	9	87
TIF Districts Fund – Schedule of TIF Districts Revenue, Expenditures And Changes in Fund Balances	10	88
Capital Assets Used in the Operation of Governmental Funds:		
Schedule by Source	11	89
Schedule by Function and Activity	11.1	90
Schedule of Changes by Function and Activity	11.2	91

CITY OF FRANKLIN

TABLE OF CONTENTS
December 31, 2010

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
Net Assets by Component – Last Nine Years	1	92
Changes in Net Assets – Last Nine Years	2	93
Fund Balances, Governmental Funds – Last Ten Years	3	95
Changes in Fund Balances, Governmental Funds – Last Ten Years	4	96
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Years	5	97
Estimated Actual Property Value and Construction Data – Last Ten Years	6	98
Direct and Overlapping Property Tax Rates – Last Ten Years	7	99
Principal Property Taxpayers – Current Year and Nine Years Ago	8	100
Property Tax Levies and Collections – Last Ten Years	9	101
Property Tax Levies by Tax Jurisdiction – Last Ten Years	10	102
Ratios of Net General Bonded Debt Outstanding – Last Ten Years	11	103
Schedule of Direct and Overlapping Debt	12	104
Computation of Legal Debt Margin – Last Ten Years	13	105
Demographic and Economic Statistics – Last Ten Years	14	106
Principal Employers – Current Year and Nine Years ago	15	107
Full-time Equivalent City Government Employees by Function – Last Ten Years	16	108
Operating Indicators by Function/Program – Last Ten Years	17	109
Capital Asset Statistics by Function/Program – Last Ten Years	18	110

INTRODUCTORY SECTION

April 24, 2012

Citizens of Franklin, Honorable Mayor and Common Council members:

Introduction

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2011, is hereby submitted. State law requires that all local governments with a population over 25,000 publish a complete set of financial statements that are presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included in this report.

The City's financial statements have been audited by CliftonLarsonAllen LLP, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2011, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2011, 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 35,504. Over the last ten years the City has experienced an average annual population increase of 1.6% per year. The city is a residential community (72.4%) with a growing commercial and industrial base (27.6%). It is considered to be one of the more desirable communities in the Milwaukee metropolitan area in which to live and work. The City provides a typical range of municipal services for a suburban community including police, fire protection, emergency medical/paramedic, maintenance of streets and other infrastructure, library, public health services, recreational activities, building inspection, zoning control, refuse collection, recycling collection, sanitary sewer, storm sewer and water services both construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries to support the services provided.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of a mayor and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring a city attorney. The City's Mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. The Council is elected, by district, on a non-partisan basis. The Mayor and Council members serve staggered three-year terms. The City is organized into departments, headed by 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. 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 objective of the budgetary process is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Common Council. The preparation of a forecast for the existing programs for the following year is prepared during June and July. Departmental requests for personnel changes and new capital outlay expenditures are made by the middle of August. The Mayor then reviews the forecast including recommended personnel and capital outlay expenditures and determines by mid August the personnel and capital outlay expenditures that will be included in the initial departmental requested budgets. The departments take this information and submit their requested budgets by the end of August. The budgets are reviewed and the Mayor submits his recommended budget by the end of 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 in early November, and then adopts a final budget in mid November. The adopted budget is prepared by fund, function (e.g. Public Safety), and department (e.g. Police).

Transfers of appropriations between funds, functions or department require the approval of the governing council. Budget-to-actual comparisons are provided in this report for each governmental fund with an adopted budget. The General Fund comparison is presented in Exhibit F as part of the basic financial statements for the governmental funds and in Schedules 3 & 4 of the supplementary information. For governmental funds other than the General Fund with adopted budgets, this comparison is presented in the supplementary information section of this report.

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

Economic Condition and Outlook

The economic activity in Franklin in both the residential and the non-residential sectors was stable. The 30 units of new residential construction was up 11.0% from 2010 but 88.1% below the 252 units per year averaged during the previous ten years. The value of non-residential construction decreased 20.9% from 2010 and was 60.4% below the average value realized per year during the previous ten years. Prospects in 2012 for residential, commercial and industrial development are anticipated to exceed 2011 levels.

Estimated actual property values have grown at an average annual rate of 6.2% since 2001. The new growth net of TIF Districts was \$10.9 million in 2011 \$21.4 million in 2010 and \$38.2 million in 2009. The growth in 2012 is expected to be in the \$10 to \$15 million dollar range reflecting the level of economic activity. Growth after 2012 is expected to trend to levels higher than the past few years. The history of higher growth has allowed the City to maintain a relatively low municipal tax rate while still funding the increased cost of services required as a result of the City's growth.

Residential Growth

Over the past ten years, residential valuation has grown at an average annual rate of 5.6%. In 2011, permits for 30 new equivalent residential units were issued. The increase from the prior year reflects the continued slow housing market in residential construction. Lingering effects of the slowdown will keep growth from new construction in 2012 at about the same level as 2011. Longer range 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 8.1%. In 2011, 41 building permits were issued for commercial and industrial projects. The value of those projects decreased by 20.9% from the 2010 level.

TIF District #2, the City's Business Park, was closed in 2011 and the \$167.5 million in assessed value at January 1, 2011 was returned to the tax rolls. During the final year, the remaining debt was paid off and the final projects completed.

In 2005, two new TIF Districts (#3 & #4) were established on the eastern side of the City. The two districts have equalized value tax increments of \$72 and \$40 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 72.4% of the City's property value is currently residential down compared

to 72.2% in the prior year. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

The 2011 year was a year where overall revenue stabilized for the City. Some revenue sources remained at the same level as 2009, others actually increased. The one notable exception was investment earnings which continued to be adversely affected by the exceptionally low available interest rates. The growth in fund balance was achieved due to the underspending in approved budgets by departments.

2011 was not a City-wide property re-assessment year. The last reassessment was done in 2010. Performing revaluations on a regular basis is in line with the Common Council policy to schedule a revaluation every three years to keep property values in line with current market values. The State determined that the local assessments after reassessments were 99.3% of fair value. The estimated actual value of City properties was approximately \$3.6 billion.

The challenge for the operating departments in 2011 was to maintain the service levels at a time of flat revenues to the City and a growth of 0.2% in new properties. Limited tax growth due to TIF District #2 closing did provide resources to maintain existing service levels.

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, 2011 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 2011.

Financial Planning

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

Financial Policies

The City maintains policies on fund balance level, debt policy, investment policies, budget forecasting policy and a capitalization policy. These policies together with conservative management has resulted in a number of actions that have served the City well. The existence of a fund balance enabled the fund balance to be utilized in 2009 during the revenue decline and replenished in 2010 and 2011 when revenue stabilized. Another example was due to the investment policies in place, funds were safely reallocated to provide some additional investment return that somewhat muted the decline in investment return that would have otherwise been incurred.

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, 2010. 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 18th 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 2011 Certificate.

Acknowledgments

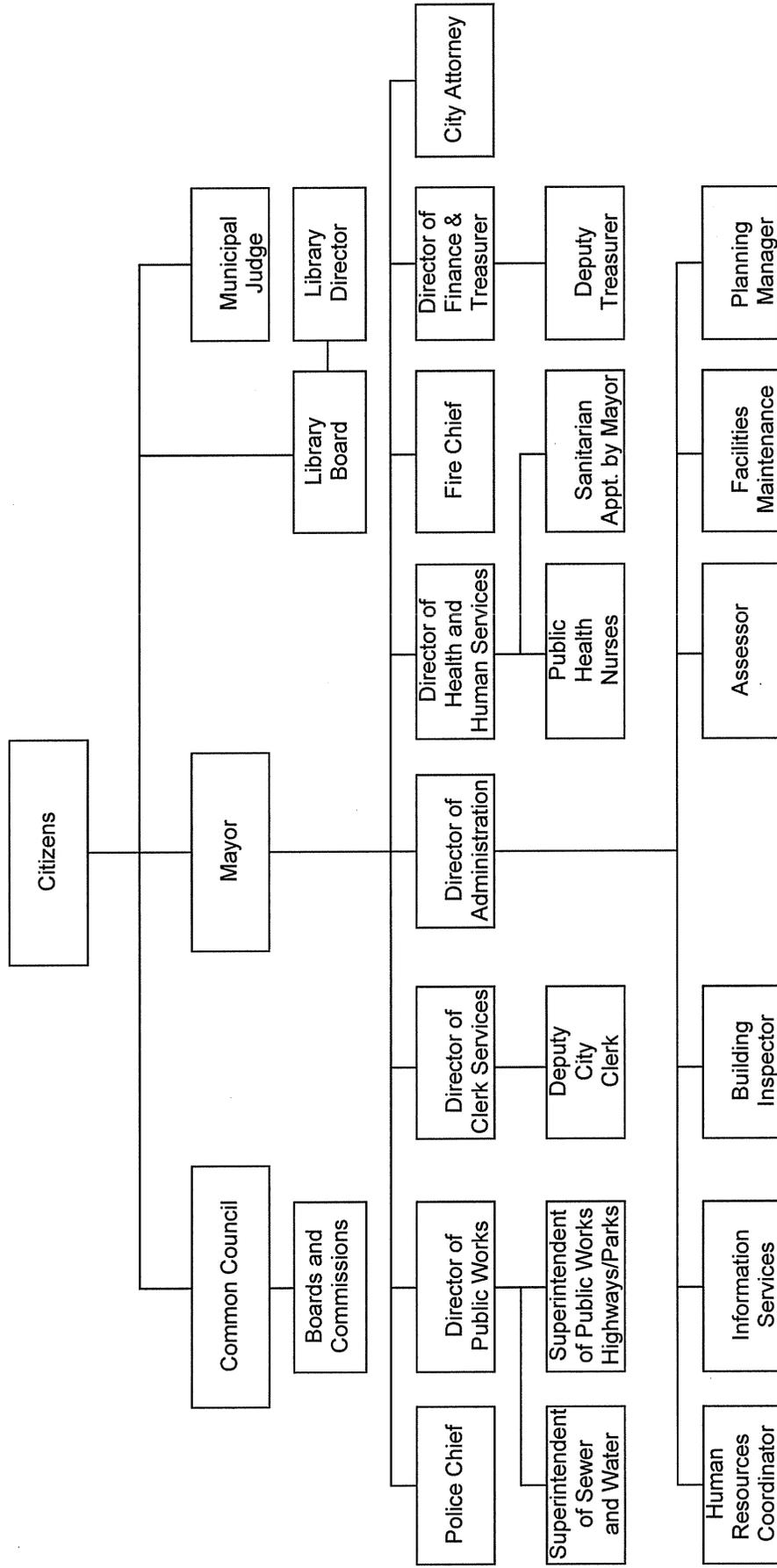
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance 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	Kristen Wilhelm
District No. 4	Steve F. Taylor
District No. 5	Doug Schmidt
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
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
Superintendent of Public Works	Jerry Schaefer
Superintendent of Sewer & Water	Roy Kainz

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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

Independent Auditor's Report

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 City of Franklin as of and for the year ended December 31, 2011, and the respective budgetary comparison for the General Fund for the year then ended, which collectively comprise City of Franklin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 2010 financial statements and, in our report dated April 15, 2011, we expressed unqualified opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 City of Franklin as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2012 on our consideration of City of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information in the table of contents be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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 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 listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
April 24, 2012

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

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. 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, 2011, by \$200,985,383 (**net assets**). Of this amount, \$6,246,060 (**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 \$7,476,616. Investment in capital assets, net of related debt increased by \$5,209,421, while unrestricted net assets increased by \$683,070 and restricted net assets increased by \$1,584,125. The investment in capital assets, net of related debt increase was related to reduction in debt. The unrestricted increase was mainly due to revenue exceeding expenses in the General fund. The restricted increase was due to the repayment of an internal advance.
- The City's governmental funds reported, as of December 31, 2011, combined ending fund balances of \$22,408,845, an increase of \$278,897 from the prior year.
- The restricted fund balances in total was \$5,745,468 an increase of \$893,627.
- The assigned fund balances in total of \$2,937,402 were a decrease of \$440,369 resulted from a decrease in capital funds balances.
- The unassigned fund balance as of December 31, 2011 for the general fund was \$6,065,053 or approximately 24 percent of total anticipated 2012 general fund expenditures.
- The City's Governmental activities debt decreased by \$7,395,000 during 2011 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 are 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.

This report compares the current year and the prior year. Due to the GASB 54 changes a number of reclassification were made within the net asset areas. The 2010 information has been reclassified to be consistent with the current year presentation.

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 \$200,985,383 and \$193,508,767 at the end of 2011 and 2010, respectively.

CITY OF FRANKLIN NET ASSETS December 31, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 54,842,664	\$ 56,800,283	\$ 5,756,120	\$ 4,328,009	\$ 60,598,784	\$ 61,128,292
Capital assets	115,310,795	115,673,509	89,550,594	90,202,124	204,861,389	205,875,633
Total assets	<u>170,153,459</u>	<u>172,473,792</u>	<u>95,306,714</u>	<u>94,530,133</u>	<u>265,460,173</u>	<u>267,003,925</u>
Current liabilities	33,727,467	38,811,740	2,216,807	1,225,744	35,944,274	40,037,484
Long-term liabilities	28,836,087	33,380,871	74,346	76,803	28,910,433	33,457,674
Total liabilities	<u>62,563,554</u>	<u>72,192,611</u>	<u>2,291,153</u>	<u>1,302,547</u>	<u>64,854,707</u>	<u>73,495,158</u>
Net assets:						
Invested in capital assets, net of related debt	94,637,222	88,776,271	89,550,594	90,202,124	184,187,816	178,978,395
Restricted	10,257,663	8,705,530	293,844	261,852	10,551,507	8,967,382
Unrestricted	<u>3,074,937</u>	<u>2,799,380</u>	<u>3,171,123</u>	<u>2,763,610</u>	<u>6,246,060</u>	<u>5,562,990</u>
Total net assets	<u>\$ 107,969,822</u>	<u>\$ 100,281,181</u>	<u>\$ 93,015,561</u>	<u>\$ 93,227,586</u>	<u>\$ 200,985,383</u>	<u>\$ 193,508,767</u>

The largest portion of the City's net assets (approximately 92 and 93 percent, in 2011 and 2010, 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 \$184,187,816 and \$178,978,395 in 2011 and 2010, 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
2011	\$ 3,581,444	\$ (4,595,688)	\$ 6,223,665	\$	5,209,421
2010	\$ 4,298,852	\$ (4,527,937)	\$ 4,200,660	\$	3,971,575

The major City project contributing to this increase was the reconstruction of Oakwood Road from 34th Street to 60th Street. In 2010 the major project was the reconstruction of 51st Street from Drexel to Puetz Road. This project was accomplished through a State stimulus project. Debt repayments each year have 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 \$193,144 in 2011 and \$1,455,000 in 2010 and through capital grants and contributions for business-type activities of \$-0- in 2011 and \$211,000 in 2010.

An additional portion of the City's net assets (5.3 percent and 4.6 percent in 2011 and 2010, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$10,551,507 and \$8,967,382, respectively in those net assets that were restricted to specific purposes.

There was a 2011 increase of \$1,584,125 in restricted net assets reported in connection with government-wide activities. The increase was primarily due to the repayment of an interfund advance from the TIF Districts funds and smaller changes in other restricted funds.

There was a 2010 increase of \$269,994 in restricted net assets reported in connection with government-wide activities. The increase was primarily due to the increase in available Development funds.

The remaining balance in unrestricted net assets of \$6,246,060 and \$5,562,990, in 2011 and 2010 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 reported positive balances in the unrestricted net assets for both the governmental and for its business-type activities. The governmental activities were positive in spite of the \$3,398,537 in reductions for present deficit in the TIF District funds which will be eliminated in the future as increased TIF increments are realized.

There was a 2011 increase of \$683,070 in unrestricted net assets reported in connection with government-wide activities. The major reason for the increase was the increase in the general fund due to revenue increases and lower than budgeted expenditures and an increase in the internal service fund.

There was a 2010 increase of \$4,330,740 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 increase of about \$400,000.

Government-wide activities

The details of changes in net assets follow:

City of Franklin Changes in Net Assets For the Years Ending December 31, 2011 and 2010

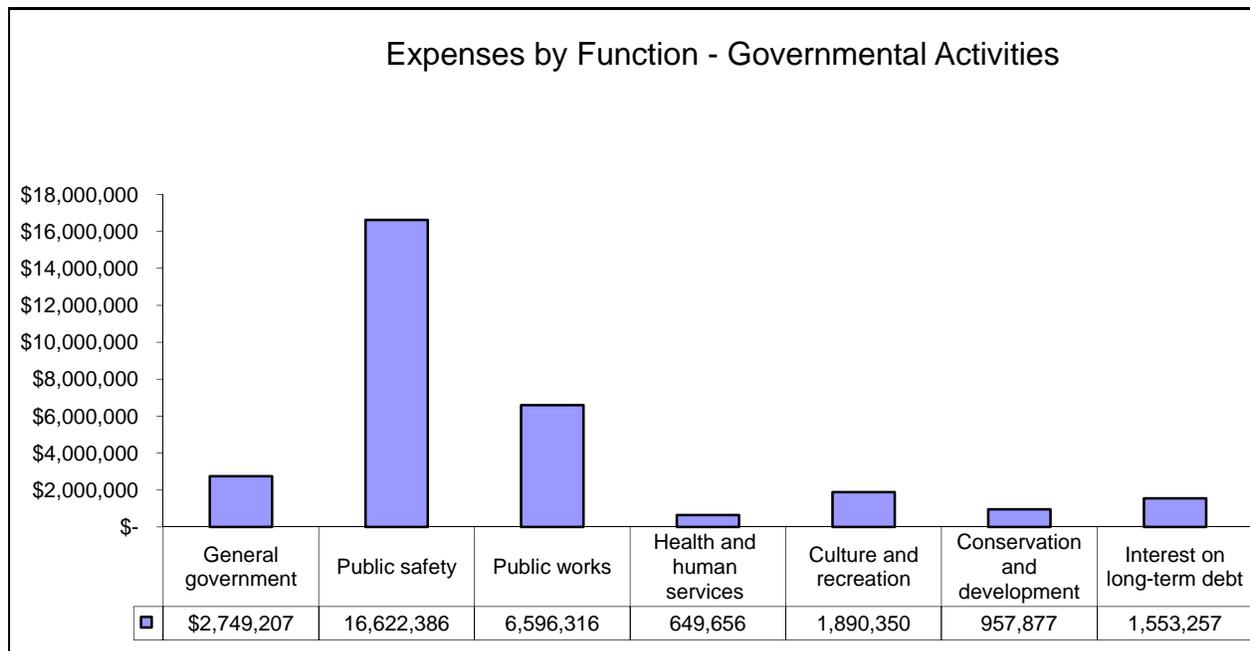
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 4,305,406	\$ 4,149,847	\$ 7,663,852	\$ 7,457,755	\$ 11,969,258	\$ 11,607,602
Operating grants & contributions	2,136,106	1,921,805	-	-	2,136,106	1,921,805
Capital grants & contributions	1,334,285	2,570,564	-	210,668	1,334,285	2,781,232
General revenue:						
Property taxes	26,604,087	27,881,525	-	-	26,604,087	27,881,525
Other taxes	673,736	699,431	-	-	673,736	699,431
Intergovernmental	2,292,529	1,485,982	-	-	2,292,529	1,485,982
Investment earnings	973,349	907,723	32,320	41,393	1,005,669	949,116
Other	40,091	58,885	64,550	50,164	104,641	109,049
Total revenue	<u>38,359,589</u>	<u>39,675,762</u>	<u>7,760,722</u>	<u>7,759,980</u>	<u>46,120,311</u>	<u>47,435,742</u>
Expenses:						
General government	\$ 2,749,207	2,897,491	-	-	2,749,207	2,897,491
Public safety	16,622,386	16,003,898	-	-	16,622,386	16,003,898
Public works	6,596,316	6,208,391	-	-	6,596,316	6,208,391
Health & human services	649,656	698,944	-	-	649,656	698,944
Culture & recreation	1,890,350	1,919,689	-	-	1,890,350	1,919,689
Conservation & development	957,877	529,833	-	-	957,877	529,833
Interest on long-term debt	1,553,257	1,920,023	-	-	1,553,257	1,920,023
Water	-	-	4,251,187	4,076,409	4,251,187	4,076,409
Sewer	-	-	3,373,459	3,376,505	3,373,459	3,376,505
Total expenses	<u>31,019,049</u>	<u>30,178,269</u>	<u>7,624,646</u>	<u>7,452,914</u>	<u>38,643,695</u>	<u>37,631,183</u>
Increase in net assets before transfers	7,340,540	9,497,493	136,076	307,066	7,476,616	9,804,559
Transfers	348,101	1,011,149	(348,101)	(1,011,149)	-	-
Change in net assets	7,688,641	10,508,642	(212,025)	(704,083)	7,476,616	9,804,559
Net assets - beginning	100,281,181	89,772,539	93,227,586	93,931,669	193,508,767	183,704,208
Net assets - ending	<u>\$ 107,969,822</u>	<u>\$ 100,281,181</u>	<u>\$ 93,015,561</u>	<u>\$ 93,227,586</u>	<u>\$ 200,985,383</u>	<u>\$ 193,508,767</u>

Governmental activities in 2011 increased the City's net assets by \$7,688,641 accounting for 103 percent of the total growth in the net assets of the City. Elements of this increase follow:

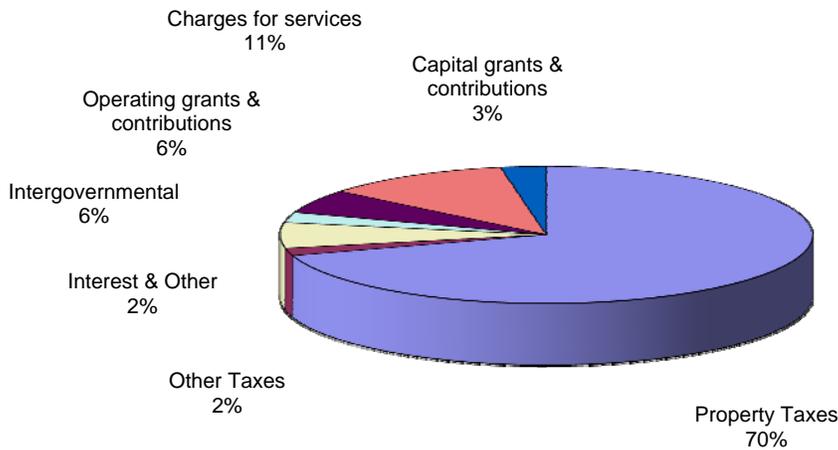
- Increase due to General Fund activity of \$500,383
- Increase due to the decrease in Long term Debt of \$2,110,609
- Decrease in governmental activities capital assets net of depreciation of \$362,714
- Net increase in TIF District activities of \$4,873,351
- Net increase from internal service activities of \$625,886
- Net decrease from special assessment activities of \$165,721
- Net increase from other funds activities of \$106,847

Governmental activities in 2010 increased the City's net assets by \$10,508,642 accounting for 107 percent of the growth in total 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



Revenue by Source - Governmental Activities



Business-type activities

In 2011, business-type activities decreased the City's net assets by \$212,025 or .2 percent from the prior year. The key elements of this decrease follow:

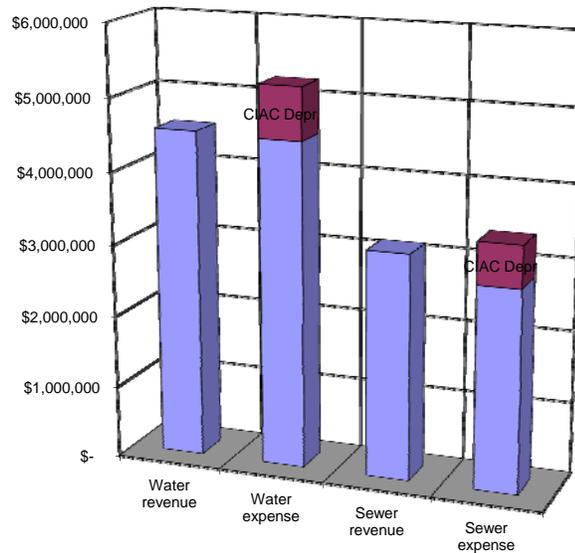
- The increase from operating activities (the change in net assets excluding capital contributions and its related depreciation expense was \$463,602. The goal of the business activities is to provide these services at least a break even basis to minimize the cost to the users. Both the water and sewer activities are currently meeting this goal.
- Contributions of water infrastructure - \$627,601 consisting of one City project
- Depreciation expense related to contributed assets - \$1,303,228

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 least 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

The following graph compares the 2011 charges for services to the operating expenses for water and sewer activities.

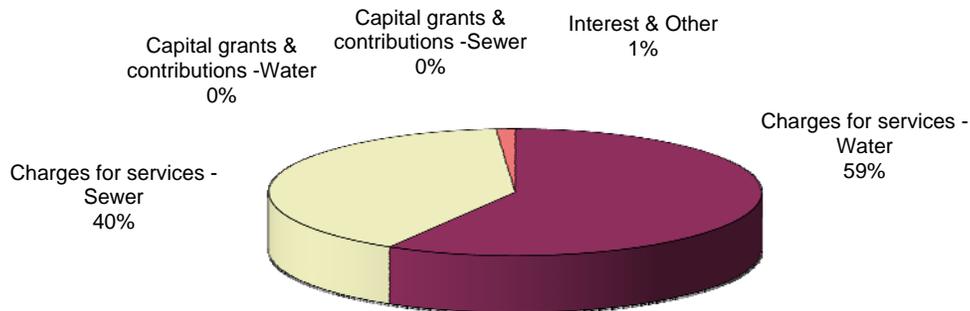
Operating Revenue and Expense - Business-type Activities



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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,408,845, an increase of \$278,897 from the prior year. At year end the unassigned fund balance was \$2,401,842. Of this total \$6,065,053 was for general fund activities. This amount was partially offset by a \$3,663,211 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 City has assigned fund balances to the following activities: Library services - \$492,473, Recreational services - \$72,857 and Capital Projects - \$2,372,072.

Outside party restrictions have resulted in restricted fund balances 1) to pay debt service - \$356,755, 2) for utility improvements - \$640,787 3) for development purposes - \$3,895,040, 4) for TIF District purposes - \$552,904 and for donations and grants - \$299,982.

The City also has nonspendable fund balances to indicate that it is not available for new spending because it has already been committed for prepaid expenses and inventories - \$66,133, for advances to other funds - \$3,738,000 and for a TIF District Note Receivable - \$7,520,000.

The **General Fund** is the chief operating fund of the City. As of December 31, 2011, the total fund balance of the general fund was \$6,120,873 of which \$6,065,053 was unassigned. This unassigned fund balance represents approximately 24% of 2012 general fund budgeted expenditures.

The total fund balance of the general fund increased by \$644,288 in fiscal year 2011. The 2011 annual program budget for the City's general fund identified an appropriation of \$406,000 in fund balance to reduce the impact of taxes levied and to balance the budget. Actual expenses covered the programmed reduction and were less than budgeted expenses by 2.3 percent or \$521,625 and actual revenue was more than budget revenue in the general fund by \$418,120 or 1.7 percent. Plus \$110,543 was returned with the closing of the master Planning Fund. The underexpenditures were mainly from vacancy in authorized positions and the revenue increase was aided by the capitalization of Highway department work on the Oakwood Road project and the City Parking lot improvements.

The **Debt Service Fund** has a total fund balance of \$4,094,755, \$356,755 is restricted for the payment of debt service and \$3,738,000 is restricted for advances made to the TIF Districts fund. The fund balance increase of \$1,073,477 was planned due to scheduled repayment of the interfund advances.

The **TIF Districts Fund** has a restricted fund balance of \$552,904 and a nonspendable fund balance of \$7,520,000 and an unrestricted fund deficit of \$3,663,211 for a net fund balance of \$4,409,693. The fund deficit is due to borrowing and investing those funds in infrastructure. The fund balance is due to a \$7.52 million note receivable issued under a development agreement.

The **Nonmajor Governmental Funds** have a total fund balance of \$7,783,524. The fund balance increase of \$106,847 came from special assessments collections.

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 \$1,453,710, a decrease of \$535,138 from the prior year. Total net assets declined due the investment in capital assets of the Water Utility.

Unrestricted net assets of the Sanitary Sewer Fund at the end of the year amounted to \$1,717,413, an increase of \$942,651 from the prior year. Total net assets declined due the low level of activity resulting in no capital contributions to offset the depreciation on contributed assets and the anticipation of the recovery of the funds advanced on the Ryan Creek Interceptor project.

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

General Fund Budgetary Highlights

Budgetary revenue exceeded the budget by \$418,120 with small increases and decreases from budget in various categories and a larger increase of \$276,185 related to capitalized Highway Department projects. In addition \$110,543 was returned to the general fund from ending the Master Plan Fund.

Actual expenditures were less than budgeted expenditures by \$529,625. This amount was across all functions with, administration, finance, assessor, police, dispatch and highway departments accounting for the largest portion of the under expenditures. The unused contingency budget was \$65,900. There were overexpenditures in fire, solid waste collection and weed control budgets.

Revenue was budgeted flat with the prior year and was exceeded. Expenditures came in below budget and below the underspending goal resulting in the general fund balance increasing by \$644,288.

Capital assets.

The City's investment in capital assets for its governmental and business type activities as of December 31, 2011, amounts to \$204,861,389 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	
	2011	2010	2011	2010	2011	2010
Land	\$ 24,954,048	\$ 24,695,045	\$ 521,225	\$ 521,225	\$ 25,475,273	\$ 25,216,270
Buildings and Improvements	24,048,716	23,997,831	2,323,389	2,322,250	26,372,105	26,320,081
Improvements other than buildings	89,488,991	87,929,115	107,600,324	106,835,026	197,089,315	194,764,141
Machinery and and equipment	16,271,239	15,702,981	2,589,734	2,563,445	18,860,973	18,266,426
Construction in process	-	52,225	844,048	643,841	844,048	696,066
Total capital assets	154,762,994	152,377,197	113,878,720	112,885,787	268,641,714	265,262,984
Less Accumulated depreciation	<u>(39,452,199)</u>	<u>(36,703,688)</u>	<u>(24,328,126)</u>	<u>(22,683,663)</u>	<u>(63,780,325)</u>	<u>(59,387,351)</u>
Capital assets net of depreciation	<u>\$ 115,310,795</u>	<u>\$ 115,673,509</u>	<u>\$ 89,550,594</u>	<u>\$ 90,202,124</u>	<u>\$ 204,861,389</u>	<u>\$ 205,875,633</u>

The total decline in the City's net investment in capital assets net of depreciation for the current fiscal year was \$1,014,244 or a .5 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, 2011, the City had general obligation note and bond issues outstanding totaling \$32,495,000. 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 \$183,818,985. The City's current outstanding general obligation debt is 18% 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		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
General obligation						
Notes	\$ 22,970,000	\$ 30,160,000	\$ -	\$ -	\$ 22,970,000	\$ 30,160,000
Bonds	9,525,000	9,730,000	-	-	9,525,000	9,730,000
Total	<u>\$ 32,495,000</u>	<u>\$ 39,890,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,495,000</u>	<u>\$ 39,890,000</u>

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

Other Changes of Significance

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. The landfill expansion began to accept waste in November and the City and other affected municipalities began to receive siting payments. The company provided upfront payments in 2011 and 2010 of \$450,000. The actual payments are being made on a per ton basis and the upfront payments 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 an expenditure in the period premiums were paid. Funding for those costs was provided out of the current operating budget of the City. This was referred to as financing on a pay as you go basis.

The Government Accounting Standards Board (GASB) issued Statement #45 effective for the City of Franklin on January 1, 2008 that said that the expense of these benefits has to be recognized over the working lives of the employees. The Common Council concluded that the City of Franklin should not only recognize the expense on its financial statements but should fund those amounts out of its general revenue starting in 2008 with the establishment of a section 115 trust. The actuarial computed annual required contribution under GASB #45 for 2011 was \$822,537 and for 2010 was \$793,852.

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, 2011 for the City was 5.2%, Milwaukee County which includes the City, is 7.8%. This compares with an unemployment rate of 7.0% for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were 1.99%, 0.30% and 1.50%, respectively.
- The tax levy increase for the current and prior two years were, \$539,000, \$284,000 and \$587,000 respectively.
- The 2012 budgets require a local tax rate that decreases 7.04% which together with growth will result in a tax levy decrease of \$498,000 or 2.4%.

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 - Finance Department tab.

CITY OF FRANKLIN
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 18,141,573	\$ 1,756,952	\$ 19,898,525
Receivables			
Accounts receivable	909,746	1,963,704	2,873,450
Interest receivable	123,415	-	123,415
Taxes receivable	24,613,675	291,587	24,905,262
Note receivable	7,520,000	-	7,520,000
Special assessments receivable	1,758,262	-	1,758,262
Internal balances	1,494,553	(1,494,553)	-
Due from other governments	101,569	2,944,586	3,046,155
Prepaid items	41,841	-	41,841
Inventories	24,751	-	24,751
Restricted cash and investments	-	293,844	293,844
Capital assets (net of accumulated depreciation)			
Land	24,954,048	521,225	25,475,273
Buildings and improvements	16,572,469	1,373,544	17,946,013
Machinery and equipment	6,285,852	994,566	7,280,418
Improvements other than buildings	67,498,426	85,817,211	153,315,637
Construction in progress	-	844,048	844,048
Deferred charges	113,279	-	113,279
Total assets	170,153,459	95,306,714	265,460,173
LIABILITIES			
Accounts payable	1,357,078	2,145,778	3,502,856
Accrued liabilities	596,739	16,790	613,529
Due to other governments	1,197,069	-	1,197,069
Accrued interest	431,763	-	431,763
Special deposits	256,811	1,991	258,802
Unearned revenue	24,247,658	-	24,247,658
Noncurrent liabilities			
Due within one year	5,260,432	45,157	5,305,589
Due in more than one year	28,836,087	81,437	28,917,524
Total liabilities	62,183,637	2,291,153	64,474,790
NET ASSETS			
Invested in capital assets, net of related debt	94,637,222	89,550,594	184,187,816
Restricted for			
Debt service	4,076,267	-	4,076,267
Utility improvements	1,985,774	-	1,985,774
Development	3,895,040	-	3,895,040
Donations & grants	300,582	-	300,582
Sewer equipment replacement	-	293,844	293,844
Unrestricted	3,074,937	3,171,123	6,246,060
Total net assets	\$ 107,969,822	\$ 93,015,561	\$ 200,985,383

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Activities
Year Ended December 31, 2011

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
Governmental activities:							
General government	\$ 2,749,207	\$ 217,360	\$ -	\$ -	\$ (2,531,847)	\$ -	\$ (2,531,847)
Public safety	16,622,386	2,173,060	252,209	20,000	(14,177,117)	-	(14,177,117)
Public works	6,596,316	1,490,348	1,632,641	1,314,285	(2,159,042)	-	(2,159,042)
Health and human services	649,656	105,686	80,279	-	(463,691)	-	(463,691)
Culture and recreation	1,890,350	181,414	170,977	-	(1,537,959)	-	(1,537,959)
Conservation and development	957,877	78,667	-	-	(879,210)	-	(879,210)
Interest on long term debt	1,553,257	-	-	-	(1,553,257)	-	(1,553,257)
Total governmental activities	31,019,049	4,246,535	2,136,106	1,334,285	(23,302,123)	-	(23,302,123)
Business-type activities:							
Water	4,251,187	4,539,066	-	-	-	287,879	287,879
Sewer	3,373,459	3,124,786	-	-	-	(248,673)	(248,673)
Total business-type activities	7,624,646	7,663,852	-	-	-	39,206	39,206
Total primary government	\$ 38,643,695	\$ 11,910,387	\$ 2,136,106	\$ 1,334,285	(23,302,123)	39,206	(23,262,917)
General revenue:							
Property taxes levied for general purposes					19,058,282	-	19,058,282
Property taxes levied for debt service					1,900,000	-	1,900,000
Property taxes levied for TIF Districts					5,645,805	-	5,645,805
Other taxes					673,736	-	673,736
Intergovernmental revenue not restricted to specific programs					2,292,529	-	2,292,529
Investment earnings					973,349	32,320	1,005,669
Miscellaneous revenue					40,091	64,550	104,641
Gain on sale of capital assets					58,871	-	58,871
Transfers					348,101	(348,101)	-
Total general revenue and transfers					30,990,764	(251,231)	30,739,533
Change in net assets					7,688,641	(212,025)	7,476,616
Net assets - beginning					100,281,181	93,227,586	193,508,767
Net assets - ending					\$ 107,969,822	\$ 93,015,561	\$ 200,985,383

CITY OF FRANKLIN
Balance Sheet
Governmental Funds
December 31, 2011

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,299,746	\$ 149,666	\$ 1,736,916	\$ 7,851,026	\$ 15,037,354
Receivables					
Accounts receivable	589,545	-	-	202,842	792,387
Interest receivable	74,535	-	48,880	-	123,415
Taxes receivable	16,244,650	1,957,089	2,560,324	3,851,612	24,613,675
Note receivable	-	-	7,520,000	-	7,520,000
Special assessments receivable	-	413,275	-	1,344,987	1,758,262
Due from other funds	1,494,553	-	-	-	1,494,553
Due from other governments	33,659	-	7,314	60,596	101,569
Prepaid items	31,069	-	-	10,313	41,382
Inventories	24,751	-	-	-	24,751
Long term advances	-	3,738,000	-	-	3,738,000
TOTAL ASSETS	\$ 23,792,508	\$ 6,258,030	\$ 11,873,434	\$ 13,321,376	\$ 55,245,348
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 781,940	\$ -	\$ 20,437	\$ 508,707	\$ 1,311,084
Accrued liabilities	268,765	-	4,600	5,374	278,739
Due to other governments	105,569	-	1,091,500	-	1,197,069
Special deposits	256,811	-	-	-	256,811
Deferred revenue	16,258,550	2,163,275	2,609,204	5,023,771	26,054,800
Long term advances	-	-	3,738,000	-	3,738,000
Total Liabilities	<u>17,671,635</u>	<u>2,163,275</u>	<u>7,463,741</u>	<u>5,537,852</u>	<u>32,836,503</u>
FUND BALANCES					
Nonspendable:					
Inventories and prepaid items	55,820	-	-	10,313	66,133
Advances to other funds	-	3,738,000	-	-	3,738,000
TIF District Note Receivable	-	-	7,520,000	-	7,520,000
Restricted:					
Debt service	-	356,755	-	-	356,755
Utility improvements	-	-	-	640,787	640,787
Development	-	-	-	3,895,040	3,895,040
TIF Districts	-	-	552,904	-	552,904
Donations & grants	-	-	-	299,982	299,982
Assigned:					
Library services	-	-	-	492,473	492,473
Recreational services	-	-	-	72,857	72,857
Capital Projects	-	-	-	2,372,072	2,372,072
Unassigned	<u>6,065,053</u>	<u>-</u>	<u>(3,663,211)</u>	<u>-</u>	<u>2,401,842</u>
Total fund balances	<u>6,120,873</u>	<u>4,094,755</u>	<u>4,409,693</u>	<u>7,783,524</u>	<u>22,408,845</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,792,508	\$ 6,258,030	\$ 11,873,434	\$ 13,321,376	\$ 55,245,348
Total fund balances of governmental funds					\$ 22,408,845
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.					115,310,795
Internal service net assets					2,858,043
Other long-term assets that are not available to pay for current period expenditures and are deferred in the funds.					1,807,142
Long-term liabilities, including long-term debt, are not due and payable in the current period and are not reported in the funds.					<u>(34,415,003)</u>
Net assets of governmental activities					\$ 107,969,822

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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>TIF Districts</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Taxes	\$ 17,647,018	\$ 1,900,000	\$ 5,645,805	\$ 2,085,000	\$ 27,277,823
Intergovernmental revenue	2,735,049	-	1,426,759	219,042	4,380,850
Licenses and permits	702,674	-	-	-	702,674
Fines, forfeitures and penalties	433,106	-	-	-	433,106
Public charges for services	1,985,052	-	-	604,734	2,589,786
Special assessments	-	460,589	-	844,989	1,305,578
Intergovernmental charges for services	245,000	-	-	-	245,000
Investment earnings	229,769	267,284	201,605	239,568	938,226
Miscellaneous revenue	142,750	-	-	222,379	365,129
Total revenue	<u>24,120,418</u>	<u>2,627,873</u>	<u>7,274,169</u>	<u>4,215,712</u>	<u>38,238,172</u>
EXPENDITURES					
Current					
General government	2,596,581	-	-	-	2,596,581
Public safety	15,992,111	-	-	8,282	16,000,393
Public works	4,779,793	-	-	37,851	4,817,644
Health and human services	623,602	-	-	58,382	681,984
Culture, recreation and education	141,532	-	-	1,434,293	1,575,825
Conservation and development	404,756	-	547,617	12,237	964,610
Capital outlay	-	-	172,778	3,170,418	3,343,196
Debt service					
Principal	-	1,055,000	6,340,000	-	7,395,000
Interest	-	674,508	944,107	-	1,618,615
Total expenditures	<u>24,538,375</u>	<u>1,729,508</u>	<u>8,004,502</u>	<u>4,721,463</u>	<u>38,993,848</u>
Excess (deficiency) of revenue over expenditures	(417,957)	898,365	(730,333)	(505,751)	(755,676)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	58,871	58,871
Transfers in	1,086,245	175,112	-	1,154,559	2,415,916
Transfers out	(24,000)	-	(815,382)	(600,832)	(1,440,214)
Net change in fund balances	644,288	1,073,477	(1,545,715)	106,847	278,897
Fund balances - beginning	<u>5,476,585</u>	<u>3,021,278</u>	<u>5,955,408</u>	<u>7,676,677</u>	<u>22,129,948</u>
Fund balances - ending	<u>\$ 6,120,873</u>	<u>\$ 4,094,755</u>	<u>\$ 4,409,693</u>	<u>\$ 7,783,524</u>	<u>\$ 22,408,845</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, 2011

Net change in fund balances - total governmental funds	\$	278,897
Amounts reported for governmental activities in the statement of activities (page 26) 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 (\$2,349,821) was exceeded by depreciation (\$2,905,679) in the current period.		(555,858)
Contributed capital assets are reported as revenues in the statement of activities.		193,144
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.		7,395,000
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.		(31,335)
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		(47,212)
Revenue in the statement of activities not providing current financial resources are not reported as revenue in the funds		286,617
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities		(456,498)
Internal service fund change in net assets		625,886
Net change in net assets of governmental activities	\$	7,688,641

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, 2011

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE				
Taxes	\$ 18,633,000	\$ 18,633,000	\$ 18,622,720	\$ (10,280)
Intergovernmental revenue	2,669,300	2,669,300	2,735,049	65,749
Licenses and permits	718,300	718,300	702,674	(15,626)
Fines, forfeitures and penalties	400,000	400,000	433,106	33,106
Public charges for services	1,662,200	1,662,200	1,985,052	322,852
Intergovernmental charges for services	250,000	250,000	245,000	(5,000)
Investment earnings	247,000	247,000	229,769	(17,231)
Miscellaneous revenue	98,200	98,200	142,750	44,550
Total revenue	<u>24,678,000</u>	<u>24,678,000</u>	<u>25,096,120</u>	<u>418,120</u>
EXPENDITURES				
Current				
General government	3,114,539	2,865,989	2,596,581	269,408
Public safety	16,108,836	16,098,886	15,988,611	110,275
Public works	4,866,810	4,866,810	4,775,793	91,017
Health and human services	657,270	657,270	623,602	33,668
Culture and recreation	173,180	173,180	165,532	7,648
Conservation and development	418,365	421,865	404,756	17,109
Total expenditures	<u>25,339,000</u>	<u>25,084,000</u>	<u>24,554,875</u>	<u>529,125</u>
Excess (deficiency) of revenue over (under) expenditures	(661,000)	(406,000)	541,245	947,245
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	110,543	110,543
Transfers out	-	-	-	-
Net change in fund balance - budgetary basis	(661,000)	(406,000)	651,788	1,057,788
Adjustments to generally accepted accounting principles basis				
2011 encumbrances	12,000	12,000	12,000	-
2010 encumbrances	(19,500)	(19,500)	(19,500)	-
Net change in fund balance - generally accepted accounting principles basis	(668,500)	(413,500)	644,288	1,057,788
Fund Balances - beginning	<u>5,476,585</u>	<u>5,476,585</u>	<u>5,476,585</u>	-
Fund Balances - ending	<u>\$ 4,808,085</u>	<u>\$ 5,063,085</u>	<u>\$ 6,120,873</u>	<u>\$ 1,057,788</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Net Assets
Proprietary Funds
December 31, 2011

(with comparative information for December 31, 2010)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
ASSETS							
Current assets							
Cash and investments	\$ 1,676,118	\$ 1,360,929	\$ 80,834	\$ 498,181	\$ 1,756,952	\$ 3,104,219	
Receivables							
Accounts receivable	1,110,026	1,092,518	853,678	856,157	1,963,704	117,359	
Taxes receivable	154,411	162,187	137,176	118,363	291,587	-	
Due from other funds	-	-	-	23,954	-	-	
Due from other governments	-	-	2,944,586	-	2,944,586	-	
Prepaid expenses	-	-	-	-	-	459	
Total current assets	<u>2,940,555</u>	<u>2,615,634</u>	<u>4,016,274</u>	<u>1,496,655</u>	<u>6,956,829</u>	<u>3,222,037</u>	
Noncurrent assets							
Restricted cash and investments	-	-	293,844	261,852	293,844	-	
Total restricted assets	-	-	<u>293,844</u>	<u>261,852</u>	<u>293,844</u>	-	
Capital assets							
Land	162,885	162,885	358,340	358,340	521,225	-	
Buildings and improvements	730,075	730,075	1,593,314	1,592,175	2,323,389	-	
Improvements other than buildings	54,344,456	53,579,157	53,255,868	53,255,869	107,600,324	-	
Machinery and equipment	1,913,001	1,901,243	676,733	662,202	2,589,734	-	
Construction in progress	816,848	43,818	27,200	600,023	844,048	-	
Less accumulated depreciation	<u>(12,662,412)</u>	<u>(11,648,343)</u>	<u>(11,665,714)</u>	<u>(11,035,320)</u>	<u>(24,328,126)</u>	-	
Total capital assets (net of accumulated depreciation)	<u>45,304,853</u>	<u>44,768,835</u>	<u>44,245,741</u>	<u>45,433,289</u>	<u>89,550,594</u>	-	
Total noncurrent assets	<u>45,304,853</u>	<u>44,768,835</u>	<u>44,539,585</u>	<u>45,695,141</u>	<u>89,844,438</u>	-	
Total assets	<u>48,245,408</u>	<u>47,384,469</u>	<u>48,555,859</u>	<u>47,191,796</u>	<u>96,801,267</u>	<u>3,222,037</u>	

Continued

CITY OF FRANKLIN
Statement of Net Assets
Proprietary Funds
December 31, 2011
 (with comparative information for December 31, 2010)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
LIABILITIES							
Current liabilities							
Accounts payable	1,033,157	515,872	1,112,621	647,594	2,145,778	45,994	
Accrued liabilities	3,825	1,844	12,965	13,961	16,790	318,000	
Due to other funds	384,575	46,132	1,109,978	-	1,494,553	-	
Special deposits	1,991	2,600	-	-	1,991	-	
Current portion of compensated absences	22,579	20,138	22,578	23,735	45,157	-	
Total current liabilities	1,446,127	586,586	2,258,142	685,290	3,704,269	363,994	
Noncurrent liabilities							
Accrued compensated absences	40,718	40,200	40,719	36,603	81,437	-	
Total noncurrent liabilities	40,718	40,200	40,719	36,603	81,437	-	
Total liabilities	1,486,845	626,786	2,298,861	721,893	3,785,706	363,994	
NET ASSETS							
Invested in capital assets	45,304,853	44,768,835	44,245,741	45,433,289	89,550,594	-	
Restricted for							
Sewer equipment replacement	-	-	293,844	261,852	293,844	-	
Unrestricted	1,453,710	1,988,848	1,717,413	774,762	3,171,123	2,858,043	
Total net assets	\$ 46,758,563	\$ 46,757,683	\$ 46,256,998	\$ 46,469,903	\$ 93,015,561	\$ 2,858,043	

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, 2011
(with comparative information for the year ended December 31, 2010)

	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	\$ 2,329,800	\$ 2,077,215	\$ 1,792,900	\$ 1,753,761	\$ 4,122,700
Residential	1,039,892	1,135,521	816,592	811,369	1,856,484
Commercial	235,408	207,205	310,552	262,407	545,960
Industrial	225,854	268,773	161,927	194,086	387,781
Public authority	3,830,954	3,688,714	3,081,971	3,021,623	6,912,925
Total metered sales	-	-	-	-	3,831,460
Group health & dental charges	4,324	1,330	-	-	4,324
Unmetered sales	539,935	536,543	-	-	539,935
Public fire protection service	109,950	115,530	-	-	109,950
Private fire protection service	53,903	53,152	42,815	40,863	96,718
Forfeited discounts, penalties and other	4,539,066	4,395,269	3,124,786	3,062,486	7,663,852
Total operating revenue	2,714,776	2,584,294	2,475,520	2,486,338	5,190,296
OPERATING EXPENSES					
Cost of sales and services	1,039,123	1,041,386	650,886	649,049	1,690,009
Depreciation	497,288	450,729	247,053	241,118	744,341
Administration	4,251,187	4,076,409	3,373,459	3,376,505	7,624,646
Total operating expenses	287,879	318,860	(248,673)	(314,019)	39,206
Operating income (loss)	9,218	23,368	23,102	18,025	32,320
NON-OPERATING REVENUE (EXPENSES)					
Investment earnings	48,929	44,786	15,621	5,378	64,550
Sundry	-	-	-	-	-
Loss on property abandoned	58,147	68,154	38,723	23,403	96,870
Total non-operating revenue (expenses)	346,026	387,014	(209,950)	(290,616)	136,076
Income (loss) before capital contributions and transfers	627,601	133,576	-	79,309	627,601
Capital contributions	(972,747)	(1,010,459)	(2,955)	(2,907)	(975,702)
Transfers in	880	(489,869)	(212,905)	(214,214)	(212,025)
Transfers out	46,757,683	47,247,552	46,469,903	46,684,117	93,227,586
Change in net assets	\$ 46,758,563	\$ 46,757,683	\$ 46,256,998	\$ 46,469,903	\$ 93,015,561
Net assets - beginning					2,232,157
Net assets - ending					\$ 2,858,043

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2011
(with comparative information for the year ended December 31, 2010)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 4,306,473	\$ 4,147,418	\$ 3,120,662	\$ 3,050,301	\$ 7,427,135	\$ 3,774,809	
Receipts for interfund services provided	281,081	281,028	3,409	3,140	284,490	-	
Payments to suppliers	(1,747,472)	(2,580,046)	(2,947,000)	(1,932,146)	(4,694,472)	(3,229,594)	
Payments to employees	(510,533)	(465,556)	(461,703)	(507,772)	(972,236)	-	
Payments for interfund services used	(94,000)	(93,200)	(94,000)	(93,200)	(188,000)	-	
Net cash flows provided by (used in) operating activities	2,235,549	1,289,644	(378,632)	520,323	1,856,917	545,215	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer out - paid for tax equivalent	(972,747)	(1,010,459)	(2,955)	(2,907)	(975,702)	-	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(956,831)	(195,924)	(26,870)	(655,191)	(983,701)	-	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment earnings	9,218	23,368	23,102	18,025	32,320	39,283	
Net increase (decrease) in cash and cash equivalents	315,189	106,629	(385,355)	(119,750)	(70,166)	584,498	
Cash and cash equivalents - Beginning	1,360,929	1,254,300	760,033	879,783	2,120,962	2,519,721	
Cash and cash equivalents - Ending	\$ 1,676,118	\$ 1,360,929	\$ 374,678	\$ 760,033	\$ 2,050,796	\$ 3,104,219	
Cash and Investments - Unrestricted	\$ 1,676,118	\$ 1,360,929	\$ 80,834	\$ 498,181	\$ 1,756,952	\$ 3,104,219	
Cash and Investments - Restricted	-	-	293,844	261,852	293,844	-	
	\$ 1,676,118	\$ 1,360,929	\$ 374,678	\$ 760,033	\$ 2,050,796	\$ 3,104,219	

See accompanying notes to the financial statements.

Continued

CITY OF FRANKLIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2011
(with comparative information for the year ended December 31, 2010)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
Reconciliation of operating income (loss) to net cash provided by operating activities							
Operating income (loss)	\$ 287,879	\$ 318,860	\$ (248,673)	\$ (314,019)	\$ 39,206	\$ 586,603	
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities							
Depreciation	1,039,123	1,041,386	650,886	649,049	1,690,009	-	
Depreciation allocated to other funds	9,292	9,838	(9,292)	(9,838)	-	-	
Other nonoperating income	48,929	44,786	15,621	5,378	64,550	-	
(Increase) decrease in assets	(17,508)	(11,857)	2,479	(42,322)	(15,029)	(56,651)	
Accounts receivable	7,776	(9,590)	(18,813)	27,900	(11,037)	-	
Taxes receivable	-	-	-	-	-	(459)	
Prepaid expense	-	-	23,954	21,229	23,954	-	
Due from other funds	-	-	(2,371,762)	-	(2,371,762)	-	
Due from other governments	-	-	-	-	-	-	
Increase (decrease) in liabilities							
Accounts payable	517,284	(38,778)	465,027	178,440	982,311	15,722	
Accrued liabilities	1,981	(1,160)	(996)	4,345	985	-	
Due to other funds	338,443	(64,602)	1,109,978	-	1,448,421	-	
Customer deposits	(609)	600	-	-	(609)	-	
Compensated absences	2,959	161	2,959	161	5,918	-	
Total Adjustments	1,947,670	970,784	(129,959)	834,342	1,817,711	(41,388)	
Net cash flows provided by (used in) operating activities	\$ 2,235,549	\$ 1,289,644	\$ (378,632)	\$ 520,323	\$ 1,856,917	\$ 545,215	
Noncash Capital Activities							
Cost of Utility plant installed and/or financed by external parties	\$ 627,601	\$ 133,576	\$ -	\$ 79,309	\$ 627,601	\$ -	

CITY OF FRANKLIN
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

ASSETS	Agency Funds	City of Franklin Post Employment Benefits Trust
Cash and investments	\$ 50,559,571	\$ 2,458,853
Accounts receivable	5,182	3,825
Taxes receivable	<u>18,819,000</u>	<u>-</u>
Total assets	<u>\$ 69,383,753</u>	<u>2,462,678</u>
 LIABILITIES		
Accounts payable	219,488	17,927
Accrued liabilities	-	12,000
Due to other governments	68,502,511	-
Special deposits	<u>661,754</u>	<u>-</u>
Total liabilities	<u>\$ 69,383,753</u>	<u>29,927</u>
Total net assets		
held in trust for post employment benefits		<u>\$ 2,432,751</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2011

	<u>City of Franklin Post Employment Benefits Trust</u>
ADDITIONS	
Contributions	
City of Franklin	\$ 822,357
Retirees	126,842
Net investment earnings (loss)	<u>(266,480)</u>
Total additions	<u>682,719</u>
 DEDUCTIONS	
Incurring claims	166,474
Prescription drug claims	130,754
Claims fees	7,419
Stop loss premiums less claims received	<u>49,577</u>
Total deductions	<u>354,224</u>
Change in net assets	328,495
 NET ASSETS HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:	
Beginning of year	<u>2,104,256</u>
End of year	<u>\$ 2,432,751</u>

See accompanying notes to the financial statements.

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CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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. Discretely presented component units would be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. This report does not contain any discretely presented component units.

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for 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. 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 accounting policies of the City. Financial information on the Authority (TIF District #2) is contained in Schedules 9 & 10 of this report.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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 all indirect expenses to functions in the statement of activities.

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

Fund Financial Statements

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

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

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Major Enterprise Funds

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

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

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In addition the City reports:

NonMajor Governmental Funds

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

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

Other Fund Types

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

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

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

Government-Wide Financial Statements

The government-wide statement of net 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 for.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (Continued)

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. Receivables are recorded as revenue when services are performed.

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

Fund Financial Statements

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

Property taxes are recorded the year levied as receivable and deferred 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 are recorded as receivables. Amounts not available or 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.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

Proprietary funds distinguish operating revenue and expenses from 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 Sewerage District. The principal operating revenue of the internal service fund is charges to other funds for group health coverage.

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

All Financial Statements

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

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.

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

- a. Requires a minimum rating at time of purchase of AA by either Moody's or Standard & Poor's.
- b. Limits an issuer to 10% or less and asset classes to 35% or less of the fair value of the portfolio with the exception of U.S. Government Treasury, Agency and securities that have the full faith guarantee of the U.S. Government.
- c. Specifies a minimum amount of cash equivalents be maintained, an average life of the portfolio not exceeding 2½ years and no individual issue with a maturity exceeding 5 years at the date of purchase to limit interest rate risk.
- d. Limits investments highly sensitive to market changes through its duration and diversification policies to limit interest rate risk.
- e. Prohibits the investment in foreign owned securities.
- f. Limits derivative investments to those with a final maturity of seven years or less.

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

- a. Time deposits in any credit union, bank, savings bank, trust company or loan association authorized to transact business in the state and maturing in three years or less.
- b. The Local Government Investment Pool (LGIP).
- c. Bonds or securities issued or guaranteed by the federal government.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

- d. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
- 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 second investment policy is for its fiduciary fund for retiree health purposes. The policy:

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

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

- a. Custodial credit risk – investments are held by trustee or third party custodian.
 - deposits in excess of FDIC insurance limits are maintained in the State LGIP or collateralized bank balances in amounts at least 75% of the year end cash balances.
- 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. issued securities.
- d. Interest rate risk – managed by limiting the length of maturity of newly purchased investments and limits the average life of the portfolio to control risk.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

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, 2011, 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 – 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	March 31, 2012
Third installment due	May 31, 2012
Personal property taxes in full	January 31, 2012
Final tax settlement with County	August 20, 2012
Tax deed by County – 2011	
Delinquent real estate taxes	October 2014

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.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Long term interfund loans are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net 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.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$10,000 for infrastructure assets with estimated useful lives of two years or more. Capital assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at estimated fair value at the date of donation.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital Assets (continued)

Government-Wide Statements (continued)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to the applicable function.

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 follows:

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

Fund Financial Statements

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

6. Deferred Charges

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.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Compensated Absences (continued)

All vested compensatory time, severance pay and vacation pay are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements and are payable with expendable available resources.

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

8. Long-term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist 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 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.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.
- 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 nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance is that portion of fund balance that is not available for current spending. The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by external parties. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Common Council. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. *Unassigned* fund

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. EQUITY CLASSIFICATIONS (continued)

balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Also included are deficit fund balances in other governmental funds. Proprietary fund equity is classified the same as in the government-wide statements. For classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive classification first when one or more classification is available. Assignments are made by the City's Finance Director.

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, 2010 from which the data was derived.

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	\$1,758,262
Accrued interest receivable	48,880
	<u>\$1,807,142</u>

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$24,954,048
Buildings	24,048,716
Machinery and equipment	16,271,239
Infrastructure	89,488,991
Construction in progress	-
Less: Accumulated depreciation	<u>(39,452,199)</u>
Adjustment for capital assets	<u>\$115,310,795</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

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

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	\$32,495,000
Deferred amounts for premiums	121,941
Unamortized debt issue costs	(113,279)
Unamortized deferred refunding amounts	(310,089)
Compensated absences	1,692,326
Net pension obligation	97,341
Accrued interest	<u>431,763</u>
Combined adjustment for long-term liabilities	<u>\$34,415,003</u>

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>\$286,617</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$286,617</u>

The governmental fund statement of revenue, expenditures and changes in fund balances include a reconciliation between the 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.

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:

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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)

Amortization of issuance costs	\$(34,345)
Amortization of deferred refunding amounts	(65,524)
Amortization of premium	<u>68,534</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(31,335)</u>

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	\$(154,339)
Net pension obligations	10,434
Accrued interest payable	<u>96,693</u>
Net adjustments to decrease net change in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(47,212)</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	\$(452,338)
Change in accrued interest receivables	<u>(4,160)</u>
Net adjustments to decrease net change in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(456,498)</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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, transfers from the general fund to special revenue funds and tax equivalent from the Water Utility. Actual (budgetary basis) expenditures presented reflect actual (GAAP) expenditures adjusted for expenditures liquidated under the prior period budget and encumbrances expected to be liquidated under the current period budget. Actual (budgetary basis) revenue present the tax equivalent from the Water Utility as tax revenue while GAAP basis statements present this item as a transfer.

A budget has been adopted for the General, Debt 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.

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

B. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 40 (2011), legislation was passed that continued the limitation of the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction, or 0.0% for the 2011 levy collected in 2012. Unused tax levy may not be carried forward into the following year. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit proposed in the State budget would continue levy limits in some form for two more years.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety. For the year ended December 31, 2011 the Street Improvement Fund expended \$710,658 that was \$85,658 more than the \$625,000 budgeted.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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 \$250,000 for interest bearing accounts and unlimited for non or low interest bearing accounts.

The City's bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000. However, although the fund had reserves available at December 31, 2011, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 35 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished.

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, 2011 was \$22,552,127. Cash and investments as shown on the December 31, 2011 City of Franklin Statement of Net Assets are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 1,047,137	\$ 1,047,137	Credit and interest rate
Money market funds	545,598	545,598	Credit and interest rate
U.S. treasuries and agencies	2,649,268	2,649,268	Credit, interest rate and concentration of credit
SBA repurchase agreements	3,000,000	3,000,000	Credit, interest rate and Custodial
Corporate notes	4,255,743	4,255,743	Credit, interest rate and concentration of credit
Asset backed securities	2,279	2,279	Credit and interest rate
Total Fixed income investments	11,500,025	11,500,025	
Equity funds	2,022,830	2,022,830	Custodial
Cash and demand deposits	59,687,938	43,159,837	Custodial
Total	<u>\$ 73,210,793</u>	<u>\$ 56,682,692</u>	

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

Reconciliation to the financial statements is shown below:

Per Statement of Net Assets

Primary Government:	
Unrestricted cash and investments	\$ 19,898,525
Restricted cash and investments	293,844
Per Statement of Fiduciary Net Assets	
- Agency Funds	50,559,571
- Post Employment Benefits Trust	<u>2,458,853</u>
	<u>\$ 73,210,793</u>

Custodial Credit Risk For deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2011, \$1,750,000 of the City's total bank balances of \$43,159,837 were uninsured and uncollateralized and therefore exposed to custodial credit risk. For Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the City's investments except the Local Government Investment Pool have a tri-party relationship with the investments held by a party independent of the party managing the investment.

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

As of December 31, 2011, 77.3% of the investments were in rated fixed income investments and subject to credit risk. The ratings were as follows: AAA at 59.3%, AA2 at 26.4% and AA3 at 14.3%. The portfolio makeup of fixed income investments was corporate securities including asset backed securities at 31.5%, treasury and agency securities at 19.6%, repurchase agreements at 22.2% and money market funds at 4.0%. The Local Government Investment Pool was 7.7% of the investments and is not rated but is subject to credit risk and equities and fixed income mutual funds held in trust at 15.0% make up the remainder of the investments.

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, 2011 no issue other than U.S. Treasuries and Agencies, Issues that have the full faith guarantee of the U.S. government and the Local Government Investment Pool had a position of greater than ten percent of the portfolio.

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

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

As of December 31, 2011 the City's fixed income investments were as follows:

Investment type (in thousands)	Fair Value	Investment Maturity in years		
		Less than 1	1 - 5	Over 5
Money market funds	\$ 545,598	\$ 545,598	\$ -	\$ -
SBA repurchase agreements	3,000,000	3,000,000	-	-
U.S. treasuries and agencies	2,649,268	492,775	2,156,513	-
Asset backed securities	2,279	-	2,279	-
Corporate notes	4,255,743	202,238	4,053,505	-
Local government investment pool	1,047,137	1,047,137	-	-
Total	\$ 11,500,025	\$ 5,287,748	\$ 6,212,297	\$ -

B. RECEIVABLES

Receivables consist of accounts, taxes, notes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and ambulance revenue, was \$32,912 at December 31, 2011. 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 \$7,520,000. Terms of the note call for semi-annual payments of interest at 1.95% and annual principal ranging from \$655,000 to \$670,000 until maturity on February 28, 2014, at that time the remaining balance is 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:

	Unavailable	Unearned	Total
Governmental funds:			
Property taxes receivable	\$ -	\$ 24,247,658	\$ 24,247,658
Interest receivable	48,880	-	48,880
Special assessments not yet due	1,758,262	-	1,758,262
Total deferred/unearned revenue for governmental funds	\$ 1,807,142	\$ 24,247,658	\$ 26,054,800

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2011 is \$293,844.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental Activities	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets not depreciated:				
Land	\$ 24,695,045	\$ 259,003	\$ -	\$ 24,954,048
Construction in progress	<u>52,225</u>	<u>-</u>	<u>52,225</u>	<u>-</u>
Total capital assets not depreciated	<u>24,747,270</u>	<u>259,003</u>	<u>52,225</u>	<u>24,954,048</u>
Capital assets depreciated:				
Buildings & improvements	23,997,831	50,885	-	24,048,716
Machinery & equipment	15,702,981	725,426	157,168	16,271,239
Infrastructure	<u>87,929,115</u>	<u>1,559,876</u>	<u>-</u>	<u>89,488,991</u>
Total capital assets depreciated	<u>127,629,927</u>	<u>2,336,187</u>	<u>157,168</u>	<u>129,808,946</u>
Less: Accumulated depreciation for:				
Buildings & improvements	6,925,015	551,232	-	7,476,247
Machinery & equipment	9,267,391	875,164	157,168	9,985,387
Infrastructure	<u>20,511,282</u>	<u>1,479,283</u>	<u>-</u>	<u>21,990,565</u>
Total accumulated depreciation	<u>36,703,688</u>	<u>2,905,679</u>	<u>157,168</u>	<u>39,452,199</u>
Net capital assets depreciated	<u>90,926,239</u>	<u>(569,492)</u>	<u>-</u>	<u>90,356,747</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 115,673,509</u>	<u>\$ (310,489)</u>	<u>\$ 52,225</u>	<u>\$ 115,310,795</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 151,145
Public safety	624,645
Public works	1,786,586
Health & human services	14,131
Culture & recreation	326,998
Conservation & development	<u>2,174</u>
Total governmental activities depreciation expense	<u>\$ 2,905,679</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets not depreciated:				
Land	\$ 521,225	\$ -	\$ -	\$ 521,225
Construction in progress	643,841	200,207	-	844,048
Total capital assets not depreciated	<u>1,165,066</u>	<u>200,207</u>	<u>-</u>	<u>1,365,273</u>
Capital assets depreciated:				
Buildings & improvements	2,322,250	1,139	-	2,323,389
Machinery & equipment	2,563,445	48,717	22,428	2,589,734
Infrastructure	106,835,026	788,416	23,118	107,600,324
Total capital assets depreciated	<u>111,720,721</u>	<u>838,272</u>	<u>45,546</u>	<u>112,513,447</u>
Less: Accumulated depreciation for:				
Buildings & improvements	875,402	74,443	-	949,845
Machinery & equipment	1,484,038	133,558	22,428	1,595,168
Infrastructure	20,324,223	1,482,008	23,118	21,783,113
Total accumulated depreciation	<u>22,683,663</u>	<u>1,690,009</u>	<u>45,546</u>	<u>24,328,126</u>
Net capital assets depreciated	<u>89,037,058</u>	<u>(851,737)</u>	<u>-</u>	<u>88,185,321</u>
Business-type Activities Capital Assets,				
Net of Accumulated Depreciation	<u>\$ 90,202,124</u>	<u>\$ (651,530)</u>	<u>\$ -</u>	<u>\$ 89,550,594</u>
Depreciation expense was charged to functions as follows.				
Business-Type Activities:				
Water				\$ 1,039,123
Sewer				<u>650,886</u>
				<u>\$ 1,690,009</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables at December 31, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental funds:		
General	Water Utility	384,576
General	Sanitary Sewer	1,109,977
Subtotal - Fund Financial Statements		1,494,553
Less: Fund eliminations		-
Total internal balances - Government-Wide		
Statement of Net Assets		\$ 1,494,553

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.

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

Receivable Fund	Payable Fund	Amount	Amounts not due within one year
Governmental funds:			
Debt Service	TIF Districts	\$ 3,738,000	\$ 3,038,000
Less: Fund eliminations		(3,738,000)	
Total long-term advances - Government-Wide			
Statement of Net Assets		\$ -	

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

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, 2011 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Enterprise - Water Utility	\$ 972,747
General	Special Revenue - Master Plan	110,543
	Enterprise - Sanitary Sewer	<u>2,955</u>
Total General		1,086,245
Debt Service	Capital Projects - Development	175,112
Nonmajor funds:		
Special Revenue:		
St Martins Fair	General	11,000
Civic Celebrations	General	13,000
Capital Projects Funds:		
Capital Improvements	Capital Projects - Street Improvement	37,690
	Capital Projects - Utility Improvement	187,169
	Capital Projects - Development	90,318
	TIF Districts	<u>815,382</u>
Total nonmajor funds		<u>1,154,559</u>
Subtotal - Fund financial statements		2,415,916
Less: Fund eliminations		(1,440,214)
Less: Government-wide eliminations		<u>(627,601)</u>
Total transfers - Government-wide Statement of Activities		<u>\$ 348,101</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2011 were as follows:

	Balance 12/31/10	Additions	Deletions	Balance 12/31/11	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 39,890,000	\$ -	\$ 7,395,000	\$ 32,495,000	\$ 4,675,000
Unamortized premium	190,475	-	68,534	121,941	39,114
Net pension obligation	107,775	220,266	230,700	97,341	-
Deferred refunding amounts	<u>(375,613)</u>	-	<u>(65,524)</u>	<u>(310,089)</u>	<u>(54,534)</u>
Sub-total	<u>39,812,637</u>	<u>220,266</u>	<u>7,628,710</u>	<u>32,404,193</u>	<u>4,659,580</u>
Compensated absences					
Accrued vacation pay	370,727	887,172	859,551	398,348	398,348
Accrued severance pay	1,014,466	154,707	41,098	1,128,075	36,601
Accrued compensatory time	<u>152,794</u>	<u>200,827</u>	<u>187,718</u>	<u>165,903</u>	<u>165,903</u>
Total compensated absences	<u>1,537,987</u>	<u>1,242,706</u>	<u>1,088,367</u>	<u>1,692,326</u>	<u>600,852</u>
Governmental activities					
Long-term liabilities	<u>\$ 41,350,624</u>	<u>\$ 1,462,972</u>	<u>\$ 8,717,077</u>	<u>\$ 34,096,519</u>	<u>\$ 5,260,432</u>

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

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

	Balance 12/31/10	Additions	Deletions	Balance 12/31/11	Amounts due within one year
Business-type Activities					
Compensated absences					
Accrued vacation pay	\$ 34,463	\$ 40,250	\$ 38,819	\$ 35,894	\$ 35,894
Accrued severance pay	79,498	1,939	-	81,437	-
Accrued compensatory time	<u>6,715</u>	<u>11,487</u>	<u>8,939</u>	<u>9,263</u>	<u>9,263</u>
Business-type activities					
Long-term liabilities	<u>\$ 120,676</u>	<u>\$ 53,676</u>	<u>\$ 47,758</u>	<u>\$ 126,594</u>	<u>\$ 45,157</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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						
	8/15/05	3.75-3.90	3/ 1/07-15	3/1& 9/1	\$ 10,000,000	\$ 7,450,000
	1/3/07	4.95	3/ 1/08-14	3/1& 9/1	10,000,000	7,520,000 ¹
	8/26/08	3.00-3.50	3/ 1/09-14	3/1& 9/1	10,000,000	8,000,000 ²
General obligation refunding bonds						
	1/3/07	3.80	3/ 1/08-21	3/1& 9/1	9,925,000	<u>9,525,000</u>
						<u>\$ 32,495,000</u>

¹ Issued for non capital TIF purposes ² Issued 50% for non capital TIF purposes

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>
2011				\$ 32,495,000
2012	\$ 4,675,000	\$ 1,208,524	\$ 5,883,524	27,820,000
2013	5,640,000	1,014,820	6,654,820	22,180,000
2014	12,365,000	641,526	13,006,526	9,815,000
2015	2,720,000	322,390	3,042,390	7,095,000
2016	1,200,000	246,810	1,446,810	5,895,000
2017 - 2021	<u>5,895,000</u>	<u>558,125</u>	<u>6,453,125</u>	-
	<u>\$ 32,495,000</u>	<u>\$ 3,992,195</u>	<u>\$ 36,487,195</u>	

The City's statutory debt limit and margin of indebtedness at December 31, 2011 are \$183,818,985 and \$151,323,985, respectively.

In early 2012 the City called the 2013-15 maturities of the 2005 promissory notes, using available investment funds.

Conduit Debt Obligations

Twelve series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$124,992,000 are outstanding with a December 31, 2011 balance of \$117,877,668.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. NET ASSETS/FUND BALANCES

Governmental Activities

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2011 include the following:

Invested in capital assets, net of related debt	
Land	\$ 24,954,048
Construction in process	-
Other capital assets, net of accumulated depreciation	90,356,747
Less: related long term debt outstanding	<u>(20,673,573)</u>
Total invested in capital assets	<u>94,637,222</u>
Restricted for:	
Debt service	4,076,267
Utility improvement	1,985,774
Development	3,895,040
TIF Districts	-
Donations	112,529
Grants	<u>188,053</u>
Total restricted	<u>10,257,663</u>
Unrestricted	<u>3,074,937</u>
Total governmental activities net assets	<u>\$ 107,969,822</u>

Governmental Fund Balances

Reported on the fund financial statements at December 31, 2011 include the following:

Nonspendable fund balances	
General Fund - Inventories and prepaid items	\$ 55,820
Library Fund - prepaid items	9,713
Grant Fund - prepaid items	600
Debt Service Fund - advances to other funds	3,738,000
TIF Districts Fund - notes receivable	<u>7,520,000</u>
Total nonspendable	<u>\$ 11,324,133</u>
Restricted fund balances	
Debt Service	356,755
TIF Districts	552,904
Donations and grants	299,982
Development	3,895,040
Utility Improvement	<u>640,787</u>
Total restricted	<u>\$ 5,745,468</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. NET ASSETS/FUND BALANCES (continued)

Assigned Fund balances:

Library services	\$ 492,473
Recreational services:	
St Martin's fair activities	3,279
Civic celebration activities	69,578
Total Recreational services	<u>72,857</u>
Capital Projects:	
Capital Outlay	326,727
Equipment Replacement	1,517,618
Capital Improvement	246,556
Street Improvement	281,171
Total Capital Projects	<u>2,372,072</u>
Total Assigned fund balances	<u>\$ 2,937,402</u>

Unassigned fund balances

General Fund	\$ 6,065,053
TIF Districts - Deficit	<u>(3,663,211)</u>
Total Unassigned fund balances	<u>\$ 2,401,842</u>

NOTE 5 – OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System

All eligible protective (public safety) City of Franklin employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All such permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the protective occupations category are required by statute to contribute 5.8% for protective occupations with social security, and 4.8% for protective occupations without social security to the plan.

Employers may make these contributions to the plan on behalf of the protective occupation employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5 – OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS (continued)

The payroll for employees covered by the System for the year ended December 31, 2011 was \$7,524,365 and the employer's total payroll was \$13,106,151. The total required contribution paid entirely by the employer for the year ended December 31, 2011 was \$1,512,397, or 20.1% of covered payroll. Of the total required contribution, 100% was contributed for the current year. Total contributions for the years ended December 31, 2010 and 2009 were \$1,388,909 and \$1,495,458, respectively which equal 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.

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.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

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. Starting in 2010, the City uses the entry age normal actuarial cost method.

Funding Policy

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

Annual Pension Cost

For 2011, the City's required contribution of \$230,700 was determined during a January 1, 2011 actuarial valuation using the entry age normal cost method. As a result during the year ended December 31, 2011, contributions totaling \$224,478 were accrued. This resulted in the net pension obligation being reduced by \$10,434. The required employer contribution amount represented 14.7% of current year payroll compared to the 14.8% anticipated in the 2010 actuarial report.

The entry age normal actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The unfunded actuarial liability is being amortized over a 20 year closed period. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets ranging of 8.0% compounded annually, (b) projected salary increases of 4.00% per year compounded annually, attributable to inflation applied using the level percentage of projected payroll. The assumptions do not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan (continued)

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2011	\$ 224,478	102.8%	\$ 97,341
12/31/2010	225,631	102.9%	107,775
12/31/2009	201,833	103.0%	110,182

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

Annual required contribution	\$ 230,700
Interest on net pension obligation	8,285
Adjustment to annual required contribution	<u>(14,507)</u>
Annual pension expense	224,478
Actuarial correction of prior year APC	(4,212)
Contributions made	<u>(230,700)</u>
Decrease in net pension obligation	(10,434)
Net pension obligation - beginning of year	<u>107,775</u>
Net pension obligation - end of year	<u>\$ 97,341</u>

Annual Pension Cost

Actuarial Valuation Date	(A) Actuarial Asset Value	Funding progress			(E) Covered Payroll	(F) UAAL as Percentage of Covered Payroll [(C)/(E)]
		(B) Actuarial Accrued Liability (AAL) - Aggregate	(C) Unfunded AAL (UAAL) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]		
1/1/2011	\$ 4,891,672	\$ 5,219,206	\$ 327,534	94%	\$ 1,566,522	21%

The major change in the actuarial assumptions during the valuation year ended January 1, 2010 was the switch to using the entry age normal cost method. The multi year trend information is located in the required supplementary information immediately following the notes to the financial statements.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5 – OTHER INFORMATION (continued)

B. DEFINED CONTRIBUTION PLAN

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

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees 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 2011, the City made the required contribution amounting to \$395,814, or 10% of covered payroll and employees made \$4,675 in additional voluntary contributions to the plan. The City may make amendments to the Plan.

C. POST EMPLOYMENT HEALTH CARE BENEFITS

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

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

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

<u>Employee Group</u>	<u>#</u>	<u>City Amount</u>	<u>Age</u>	<u>Years Service</u>
Non-represented	37	75% of Premium at Retirement	62	20
Police	57	75% of Premium at Retirement	53	15
Dispatch	14	75% of 2005 Premium	62	20
Fire	43	75% of Premium at Retirement	53	20
DPW	31	75% of Premium at Retirement	60	15

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5 – OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

Annual required contribution	\$ 822,537
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB expense	<u>822,537</u>
Contributions made	<u>(822,537)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ -</u>

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

Year Ended	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
12/31/2011	\$ 822,537	100.0%	\$ -
12/31/2010	793,852	100.0%	-
12/31/2009	587,217	100.0%	-

Funding progress:

(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Projected unit credit	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2010	\$ 1,254,758	\$ 6,016,221	\$ 4,761,463	21%	\$ 11,523,032	41%

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5 – OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

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

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

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

The following significant assumptions were made:

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

The ARC was calculated using the level percentage of payroll method, amortizing costs over a closed period of 30 years. The remaining amortization period at December 31, 2011 was 26 years.

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

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

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5 – OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

The expected healthcare trend rate of increase in group health charges was based upon the recent experience of the City of Franklin self funded health care program. The trend rate assumption of 9.7% for year one, 9.5% for year two, reduced to an ultimate rate of 5.2% after eighteen years, was used.

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

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

Rates of retirement, mortality and termination for reasons other than retirement and death are from the "Wisconsin Retirement System 2003-2005 Experience Study".

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

D. CONTINGENCIES AND COMMITMENTS

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

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

The City has \$23,254,000 in outstanding contractual commitments relating to various Public Works projects and equipment purchases at December 31, 2011. The City has encumbered \$17,000 at year end due to valid contracts or purchase orders in place and the related services committed and not yet received.

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

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5 – OTHER INFORMATION (continued)

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.

The City also offers a group medical and dental insurance plan to employees for which the City is self-insured. This activity is accounted for in the City's Self Insurance Internal Service Fund. Group medical and dental costs are charged to City departments and retirees participating in the program. A third party administrator handles claims payments. The City carries stop loss insurance for claims in excess of \$50,000 per year per individual. Liabilities are reported when it is probable that claims have occurred and the amount of the claim can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported ("IBNR").

Changes in the balance of claims payable for the two years ended December 31, 2011 are as follows:

	<u>Balance Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2011	\$ 318,000	\$ 2,724,079	\$ 2,724,079	\$ 318,000
2010	188,000	3,189,733	3,059,733	318,000

CITY OF FRANKLIN

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

December 31, 2011

**PUBLIC WORKS EMPLOYEES PENSION PLAN
SCHEDULE OF FUNDING PROGRESS**

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Liability (AAL) - Aggregate	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2011	\$ 4,891,672	\$ 5,219,206	\$ 327,534	94%	\$ 1,566,522	21%
1/1/2010	4,664,099	5,096,256	432,157	92%	1,574,282	27%
1/1/2009	4,358,231	4,468,413	110,182	98%	1,521,581	7%

**CITY OF FRANKLIN POST EMPLOYMENT BENEFITS TRUST
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Asset Value	Accrued Liability (AAL) Projected unit credit	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	Percentage of Covered Payroll [(C)/(E)]
1/1/2010	1,254,758	6,016,221	4,761,463	21%	11,523,032	41%
1/1/2008	-	7,972,327	7,972,327	0%	11,725,456	68%

Note: The Trust was not yet in effect when the first actuarial valuation was completed.

The study dated January 1, 2008 was the study prepared for the adoption of GASB #45.

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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.

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

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

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

Capital Projects Funds

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

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

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

Capital Improvement Fund – This fund accounts for land acquisitions, building projects and all public works projects and are usually funded with 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, 2011

	Special Revenue Funds										Total
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Collection Fund	Master Plan Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Grant Fund			
ASSETS											
Cash and investments	\$ 311,707	\$ 105,014	\$ -	\$ -	\$ 3,279	\$ 112,797	\$ 67,578	\$ 135,017			\$ 735,392
Receivables											
Accounts receivable	121,908	-	-	-	-	-	2,000	1,592			125,500
Taxes receivable	1,222,000	-	1,187,784	-	-	-	-	-			2,409,784
Special assessments receivable	-	-	-	-	-	-	-	-			-
Due from other funds	-	-	-	-	-	-	-	-			-
Due from other governments	-	-	-	-	-	-	-	-			60,596
Prepaid items	8,362	1,351	-	-	-	-	-	600			10,313
Total assets	\$ 1,663,977	\$ 106,365	\$ 1,187,784	\$ -	\$ 3,279	\$ 112,797	\$ 69,578	\$ 197,805			\$ 3,341,585
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ 40,437	\$ 345	\$ -	\$ -	\$ -	\$ 268	\$ -	\$ 9,752			\$ 50,802
Accrued liabilities	5,374	-	-	-	-	-	-	-			5,374
Deferred revenue	1,222,000	-	1,187,784	-	-	-	-	-			2,409,784
Total liabilities	1,267,811	345	1,187,784	-	-	268	-	9,752			2,465,960
FUND BALANCES											
Nonspendable:											
Prepaid items	8,362	1,351	-	-	-	-	-	600			10,313
Restricted:											
Utility improvements	-	-	-	-	-	-	-	-			-
Development	-	-	-	-	-	-	-	-			-
Donations & grants	-	-	-	-	-	112,529	-	187,453			299,982
Assigned:											
Library services	387,804	104,669	-	-	-	-	-	-			492,473
Recreational services	-	-	-	-	3,279	-	69,578	-			72,857
Capital Projects	-	-	-	-	-	-	-	-			-
Total fund balances	396,166	106,020	-	-	3,279	112,529	69,578	188,053			875,625
Total liabilities and fund balances	\$ 1,663,977	\$ 106,365	\$ 1,187,784	\$ -	\$ 3,279	\$ 112,797	\$ 69,578	\$ 197,805			\$ 3,341,585

(Continued)

CITY OF FRANKLIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	Capital Projects Funds							Total
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Total	
ASSETS								
Cash and investments	\$ 417,383	\$ 1,525,468	\$ 184,893	\$ 619,341	\$ 467,959	\$ 3,900,590	\$ 7,115,634	\$ 7,851,026
Receivables	-	-	77,342	-	-	-	77,342	202,842
Accounts receivable	384,000	281,000	-	604,000	172,828	-	1,441,828	3,851,612
Taxes receivable	-	-	-	-	1,344,987	-	1,344,987	1,344,987
Special assessments receivable	-	-	-	-	-	-	-	60,596
Due from other governments	-	-	-	-	-	-	-	10,313
Prepaid items	-	-	-	-	-	-	-	-
Total assets	\$ 801,383	\$ 1,806,468	\$ 262,235	\$ 1,223,341	\$ 1,985,774	\$ 3,900,590	\$ 9,979,791	\$ 13,321,376
LIABILITIES AND FUND BALANCES								
Accounts payable	\$ 90,656	\$ 7,850	\$ 15,679	\$ 338,170	\$ -	\$ 5,550	\$ 457,905	\$ 508,707
Accrued liabilities	-	-	-	-	-	-	-	5,374
Deferred revenue	384,000	281,000	-	604,000	1,344,987	-	2,613,987	5,023,771
Total liabilities	474,656	288,850	15,679	942,170	1,344,987	5,550	3,071,892	5,537,852
FUND BALANCES								
Nonspendable:	-	-	-	-	-	-	-	10,313
Prepaid items	-	-	-	-	-	-	-	-
Restricted:								
Utility improvements	-	-	-	-	640,787	-	640,787	640,787
Development	-	-	-	-	-	3,895,040	3,895,040	3,895,040
Donations & grants	-	-	-	-	-	-	-	299,982
Assigned:								
Library services	-	-	-	-	-	-	-	492,473
Recreational services	-	-	-	-	-	-	-	72,857
Capital Projects	326,727	1,517,618	246,556	281,171	-	-	2,372,072	2,372,072
Total fund balances	326,727	1,517,618	246,556	281,171	640,787	3,895,040	6,907,899	7,783,524
Total liabilities and fund balances	\$ 801,383	\$ 1,806,468	\$ 262,235	\$ 1,223,341	\$ 1,985,774	\$ 3,900,590	\$ 9,979,791	\$ 13,321,376

CITY OF FRANKLIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2011

	Special Revenue Funds							Total
	Library Operating Fund	Library Auxiliary Fund	Master Plan Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Grant Fund	
REVENUE								
Taxes	\$ 1,175,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,175,000
Intergovernmental revenue	121,908	-	-	-	970	-	90,045	212,923
Public charges for services	-	-	-	31,290	-	-	-	31,290
Special assessments	-	-	-	-	-	-	-	-
Investment earnings	11,387	189	1,523	104	1,523	-	138	14,864
Miscellaneous revenue	-	58,635	-	3,580	16,454	108,575	5,961	193,205
Total revenue	<u>1,308,295</u>	<u>58,824</u>	<u>1,523</u>	<u>34,974</u>	<u>18,947</u>	<u>108,575</u>	<u>96,144</u>	<u>1,627,282</u>
EXPENDITURES								
Current:								
Public safety	-	-	-	-	-	-	8,282	8,282
Health and human services	-	-	-	-	-	-	58,382	58,382
Culture and recreation	1,207,833	29,260	-	47,885	19,646	117,011	12,658	1,434,293
Conservation and development	-	-	-	-	-	-	-	-
Capital outlay	94,979	31,344	-	-	5,741	-	20,901	152,965
Total expenditures	<u>1,302,812</u>	<u>60,604</u>	<u>-</u>	<u>47,885</u>	<u>25,387</u>	<u>117,011</u>	<u>100,223</u>	<u>1,653,922</u>
Excess (deficiency) of revenue over expenditures	5,483	(1,780)	1,523	(12,911)	(6,440)	(8,436)	(4,079)	(26,640)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	11,000	-	13,000	-	24,000
Transfers out	-	-	(110,543)	-	-	-	-	(110,543)
Net change in fund balances	5,483	(1,780)	(109,020)	(1,911)	(6,440)	4,564	(4,079)	(113,183)
Fund balances - beginning	390,683	107,800	109,020	5,190	118,969	65,014	192,132	988,808
Fund balances - ending	<u>\$ 396,166</u>	<u>\$ 106,020</u>	<u>\$ -</u>	<u>\$ 3,279</u>	<u>\$ 112,529</u>	<u>\$ 69,578</u>	<u>\$ 188,053</u>	<u>\$ 875,625</u>

(Continued)

CITY OF FRANKLIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2011

	Capital Projects Funds							Total
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Nonmajor Governmental Funds	
REVENUE								
Taxes	\$ 380,000	\$ 130,000	\$ -	\$ 400,000	\$ -	\$ -	\$ 910,000	\$ 2,085,000
Intergovernmental revenue	6,119	-	-	-	-	-	6,119	219,042
Public charges for services	100,000	150,000	123,444	200,000	-	-	573,444	604,734
Special assessments	-	-	-	-	355,931	489,058	844,989	844,989
Investment earnings	7,510	22,427	4,119	12,598	127,464	50,586	224,704	239,568
Miscellaneous revenue	29,174	-	-	-	-	-	29,174	222,379
Total revenue	522,803	302,427	127,563	612,598	483,395	539,644	2,588,430	4,215,712
EXPENDITURES								
Current:								
Public safety	-	-	-	-	-	-	-	8,282
Public works	-	-	37,851	-	-	-	37,851	37,851
Health and human services	-	-	-	-	-	-	-	58,382
Culture and recreation	-	-	-	-	-	-	-	1,434,293
Conservation and development	-	-	-	-	12,237	-	12,237	12,237
Capital outlay	645,776	296,003	1,365,016	710,658	-	-	3,017,453	3,170,418
Total expenditures	645,776	296,003	1,402,867	710,658	12,237	-	3,067,541	4,721,463
Excess (deficiency) of revenue over expenditures	(122,973)	6,424	(1,275,304)	(98,060)	471,158	539,644	(479,111)	(505,751)
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	28,409	30,462	-	-	-	-	58,871	58,871
Transfers in	-	-	1,130,559	-	-	-	1,130,559	1,154,559
Transfers out	-	-	-	(37,690)	(187,169)	(265,430)	(490,289)	(600,832)
Net change in fund balances	(94,564)	36,886	(144,745)	(135,750)	283,989	274,214	220,030	106,847
Fund balances - beginning	421,291	1,480,732	391,301	416,921	356,798	3,620,826	6,687,869	7,676,677
Fund balances - ending	\$ 326,727	\$ 1,517,618	\$ 246,556	\$ 281,171	\$ 640,787	\$ 3,895,040	\$ 6,907,899	\$ 7,783,524

CITY OF FRANKLIN
General Fund
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
TAXES				
General property taxes	\$ 16,980,000	\$ 16,980,000	\$ 16,973,282	\$ (6,718)
Water Utility - tax equivalent	1,036,000	1,036,000	975,702	(60,298)
Cable TV franchise fees	440,000	440,000	472,049	32,049
Mobile home assessments	27,000	27,000	26,266	(734)
Motel room tax	150,000	150,000	175,421	25,421
	<u>18,633,000</u>	<u>18,633,000</u>	<u>18,622,720</u>	<u>(10,280)</u>
INTERGOVERNMENTAL REVENUE				
State shared revenue	550,000	550,000	553,093	3,093
State expenditure restraint revenue	271,000	271,000	270,739	(261)
Fire insurance - dues	115,000	115,000	114,483	(517)
Local, state and federal grants and aids				
Computer Aid	38,000	38,000	41,938	3,938
Transportation aids	1,554,000	1,554,000	1,554,609	609
Recycling	93,000	93,000	59,818	(33,182)
Federal	-	-	53,788	53,788
Other	48,300	48,300	86,581	38,281
	<u>2,669,300</u>	<u>2,669,300</u>	<u>2,735,049</u>	<u>65,749</u>
LICENSES, FEES AND PERMITS				
Licenses:				
Beer and Liquor	31,100	31,100	30,690	(410)
Bartenders	14,500	14,500	15,998	1,498
Amusement and related	10,900	10,900	11,665	765
Peddlers	1,000	1,000	3,205	2,205
Food and related	2,750	2,750	3,747	997
Electrical contractors	13,000	13,000	14,310	1,310
Dog and cat	9,000	9,000	7,812	(1,188)
Health	56,400	56,400	55,945	(455)
Other	6,450	6,450	12,179	5,729
Permits:				
Building	400,000	400,000	359,090	(40,910)
Electrical	70,700	70,700	79,123	8,423
Plumbing	65,000	65,000	63,702	(1,298)
Sign	10,000	10,000	18,475	8,475
Park	10,500	10,500	11,949	1,449
Fire	6,000	6,000	5,390	(610)
Other	11,000	11,000	9,394	(1,606)
	<u>718,300</u>	<u>718,300</u>	<u>702,674</u>	<u>(15,626)</u>
FINES, FORFEITURES AND PENALTIES	<u>400,000</u>	<u>400,000</u>	<u>433,106</u>	<u>33,106</u>

(Continued)

CITY OF FRANKLIN
General Fund
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
PUBLIC CHARGES FOR SERVICES				
General government				
Property reports and document fees	\$ 8,300	\$ 8,300	\$ 8,543	\$ 243
Public safety				
Police Department and related	6,000	6,000	10,998	4,998
Ambulance service	900,000	900,000	906,180	6,180
Fire Department and related	122,000	122,000	105,587	(16,413)
Weights and measures	6,800	6,800	560	(6,240)
Public works				
Weed cutting	10,050	10,050	16,850	6,800
Street lighting	3,000	3,000	11,431	8,431
Engineering and DPW fees	42,650	42,650	310,959	268,309
Landfill siting fees	20,000	20,000	18,074	(1,926)
Landfill tippage fees	434,000	434,000	498,130	64,130
Health and human services				
Health clinics and other health fees	55,000	55,000	41,520	(13,480)
Conservation and development				
Zoning, subdivision and other filing fees	54,400	54,400	56,220	1,820
	<u>1,662,200</u>	<u>1,662,200</u>	<u>1,985,052</u>	<u>322,852</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES	<u>250,000</u>	<u>250,000</u>	<u>245,000</u>	<u>(5,000)</u>
INVESTMENT EARNINGS	<u>247,000</u>	<u>247,000</u>	<u>229,769</u>	<u>(17,231)</u>
MISCELLANEOUS REVENUE				
Municipal property rental	34,000	34,000	39,470	5,470
Property sales	3,000	3,000	2,285	(715)
Refunds and reimbursements	34,000	34,000	64,975	30,975
Insurance dividend	15,000	15,000	16,360	1,360
Other revenue	12,200	12,200	19,660	7,460
	<u>98,200</u>	<u>98,200</u>	<u>142,750</u>	<u>44,550</u>
TOTAL REVENUE	<u>\$ 24,678,000</u>	<u>\$ 24,678,000</u>	<u>\$ 25,096,120</u>	<u>\$ 418,120</u>

CITY OF FRANKLIN
General Fund

Schedule of Expenditures - Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
CURRENT				
General Government				
Mayor	\$ 26,615	\$ 26,615	\$ 23,347	\$ 3,268
Aldermen	71,738	71,738	68,275	3,463
Municipal court	178,061	188,011	193,419	(5,408)
City clerk	310,964	310,964	302,420	8,544
Elections	22,835	22,835	22,744	91
Information services	323,400	323,400	291,858	31,542
Administraton	464,799	464,799	400,254	64,545
Finance	524,703	524,703	478,739	45,964
Audit	33,000	33,000	31,865	1,135
Assessor	256,684	256,684	226,914	29,770
Legal counsel	284,200	284,200	280,101	4,099
Municipal buildings	208,340	208,340	203,447	4,893
Property and liability insurance	72,300	72,300	69,292	3,008
Other	12,500	12,500	3,906	8,594
Contingency	324,400	65,900	-	65,900
Total General Government	<u>3,114,539</u>	<u>2,865,989</u>	<u>2,596,581</u>	<u>269,408</u>
Public Safety				
Police:				
Police	8,119,421	8,109,471	8,053,213	56,258
Dispatchers	1,004,190	1,004,190	940,250	63,940
Fire	5,918,535	5,918,535	5,980,108	(61,573)
Fire protection service charge	304,800	304,800	269,925	34,875
Building inspection	755,090	755,090	738,315	16,775
Sealer of weights and measures	6,800	6,800	6,800	-
Total Public Safety	<u>16,108,836</u>	<u>16,098,886</u>	<u>15,988,611</u>	<u>110,275</u>
Public Works				
Engineering	597,762	597,762	566,629	31,133
Highway	2,535,479	2,535,479	2,468,050	67,429
Solid waste collection	1,406,019	1,406,019	1,410,038	(4,019)
Street lighting	317,500	317,500	315,401	2,099
Weed control	10,050	10,050	15,675	(5,625)
Total Public Works	<u>4,866,810</u>	<u>4,866,810</u>	<u>4,775,793</u>	<u>91,017</u>
Health and Human Services				
Public health	609,520	609,520	580,960	28,560
Animal control	47,750	47,750	42,642	5,108
Total Health and Human Services	<u>657,270</u>	<u>657,270</u>	<u>623,602</u>	<u>33,668</u>
Culture and Recreation				
St. Martin's fair	11,000	11,000	11,000	-
Civic celebrations	13,000	13,000	13,000	-
Senior activities and travel program	15,000	15,000	10,500	4,500
Parks	134,180	134,180	131,032	3,148
Total Culture and Recreation	<u>173,180</u>	<u>173,180</u>	<u>165,532</u>	<u>7,648</u>
Conservation and Development				
Planning	407,865	407,865	395,766	12,099
Economic development	10,500	14,000	8,990	5,010
Total Conservation and Development	<u>418,365</u>	<u>421,865</u>	<u>404,756</u>	<u>17,109</u>
TOTAL EXPENDITURES	<u>\$ 25,339,000</u>	<u>\$ 25,084,000</u>	<u>\$ 24,554,875</u>	<u>\$ 529,125</u>

CITY OF FRANKLIN
Debt Service Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000	\$ -
Special assessments	-	-	460,589	460,589
Investment earnings	174,163	174,163	267,284	93,121
Total revenue	<u>2,074,163</u>	<u>2,074,163</u>	<u>2,627,873</u>	<u>553,710</u>
EXPENDITURES				
Debt service				
Principal	1,055,000	1,055,000	1,055,000	-
Interest	677,751	674,511	674,508	3
Total expenditures	<u>1,732,751</u>	<u>1,729,511</u>	<u>1,729,508</u>	<u>3</u>
Excess (deficiency) of revenue over expenditures	341,412	344,652	898,365	553,713
OTHER FINANCING SOURCES (USES)				
Transfers in	608,588	605,348	175,112	(430,236)
Transfers out	-	-	-	-
Net change in fund balances	950,000	950,000	1,073,477	123,477
Fund balances - beginning	<u>3,021,278</u>	<u>3,021,278</u>	<u>3,021,278</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,971,278</u>	<u>\$ 3,971,278</u>	<u>\$ 4,094,755</u>	<u>\$ 123,477</u>

CITY OF FRANKLIN
Library Operating Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2011

	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE			
Taxes	\$ 1,175,000	\$ 1,175,000	\$ -
Intergovernmental revenue	50,000	121,908	71,908
Investment earnings	20,000	11,387	(8,613)
Total revenue	<u>1,245,000</u>	<u>1,308,295</u>	<u>63,295</u>
EXPENDITURES			
Current:			
Culture and recreation	1,218,273	1,207,833	10,440
Capital outlay	97,000	94,979	2,021
Total expenditures	<u>1,315,273</u>	<u>1,302,812</u>	<u>12,461</u>
Net change in fund balances	(70,273)	5,483	75,756
Fund balances - beginning	<u>390,683</u>	<u>390,683</u>	<u>-</u>
Fund balances - ending	<u>\$ 320,410</u>	<u>\$ 396,166</u>	<u>\$ 75,756</u>

CITY OF FRANKLIN

Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2011

	Capital Outlay Fund			Equipment Replacement Fund		
	Original Budget	Final Budget	Actual	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE						
Taxes	\$ 380,000	\$ 380,000	\$ 380,000	\$ 130,000	\$ 130,000	\$ -
Intergovernmental revenue	-	-	6,119	-	-	6,119
Public charges for services - Landfill siting	100,000	100,000	100,000	150,000	150,000	-
Investment earnings	10,000	10,000	7,510	51,000	22,427	(28,573)
Miscellaneous revenue	-	-	29,174	10,000	-	(10,000)
Total revenue	<u>490,000</u>	<u>490,000</u>	<u>522,803</u>	<u>341,000</u>	<u>302,427</u>	<u>(38,573)</u>
EXPENDITURES						
Capital outlay	625,400	653,200	631,276	276,000	264,003	11,997
Total expenditures	<u>625,400</u>	<u>653,200</u>	<u>631,276</u>	<u>276,000</u>	<u>264,003</u>	<u>11,997</u>
Excess (deficiency) of revenue over expenditures	(135,400)	(163,200)	(108,473)	65,000	38,424	(26,576)
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	45,000	45,000	28,409	-	30,462	30,462
Transfers in	-	1,300	-	-	-	-
Transfers out	-	-	-	-	-	-
Net changes in fund balances	<u>\$ (90,400)</u>	<u>\$ (116,900)</u>	<u>(80,064)</u>	<u>\$ 65,000</u>	<u>68,886</u>	<u>\$ 3,886</u>
Adjustments to generally accepted accounting principles basis						
2010 encumbrances		(19,500)			(32,000)	
2011 encumbrances		5,000			-	
Fund balances - beginning			421,291		1,480,732	
Fund balances - ending			<u>\$ 326,727</u>		<u>\$ 1,517,618</u>	

Continued

CITY OF FRANKLIN

Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2011

	Capital Improvement Fund				Street Improvement Fund			
	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)	Original and final Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Intergovernmental revenue	78,000	-	-	-	-	78,000	-	-
Public charges for services - Landfill siting	35,000	267,000	123,444	(143,556)	200,000	200,000	200,000	-
Investment earnings	4,000	4,000	4,119	119	20,000	20,000	12,598	(7,402)
Miscellaneous revenue	5,000	5,000	-	(5,000)	-	-	-	-
Total revenue	<u>122,000</u>	<u>276,000</u>	<u>127,563</u>	<u>(148,437)</u>	<u>620,000</u>	<u>698,000</u>	<u>612,598</u>	<u>(7,402)</u>
EXPENDITURES								
Public works	-	37,851	37,851	37,851	-	-	-	-
Capital outlay	5,842,000	5,359,000	1,364,016	3,994,984	580,000	625,000	710,658	(85,658)
Total expenditures	<u>5,842,000</u>	<u>5,359,000</u>	<u>1,401,867</u>	<u>3,994,984</u>	<u>580,000</u>	<u>625,000</u>	<u>710,658</u>	<u>(85,658)</u>
Excess (deficiency) of revenue over expenditures	(5,720,000)	(5,083,000)	(1,274,304)	3,808,696	40,000	73,000	(98,060)	(171,060)
OTHER FINANCING SOURCES (USES)								
Transfers in	5,109,000	4,763,000	1,130,559	(3,632,441)	-	-	-	-
Transfers out	-	-	-	-	(40,000)	(40,000)	(37,690)	2,310
General obligation debt issued	171,000	-	-	-	-	-	-	-
Net changes in fund balances	<u>\$ (440,000)</u>	<u>\$ (320,000)</u>	<u>(143,745)</u>	<u>\$ 176,255</u>	<u>\$ -</u>	<u>\$ 33,000</u>	<u>(135,750)</u>	<u>\$ (168,750)</u>
Adjustments to generally accepted accounting principles basis								
2010 encumbrances			(1,000)					
2011 encumbrances			-				416,921	
Fund balances - beginning			391,301					
Fund balances - ending			<u>\$ 246,556</u>				<u>\$ 281,171</u>	

CITY OF FRANKLIN
Fiduciary Funds
Combining Schedule of Changes in Assets and Liabilities - Agency Funds
Year Ended December 31, 2011

PROPERTY TAX AGENCY FUND	<u>12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/11</u>
ASSETS				
Cash and investments	\$ 48,005,630	\$ 96,789,599	\$ 94,898,210	\$ 49,897,019
Receivables				
Taxes receivable	18,093,331	68,502,511	67,776,842	18,819,000
Accounts receivable	-	3,851	-	3,851
Total assets	<u>\$ 66,098,961</u>	<u>\$ 165,295,961</u>	<u>\$ 162,675,052</u>	<u>\$ 68,719,870</u>
LIABILITIES				
Accounts payable	\$ 355,433	\$ 217,359	\$ 355,433	\$ 217,359
Due to other governments	65,743,528	68,502,511	65,743,528	68,502,511
Total liabilities	<u>\$ 66,098,961</u>	<u>\$ 68,719,870</u>	<u>\$ 66,098,961</u>	<u>\$ 68,719,870</u>
OTHER AGENCY FUND				
ASSETS				
Cash and investments	\$ 11,870	\$ 688,458	\$ 37,776	\$ 662,552
Accounts receivable	10,252	1,331	10,252	1,331
Total assets	<u>\$ 22,122</u>	<u>\$ 689,789</u>	<u>\$ 48,028</u>	<u>\$ 663,883</u>
LIABILITIES				
Accounts payable	\$ 5,357	\$ 2,129	\$ 5,357	\$ 2,129
Special deposits	16,765	678,206	33,217	661,754
Total liabilities	<u>\$ 22,122</u>	<u>\$ 680,335</u>	<u>\$ 38,574</u>	<u>\$ 663,883</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 48,017,500	\$ 97,478,057	\$ 94,935,986	\$ 50,559,571
Receivables				
Taxes receivable	18,093,331	68,502,511	67,776,842	18,819,000
Accounts receivable	10,252	5,182	10,252	5,182
Total assets	<u>\$ 66,121,083</u>	<u>\$ 165,985,750</u>	<u>\$ 162,723,080</u>	<u>\$ 69,383,753</u>
LIABILITIES				
Accounts payable	\$ 360,790	\$ 219,488	\$ 360,790	\$ 219,488
Due to other governments	65,743,528	68,502,511	65,743,528	68,502,511
Special deposits	16,765	678,206	33,217	661,754
Total liabilities	<u>\$ 66,121,083</u>	<u>\$ 69,400,205</u>	<u>\$ 66,137,535</u>	<u>\$ 69,383,753</u>

CITY OF FRANKLIN
TIF Districts Fund
Combining Balance Sheet
December 31, 2011

	<u>District #2</u>	<u>District #3</u>	<u>District #4</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 1,098,780	\$ 556,033	\$ 82,103	\$ 1,736,916
Interest receivable	-	48,880	-	48,880
Taxes receivable	-	1,650,483	909,841	2,560,324
Note receivable	-	7,520,000	-	7,520,000
Due from other governments	-	-	7,314	7,314
Total assets	<u>\$ 1,098,780</u>	<u>\$ 9,775,396</u>	<u>\$ 999,258</u>	<u>\$ 11,873,434</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,680	\$ 3,129	\$ 14,628	\$ 20,437
Accrued liabilities	4,600	-	-	4,600
Due to other governments	1,091,500	-	-	1,091,500
Deferred revenue	-	1,699,363	909,841	2,609,204
Long term advances	-	-	3,738,000	3,738,000
Total liabilities	<u>1,098,780</u>	<u>1,702,492</u>	<u>4,662,469</u>	<u>7,463,741</u>
FUND BALANCES (DEFICIT)				
Nonspendable:				
Reserved for note receivable	-	7,520,000	-	7,520,000
Restricted:				
TIF #2	-	-	-	-
TIF #3	-	552,904	-	552,904
Unassigned				
TIF #4	-	-	(3,663,211)	(3,663,211)
Total fund balances (deficit)	<u>-</u>	<u>8,072,904</u>	<u>(3,663,211)</u>	<u>4,409,693</u>
Total liabilities and fund balances	<u>\$ 1,098,780</u>	<u>\$ 9,775,396</u>	<u>\$ 999,258</u>	<u>\$ 11,873,434</u>

CITY OF FRANKLIN
TIF Districts Fund
Schedule of TIF Districts Revenue, Expenditures
and Changes in Fund Balances
Year Ended December 31, 2011

	<u>District #2</u>	<u>District #3</u>	<u>District #4</u>	<u>Total</u>
REVENUE				
Taxes	\$ 3,402,495	\$ 1,407,207	\$ 836,103	\$ 5,645,805
Intergovernmental revenue	1,033,776	333,786	59,197	1,426,759
Investment earnings	31,530	164,226	5,849	201,605
Total revenue	<u>4,467,801</u>	<u>1,905,219</u>	<u>901,149</u>	<u>7,274,169</u>
EXPENDITURES				
Current:				
Conservation and development	516,356	9,986	21,275	547,617
Capital outlay	163,095	9,683	-	172,778
Debt service				
Principal	4,700,000	1,640,000	-	6,340,000
Interest and fiscal charges	94,000	675,943	174,164	944,107
Total expenditures	<u>5,473,451</u>	<u>2,335,612</u>	<u>195,439</u>	<u>8,004,502</u>
Excess (deficiency) of revenue over expenditures	(1,005,650)	(430,393)	705,710	(730,333)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(455,891)</u>	<u>-</u>	<u>(359,491)</u>	<u>(815,382)</u>
Net change in fund balances	(1,461,541)	(430,393)	346,219	(1,545,715)
Fund balances (deficit) - beginning	<u>1,461,541</u>	<u>8,503,297</u>	<u>(4,009,430)</u>	<u>5,955,408</u>
Fund balances (deficit) - ending	<u>\$ -</u>	<u>\$ 8,072,904</u>	<u>\$ (3,663,211)</u>	<u>\$ 4,409,693</u>

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2011

Governmental funds capital assets:

Land	\$ 24,954,048
Buildings and improvements	24,048,716
Machinery and equipment	16,271,239
Infrastructure improvements	89,488,991
Construction in process	<u>-</u>

Total governmental funds capital assets \$ 154,762,994

Investment in governmental capital assets by source:

General Fund	\$ 2,422,606
Special Revenue Funds	2,827,778
Capital Projects Funds	80,122,571
Donations	<u>69,390,039</u>

Total governmental funds capital assets \$ 154,762,994

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended December 31, 2011

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure Improvements</u>	<u>Construction In process</u>	<u>Total</u>
General Government:						
Mayor	\$ -	\$ -	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	-	-	9,584	-	-	9,584
Municipal court	-	-	33,065	-	-	33,065
City clerk	-	-	10,042	-	-	10,042
Elections	-	-	36,352	-	-	36,352
Information services	-	-	444,257	-	-	444,257
Administration	-	-	252,354	-	-	252,354
Human resources	-	-	1,295	-	-	1,295
Finance	-	-	60,167	-	-	60,167
Assessor	-	-	44,880	-	-	44,880
Attorney	-	-	906	-	-	906
Municipal buildings	803,111	3,095,194	527,768	-	-	4,426,073
Total General Government	<u>803,111</u>	<u>3,095,194</u>	<u>1,422,872</u>	<u>-</u>	<u>-</u>	<u>5,321,177</u>
Public Safety:						
Police	1,201,829	8,418,912	2,775,015	-	-	12,395,756
Fire	112,013	4,153,910	3,300,681	-	-	7,566,604
Building inspection	-	-	267,089	-	-	267,089
Total Public Safety	<u>1,313,842</u>	<u>12,572,822</u>	<u>6,342,785</u>	<u>-</u>	<u>-</u>	<u>20,229,449</u>
Public Works:						
Engineering	-	-	342,865	-	-	342,865
Highway	393,810	2,663,251	4,984,191	-	-	8,041,252
Street Lighting	-	-	1,097	-	-	1,097
Infrastructure	17,982,984	-	-	89,488,991	-	107,471,975
Construction in process	-	-	-	-	-	-
Total Public Works	<u>18,376,794</u>	<u>2,663,251</u>	<u>5,328,153</u>	<u>89,488,991</u>	<u>-</u>	<u>115,857,189</u>
Health & Human Services:						
Health	-	-	133,494	-	-	133,494
Culture and Recreation:						
Library	16,769	4,905,110	2,677,313	-	-	7,599,192
Parks	4,443,532	812,339	282,155	-	-	5,538,026
Total Culture and Recreation	<u>4,460,301</u>	<u>5,717,449</u>	<u>2,959,468</u>	<u>-</u>	<u>-</u>	<u>13,137,218</u>
Conservation and Development:						
Community development	-	-	-	-	-	-
Planning	-	-	84,467	-	-	84,467
Total Conservation and Development	<u>-</u>	<u>-</u>	<u>84,467</u>	<u>-</u>	<u>-</u>	<u>84,467</u>
Total governmental funds capital assets	<u>\$ 24,954,048</u>	<u>\$ 24,048,716</u>	<u>\$ 16,271,239</u>	<u>\$ 89,488,991</u>	<u>\$ -</u>	<u>\$ 154,762,994</u>

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended December 31, 2011

Function and Activity	Governmental Funds Capital Assets			
	12/31/10	Additions	Deletions	12/31/11
General Government:				
Mayor	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	9,584	-	-	9,584
Municipal court	7,446	25,619	-	33,065
City clerk	7,443	2,599	-	10,042
Elections	36,352	-	-	36,352
Information services	407,366	38,949	2,058	444,257
Administration	252,354	-	-	252,354
Human resources	1,295	-	-	1,295
Finance	60,167	-	-	60,167
Assessor	43,681	1,199	-	44,880
Attorney	906	-	-	906
Municipal buildings	4,223,298	202,775	-	4,426,073
Total General Government	5,052,094	271,141	2,058	5,321,177
Public Safety:				
Police	12,242,774	152,982	-	12,395,756
Fire	7,485,046	81,558	-	7,566,604
Building inspection	255,034	45,559	33,504	267,089
Total Public Safety	19,982,854	280,099	33,504	20,229,449
Public Works:				
Engineering	356,580	6,595	20,310	342,865
Highway	7,835,223	307,325	101,296	8,041,252
Street Lighting	1,097	-	-	1,097
Infrastructure	105,903,999	1,567,976	-	107,471,975
Construction in process	52,225	(51,043)	1,182	-
Total Public Works	114,149,124	1,830,853	122,788	115,857,189
Health & Human Services:				
Health	130,949	2,545	-	133,494
Culture and Recreation:				
Library	7,456,527	142,665	-	7,599,192
Parks	5,522,381	15,645	-	5,538,026
Total Culture and Recreation	12,978,908	158,310	-	13,137,218
Conservation and Development:				
City development	83,268	1,199	-	84,467
Total Conservation and Development	83,268	1,199	-	84,467
Total governmental funds capital assets	\$ 152,377,197	\$ 2,544,147	\$ 158,350	\$ 154,762,994

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STATISTICAL SECTION

Statistical Section

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

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 11

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

Demographic and Economic Information

Table 14

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

Operating Information

Table 17

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

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

Table 1

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities									
Invested in capital assets, net of related debt	\$ 94,637,222	\$ 88,776,271	\$ 84,178,261	\$ 71,753,307	\$ 72,970,238	\$ 58,402,113	\$ (1,368,021)	\$ (9,629,334)	\$ (22,551,504)
Restricted									
Debt service	4,076,267	3,050,470	2,263,238	8,550,662	12,588,371	4,204,277	1,708,141	2,191,269	3,889,147
Utility improvements	1,985,774	1,723,133	1,643,220	1,353,540	2,205,799	2,293,840	2,424,150	2,379,422	2,719,960
Development	3,895,040	3,620,826	3,051,562	3,083,708	2,643,952	3,484,891	2,853,329	2,743,066	977,495
TIF Districts	-	-	-	-	-	-	-	-	-
Donations and grants	300,582	311,101	279,730	286,114	263,198	243,331	236,147	147,544	110,895
Unrestricted (deficit)	3,074,937	2,799,380	(1,643,472)	(376,747)	(10,741,880)	11,139,990	10,490,237	9,143,413	10,624,839
Total governmental activities net assets	\$ 107,969,822	\$ 100,281,181	\$ 89,772,539	\$ 84,650,584	\$ 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	\$ 89,550,594	\$ 90,202,124	\$ 90,828,559	\$ 90,842,486	\$ 90,242,854	\$ 88,299,652	\$ 85,098,937	\$ 81,402,130	\$ 66,424,389
Restricted									
Sewer replacement	293,844	261,852	227,388	231,384	225,177	215,267	178,274	132,035	118,986
Unrestricted	3,171,123	2,763,610	2,875,722	2,309,236	2,342,349	2,255,577	2,380,429	2,020,798	2,253,221
Total business-type activities net assets	\$ 93,015,561	\$ 93,227,586	\$ 93,931,669	\$ 93,383,106	\$ 92,810,380	\$ 90,770,496	\$ 87,657,640	\$ 83,554,963	\$ 68,796,596
Total									
Invested in capital assets, net of related debt	\$ 184,187,816	\$ 178,978,395	\$ 175,006,820	\$ 162,595,793	\$ 163,213,092	\$ 146,701,765	\$ 83,730,916	\$ 71,772,796	\$ 43,872,885
Restricted									
Debt service	4,076,267	3,050,470	2,263,238	8,550,662	12,588,371	4,204,277	1,708,141	2,191,269	3,889,147
Utility improvements	1,985,774	1,723,133	1,643,220	1,353,540	2,205,799	2,293,840	2,424,150	2,379,422	2,719,960
Development	3,895,040	3,620,826	3,051,562	3,083,708	2,643,952	3,484,891	2,853,329	2,743,066	977,495
TIF Districts	-	-	-	-	-	-	-	-	-
Donations and grants	300,582	311,101	279,730	286,114	263,198	243,331	236,147	147,544	110,895
Sewer replacement	293,844	261,852	227,388	231,384	225,177	215,267	178,274	132,035	118,986
Unrestricted	6,246,060	5,562,990	1,232,250	1,932,489	(8,399,531)	13,395,567	12,870,666	11,164,211	12,878,060
Total net assets	\$ 200,985,383	\$ 193,508,767	\$ 183,704,208	\$ 178,033,690	\$ 172,740,058	\$ 170,538,938	\$ 104,001,623	\$ 90,550,343	\$ 64,567,428

Notes:

* The years 2010 and prior have been reclassified to be consistent with the current year presentation

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

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental activities:									
General government	\$ 2,749,207	\$ 2,897,491	\$ 2,948,713	\$ 3,028,903	\$ 2,769,041	\$ 2,730,575	\$ 2,588,256	\$ 2,535,943	\$ 2,560,386
Public safety	16,622,386	16,003,898	15,526,031	15,588,642	14,387,891	13,987,313	13,533,975	13,054,488	12,344,323
Public works	6,596,316	6,208,391	6,034,720	6,900,408	6,800,767	4,709,613	4,673,462	4,152,452	3,581,846
Health and human services	649,656	698,944	708,084	663,262	630,002	572,091	510,520	538,850	574,163
Culture and recreation	1,890,350	1,919,689	1,753,139	1,803,155	1,766,274	1,873,815	1,561,066	1,428,499	1,290,360
Conservation and development	957,877	529,833	600,099	718,032	6,591,661	634,983	666,277	498,096	451,957
Interest on long term debt	1,553,257	1,920,023	2,253,215	2,664,969	2,705,294	2,574,761	2,204,881	2,345,610	2,600,130
Total governmental activities expenses	31,019,049	30,178,269	29,824,001	31,367,371	35,650,930	27,083,151	25,738,437	24,553,938	23,403,165
Business-type activities									
Water	4,251,187	4,076,409	4,216,453	3,928,578	3,620,524	3,342,925	3,307,057	2,572,320	2,528,709
Sewer	3,373,459	3,376,505	3,226,261	3,069,523	2,640,092	2,603,652	2,349,419	2,143,916	2,032,336
Total business-type activities expenses	7,624,646	7,452,914	7,442,714	6,998,101	6,260,616	5,946,577	5,656,476	4,716,236	4,561,045
Total expenses	\$ 38,643,695	\$ 37,631,183	\$ 37,266,715	\$ 38,365,472	\$ 41,911,546	\$ 33,029,728	\$ 31,394,913	\$ 29,270,174	\$ 27,964,210
Program Revenue									
Governmental activities:									
Charges for services:									
General government	\$ 217,360	\$ 270,412	\$ 305,232	\$ 210,433	\$ 226,496	\$ 145,072	\$ 148,803	\$ 195,401	\$ 199,732
Public safety	2,173,060	2,154,618	2,068,413	2,267,580	2,473,830	2,784,237	2,715,134	2,478,751	2,238,099
Public works	1,490,348	1,230,437	660,670	739,948	1,071,513	1,497,290	1,543,476	1,473,029	1,344,447
Health and human services	105,686	54,385	69,855	86,439	89,853	62,339	91,767	61,273	46,549
Culture and recreation	181,414	311,757	146,256	143,797	138,793	237,278	212,301	201,129	229,366
Conservation and development	78,667	64,168	67,051	305,299	127,711	138,411	72,864	116,390	114,278
Operating grants and contributions	2,136,106	1,921,805	2,080,213	2,285,275	2,957,937	2,015,885	1,838,699	1,886,800	1,623,847
Capital grants and contributions	1,334,285	2,570,584	1,190,090	1,735,333	2,753,612	4,890,241	6,728,526	10,048,400	5,465,904
Total governmental activities program revenue	7,716,926	8,578,146	6,587,780	7,774,104	9,839,745	11,770,753	13,351,570	16,461,173	11,262,222
Business-type activities									
Charges for services:									
Water	4,539,066	4,395,269	4,454,495	4,218,653	3,926,626	3,585,661	3,815,195	2,810,730	3,098,124
Sewer	3,124,786	3,062,486	2,994,024	2,706,583	2,029,447	1,866,703	1,732,737	1,515,084	1,508,987
Capital grants and contributions	-	210,668	337,667	734,367	1,629,536	1,477,041	3,181,334	13,431,131	3,292,803
Total business-type activities program revenue	7,663,852	7,668,423	7,786,186	7,659,603	7,585,609	6,929,405	8,729,266	17,756,945	7,899,914
Total program revenue	\$ 15,380,778	\$ 16,246,569	\$ 14,373,966	\$ 15,433,707	\$ 17,425,354	\$ 18,700,158	\$ 22,080,836	\$ 34,218,118	\$ 19,162,136

continued

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense)/Revenue									
Governmental activities	\$ (23,302,123)	\$ (21,600,123)	\$ (23,236,221)	\$ (23,593,267)	\$ (25,811,185)	\$ (15,312,398)	\$ (12,386,867)	\$ (8,092,765)	\$ (12,140,943)
Business-type activities	39,206	215,509	343,472	661,502	1,324,993	982,828	3,072,790	13,040,709	3,338,869
Total net expense	\$ (23,262,917)	\$ (21,384,614)	\$ (22,892,749)	\$ (22,931,765)	\$ (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	19,058,282	18,523,570	18,237,375	17,534,150	16,404,257	15,350,390	14,576,053	\$13,397,596	\$ 12,873,459
Property taxes levied for debt service	1,900,000	1,900,000	1,900,000	2,000,000	2,110,000	2,210,000	2,310,000	2,410,211	2,610,624
Property taxes levied for TIF Districts	5,645,805	7,457,955	4,829,216	4,685,811	3,127,116	2,860,368	2,919,738	2,729,979	2,631,082
Other taxes	673,736	699,431	666,767	472,575	429,674	419,168	381,116	376,038	352,280
Intergovernmental revenue									
not restricted to specific programs	2,292,529	1,485,982	1,380,418	1,320,286	1,461,840	1,334,594	1,271,794	1,335,925	1,593,937
Investment earnings	973,349	907,723	1,401,560	1,862,688	2,547,179	2,531,912	1,111,774	516,683	573,903
Miscellaneous revenue	40,091	58,885	43,566	14,451	452,613	77,294	119,276	164,526	233,884
Gain on sale of capital assets	58,871	64,070	-	-	-	-	-	-	-
Transfers	348,101	1,011,149	(100,726)	424,212	(560,258)	(1,970,735)	(934,281)	(1,633,645)	(1,583,871)
Total governmental activities	30,990,764	32,108,765	28,358,176	28,314,173	25,972,421	22,812,991	21,755,470	19,297,313	19,285,298
Business-type activities:									
Investment earnings	32,320	41,393	46,738	67,617	113,197	112,453	44,096	18,455	18,399
Miscellaneous revenue	64,550	50,164	57,627	267,819	41,436	46,840	51,510	65,558	53,774
Transfers	(348,101)	(1,011,149)	100,726	(424,212)	560,258	1,970,735	934,281	1,633,645	1,583,871
Total business-type activities	(251,231)	(919,592)	205,091	(88,776)	714,891	2,130,028	1,029,887	1,717,658	1,656,044
Total	\$ 30,739,533	\$ 31,189,173	\$ 28,563,267	\$ 28,225,397	\$ 26,687,312	\$ 24,943,019	\$ 22,785,357	\$ 21,014,971	\$ 20,941,342
Change in Net Assets									
Governmental activities	\$ 7,688,641	\$ 10,508,642	\$ 5,121,955	\$ 4,720,906	\$ 161,236	\$ 7,500,593	\$ 9,368,603	\$ 11,204,548	\$ 7,144,355
Business-type activities:	(212,025)	(704,083)	548,563	572,726	2,039,884	3,112,856	4,102,677	14,758,367	4,994,913
Total	\$ 7,476,616	\$ 9,804,559	\$ 5,670,518	\$ 5,293,632	\$ 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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable:										
Inventories and prepaid items	\$ 55,820	\$ 75,673	\$ 24,927	\$ 25,109	\$ 24,990	\$ 31,870	\$ 38,391	\$ 28,928	\$ 13,691	\$ 20,876
Advances to other funds	-	-	-	-	1,000,000	700,000	-	-	-	1,200,000
Unassigned	6,065,053	5,400,912	5,079,711	5,519,932	4,910,492	6,289,964	6,430,669	6,253,910	6,092,549	4,326,941
Total general fund	6,120,873	5,476,585	5,104,638	5,545,041	5,935,482	7,021,834	6,469,060	6,282,838	6,106,240	5,547,817
All other governmental funds:										
Nonspendable:										
Prepays	10,313	10,181	15,707	-	-	4,100	10,032	-	-	-
Advances to other funds	3,738,000	4,263,000	5,463,000	6,300,000	14,100,000	6,928,769	6,717,987	-	-	-
TIF District Note Receivable	7,520,000	8,160,000	8,785,000	9,400,000	10,000,000	-	-	-	-	-
Restricted:										
Debt service	356,755	233,278	60,900	2,691,660	2,240,785	3,466,738	2,001,554	126,566	1,572,038	2,177,942
Utility improvements	640,787	356,798	147,317	12,640	380,961	478,801	1,129,596	765,805	1,521,678	2,379,691
Development	3,895,040	2,145,826	406,562	3,083,708	-	3,484,891	2,853,329	2,743,066	977,495	706,055
TIF Districts	552,904	1,804,838	536,476	184,257	-	-	-	-	-	-
Donations & grants	299,982	311,101	279,730	286,114	263,198	243,331	184,458	147,544	110,895	11,035
Assigned:										
Library services	492,473	488,302	442,509	414,428	357,875	259,824	-	-	-	-
Recreational services	72,857	179,224	165,348	132,206	1,206,529	294,820	218,770	184,079	122,892	217,953
Capital projects	2,372,072	2,710,245	1,378,971	3,640,970	1,777,308	6,121,828	7,276,473	3,904,562	4,658,873	3,080,555
Unassigned	(3,663,211)	(4,009,430)	(5,904,216)	(5,891,813)	(14,651,138)	(4,569,471)	(1,294,109)	-	-	-
Total all other government funds	16,287,972	16,653,363	11,777,304	20,254,170	15,675,518	16,713,631	19,098,090	7,871,622	8,963,871	8,573,231
Total fund balances	\$ 22,408,845	\$ 22,129,948	\$ 16,881,942	\$ 25,799,211	\$ 21,611,000	\$ 23,735,465	\$ 25,567,150	\$ 14,154,460	\$ 15,070,111	\$ 14,121,048

* Prior years results restated to reflect changes to fund balance definitions under GASB 54

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue										
Taxes	\$ 27,277,823	\$ 28,580,956	\$ 25,633,358	\$ 24,692,536	\$ 22,071,047	\$ 20,839,926	\$ 20,186,907	\$ 16,183,845	\$ 15,836,363	\$ 15,363,328
Intergovernmental revenue	4,380,350	3,704,159	3,299,648	3,536,635	4,269,969	3,088,814	2,917,513	3,065,509	3,067,155	3,051,785
Licenses and permits	702,674	729,432	609,278	723,225	978,942	1,386,588	1,486,966	1,258,457	1,030,984	1,254,563
Fines, forfeitures and penalties	433,106	422,506	385,427	385,427	392,451	332,090	361,656	397,169	362,638	414,878
Public charges for services	2,589,786	2,211,119	1,600,313	1,908,473	1,998,696	2,160,144	2,087,870	2,063,984	1,883,878	1,642,046
Special assessments	1,305,578	1,119,230	817,736	1,114,498	1,581,962	3,688,746	3,620,814	3,787,927	3,213,453	2,230,968
Intergovernmental charges for services	245,000	237,319	291,584	206,156	426,387	574,835	591,834	575,009	628,953	607,395
Investment earnings	938,226	878,978	1,276,600	1,797,738	2,513,703	2,504,185	1,127,163	495,190	604,777	1,472,269
Miscellaneous revenue	365,129	597,611	635,424	723,724	934,141	752,207	806,105	447,992	531,152	5,094
Total revenue	38,238,172	38,481,310	34,549,368	35,065,913	35,167,298	35,327,535	33,186,828	28,275,082	27,159,353	26,042,326
Expenditures										
Current										
General government	2,596,581	2,694,374	2,780,444	2,825,835	2,609,731	2,487,071	2,314,862	2,262,025	2,293,969	2,069,034
Public safety	16,000,393	15,206,317	15,043,628	15,236,640	13,856,032	13,239,602	12,677,768	12,109,107	11,250,298	10,589,766
Public works	4,817,644	4,521,991	4,504,611	4,632,957	4,110,460	4,039,438	3,746,773	3,580,392	3,395,488	3,134,753
Health and human services	681,984	629,499	701,821	666,364	631,887	572,918	499,496	531,422	558,538	496,220
Culture, recreation and education	1,575,825	1,565,093	1,427,945	1,490,936	1,436,987	1,568,591	1,270,440	1,135,822	1,075,349	1,081,661
Conservation and development	964,610	524,705	603,961	729,274	6,587,035	628,634	654,928	378,216	434,087	382,853
Capital outlay	3,343,196	1,953,999	6,061,625	7,627,455	10,931,589	8,882,837	3,735,408	2,248,893	1,497,147	5,834,266
Debt service										
Principal	7,395,000	5,275,000	10,915,000	6,000,000	5,170,000	4,050,000	4,215,000	4,000,000	2,660,000	2,050,000
Interest	1,618,615	1,939,762	2,350,882	2,543,194	2,584,080	2,838,291	2,123,340	1,311,211	1,461,563	1,519,296
Debt issuance costs	-	-	-	65,650	130,602	35,700	46,250	-	-	-
Total expenditures	38,993,848	34,310,740	44,389,917	41,818,305	48,048,403	38,343,082	31,284,265	27,557,088	24,626,419	27,157,849
Excess of revenue over (under) expenditures	(755,676)	4,170,570	(9,840,549)	(6,752,392)	(12,881,105)	(3,015,547)	1,902,563	717,994	2,532,934	(1,115,523)
Other financing sources (uses)										
Debt issued	-	-	-	10,000,000	10,000,000	10,000,000	10,000,000	-	-	-
Refunding debt issued	-	-	-	-	9,925,000	-	-	-	-	-
Premium on debt issued	-	-	-	83,583	34,970	176,524	204,561	-	-	-
Payment to refunding escrow agent	-	-	-	-	(10,040,675)	-	-	-	-	-
Principal payment on current refunding	-	-	-	-	-	(9,770,000)	-	-	-	-
Sale of capital assets	58,871	64,070	-	-	-	-	-	-	-	-
Transfers in	2,415,916	1,389,654	2,229,036	5,786,181	6,237,805	3,957,696	3,486,467	3,273,639	7,213,563	1,389,971
Transfers out	(1,440,214)	(376,288)	(1,305,756)	(4,929,161)	(5,400,460)	(3,180,358)	(4,420,748)	(4,907,284)	(8,797,434)	(1,389,971)
Net change in fund balances	\$ 278,897	\$ 5,248,006	\$ (8,917,269)	\$ 4,188,211	\$ (2,124,465)	\$ (1,831,685)	\$ 11,172,843	\$ (915,651)	\$ 949,063	\$ (1,115,523)
Debt service as a percentage of non capital expenditures*	24.6%	22.2%	33.4%	24.0%	19.7%	21.0%	22.6%	20.5%	17.8%	16.7%

* Prior to 2004 this percentage is calculated by deducting total capital outlay instead of capital asset additions as the information was not readily available.

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				
2011	\$ 3,555,065,388	\$ 3,587,535,800	\$ 90,644,700	\$ 88,843,900	\$ 3,645,710,088	\$ 5.79	\$ 3,676,379,700	99.17%
2010	3,550,822,488	3,573,233,300	93,921,500	97,275,400	3,644,743,988	6.22	3,670,508,700	99.30%
2009	3,671,323,540	3,820,400,500	90,861,600	92,242,100	3,762,185,140	5.93	3,912,642,600	96.15%
2008	3,621,224,940	3,821,063,800	75,804,600	77,323,500	3,697,029,540	5.78	3,898,387,300	94.83%
2007	3,510,260,140	3,614,744,300	71,027,000	74,310,100	3,581,287,140	5.79	3,689,054,400	97.08%
2006 *	3,384,763,640	3,406,252,800	75,577,300	75,506,900	3,460,340,940	5.58	3,481,759,700	99.38%
2005	2,617,341,900	2,955,304,500	64,650,760	75,511,400	2,681,992,660	6.83	3,030,815,900	88.49%
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%

Assessed Valuation by School District - 2011

* Reassessment year	Franklin School District		Oak Creek/Whitnall School District		Total
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	
Within sewerage district	\$ 2,602,270,688	\$ 684,759,100	\$ 231,119,400	-	\$ 3,518,149,188
Outside sewerage district	103,754,900	23,806,000	-	-	127,560,900
Total	\$ 2,706,025,588	\$ 708,565,100	\$ 231,119,400	-	\$ 3,645,710,088

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		
	Residential	% of Total	Commercial and Manufacturing	Agricultural, Swamp and Other	# of Units	Value	# of Permits	Value	
2011	\$ 2,619,125,600	73.0%	\$ 948,708,000	\$ 19,702,200	\$ 3,587,535,800	30	\$ 9,995,820	41	\$ 17,794,034
2010	2,637,514,100	73.8%	917,720,700	17,998,500	3,573,233,300	27	6,559,696	40	22,533,497
2009	2,774,343,200	72.6%	1,026,852,400	19,204,900	3,820,400,500	25	6,709,653	35	14,193,522
2008	2,862,287,800	74.9%	939,436,600	19,339,400	3,821,063,800	52	11,030,933	61	28,323,674
2007	2,751,324,400	76.1%	844,563,800	18,856,100	3,614,744,300	99	20,017,954	49	39,920,210
2006	2,611,111,600	76.7%	769,933,200	25,208,000	3,406,252,800	308	55,690,187	91	116,376,447
2005	2,236,076,000	75.7%	696,096,000	23,132,500	2,955,304,500	458	86,085,165	49	49,075,431
2004	2,012,614,000	76.5%	594,978,200	23,971,800	2,631,564,000	503	74,586,030	55	14,352,822
2003	1,787,275,700	76.3%	530,582,600	23,665,500	2,341,523,800	349	48,274,386	16	47,915,016
2002	1,670,088,100	77.2%	468,985,700	24,129,200	2,163,203,000	333	46,788,277	41	99,018,727

(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 (**)
	Debt Service					Capital Equipment					School Districts			Milwaukee Area			
	General	Library	Debt Service	Outlay	Revolving Improvement	Street	Franklin	Oak Creek	Whitnall	School Credits	Technical College	Milwaukee County	Milwaukee Metropolitan Sewerage District	State			
2012	\$ 4.59	\$ 0.35	\$ 0.49	\$ 0.11	\$ 0.08	\$ 0.17	\$ 5.79	\$ 11.62	\$ 8.83	\$ 9.56	\$ (1.70)	\$ 1.96	\$ 4.76	\$ 1.52	\$ 0.17	\$ 24.12	
2011 *	5.04	0.35	0.56	0.11	0.04	0.12	6.22	12.22	8.69	10.40	(1.72)	1.93	4.49	1.45	0.17	24.76	
2010	4.61	0.33	0.54	0.14	0.08	0.23	5.93	11.33	8.86	10.11	(1.67)	1.98	4.31	1.38	0.18	23.44	
2009	4.46	0.33	0.55	0.13	0.08	0.23	5.78	10.96	7.80	9.65	(1.68)	1.93	4.17	1.36	0.18	22.70	
2008	4.34	0.34	0.59	0.14	0.10	0.28	5.79	10.98	7.85	9.40	(1.52)	1.82	4.01	1.32	0.18	22.58	
2007 *	4.10	0.34	0.64	0.13	0.09	0.28	5.58	10.05	6.95	9.15	(1.38)	1.78	3.95	1.31	0.17	21.46	
2006	5.00	0.42	0.86	0.10	0.15	0.30	6.83	12.01	8.90	10.32	(1.40)	2.13	4.81	1.60	0.21	26.19	
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	

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 Taxpayers
Current year and Nine Years Ago

Taxpayer	Type of Business	2011			2002		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Northwestern Mutual	Insurance Services	\$ 124,393,300	1	3.41%	\$ -	-	-
Wheaton Health Care System	Medical facilities	30,841,800	2	0.85%	8,351,520	9	0.42%
Wal-Mart	Retailer	29,270,100	3	0.80%	-	-	-
Whitnall Pointe Apartments	Apartments	20,590,800	4	0.56%	20,159,790	1	1.01%
VTLC Development	Packaging manufacturing	19,937,000	5	0.55%	-	-	-
Manchester Oaks	Apartments	19,761,500	6	0.54%	16,194,730	3	0.81%
Harley Davidson	Motorcycle manufacturing	18,101,600	7	0.50%	13,932,300	4	0.70%
Menard Inc	Retail - Home Improvement	16,483,100	8	0.45%	-	-	-
All Glass Aquarium	Aquariums and fluorescent lights	13,448,500	9	0.37%	11,616,000	5	0.58%
Waste Management	Landfill and refuse collection	12,664,900	10	0.35%	18,020,640	2	0.90%
Krones Inc	High speed labeling and filler machines	-	-	-	9,013,000	8	0.45%
Home Depot	Retail - Home Improvement	-	-	-	9,016,220	7	0.45%
Mission Hills Apts	Apartments	-	-	-	9,354,760	6	0.47%
					6,857,820	10	0.34%
		<u>\$ 305,492,600</u>		8.38%	<u>\$ 122,516,780</u>		6.13%

Source: City of Franklin Assessor's Office

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			
2011	\$ 6,737,305	\$ 20,965,000	\$ 27,702,305	\$ 27,695,587	99.98%	\$ 53,589
2010	7,457,956	20,426,000	27,883,956	27,851,459	99.88%	39,718
2009	4,829,216	20,142,000	24,971,216	24,966,369	99.98%	36,945
2008	4,685,811	19,555,000	24,240,811	24,219,148	99.91%	45,243
2007	3,127,116	18,501,000	21,628,116	21,641,373	100.06%	27,424
2006	2,860,368	17,566,000	20,426,368	20,420,758	99.97%	42,150
2005	2,925,386	16,899,300	19,824,686	19,811,739	99.93%	52,998
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

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
Property Tax Levies by Tax Jurisdiction
Last Ten Years

Levy Year	State of Wisconsin	School Districts				City of Franklin				Total	
		Milwaukee County	Franklin	Whitnall	Oak Creek-Franklin	MATC	MMSD	Local	Tax increment		Special Charges
2011	\$ 623,904	\$ 16,812,497	\$ 31,435,718	\$ 2,208,503	\$ 5,268,377	\$ 6,934,559	\$ 5,188,886	\$ 20,467,000	\$ 2,560,324	\$ 1,900,389	\$ 93,400,157
2010	622,907	15,112,830	31,535,755	2,404,637	4,816,333	6,512,551	4,718,481	20,965,000	6,737,305	758,894	94,184,693
2009	664,000	14,854,113	30,632,223	2,424,105	4,403,920	6,842,077	4,574,057	20,426,000	7,457,956	818,455	93,096,906
2008	661,580	14,548,992	29,476,874	2,312,202	4,264,165	6,742,019	4,575,710	20,142,000	4,829,216	738,020	88,290,778
2007	626,055	13,522,407	28,554,442	2,249,175	4,192,123	6,161,570	4,299,178	19,555,000	4,685,811	669,010	84,514,771
2006	611,435	13,093,014	25,574,810	2,178,490	3,703,359	5,905,586	4,175,609	18,501,000	3,127,116	680,126	77,550,545
2005	568,521	12,370,412	23,516,671	1,986,396	3,765,902	5,474,766	3,974,373	17,566,000	2,860,368	636,113	72,719,522
2004	536,389	11,704,079	23,562,904	2,072,573	2,987,492	4,976,144	3,765,405	16,899,300	2,925,386	760,961	70,190,633
2003	480,153	10,982,099	23,147,556	1,945,269	2,748,924	4,538,616	3,478,005	15,813,611	2,729,979	629,490	66,493,702
2002	444,602	10,821,595	20,815,514	1,889,735	2,639,959	4,269,377	3,447,820	15,606,851	2,631,082	774,753	63,341,288

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

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

CITY OF FRANKLIN

Ratios of Net General Bonded Debt Outstanding
Last Ten Years

Fiscal year	General Bonded Debt				Total General Bonded Debt	Less Debt Service Fund Balances	Less Amounts due from Tax Incremental Financing Districts		Less Impact Fee Amounts due from Future Development	Net General Bonded Debt	(1)	
	Governmental		Business-type				Estimated Actual Property Value	Percent of Personal Income			Percent of (2)	
	General Obligations Bonds	Lease Revenue Bonds	Water General Obligations Notes	Other Business-type Obligations								
2011	\$ 9,525,000	\$ 22,970,000	\$ -	\$ -	\$ 32,495,000	\$ (3,886,857)	\$ (15,520,000)	\$ (4,709,600)	\$ 8,378,543	0.23%	N/A	\$ 236
2010	9,730,000	30,160,000	-	-	39,890,000	(3,021,278)	(21,860,000)	(4,920,150)	10,088,572	0.28%	0.93%	285
2009	9,880,000	35,285,000	-	-	45,165,000	(2,078,900)	(26,285,000)	(5,112,686)	11,688,414	0.31%	1.12%	347
2008	10,030,000	46,050,000	-	-	56,080,000	(8,339,240)	(29,400,000)	(4,775,000)	13,565,760	0.36%	1.23%	404
2007	10,180,000	39,525,000	2,375,000	-	52,080,000	(12,240,785)	(22,375,000)	(4,294,700)	13,169,515	0.36%	1.18%	395
2006	9,775,000	31,825,000	5,195,000	-	46,795,000	(10,395,507)	(15,195,000)	(4,497,000)	16,707,493	0.49%	1.53%	506
2005	9,825,000	23,075,000	17,715,000	-	50,615,000	(8,719,542)	(17,715,000)	(4,754,000)	19,426,458	0.66%	2.04%	597
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

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

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

Notes: Debt Service Fund balances represent amounts received that are restricted to future payments of outstanding debt.

Amounts due from tax incremental financing districts represent future receipt of non-repealable property tax levies restricted to the payment of debt service.

Amounts due from future development represent future impact fees collected under a 2002 ordinance from residents and restricted for the purpose of retiring debt on a portion of the police station, fire station, library and a eligible road project.

In 2008 the City issued \$10,000,000. Proceeds were used to provide funding for TIF Districts with repayment scheduled to be completed in 2014.

In 2007 the City issued \$9,925,000. Proceeds were used to refinance existing general obligation bonds issued in 2001.

In 2007 the City issued \$10,000,000. Proceeds were used for TIF Districts needs with repayment scheduled to be completed in 2014.

In 2006 the City issued \$10,000,000. Proceeds were used to refinance existing lease revenue bonds with repayment completed in 2011,

In 2005 the City issued \$10,000,000. Proceeds were used to provide funding for two TIF Districts and public works projects with repayment scheduled to be completed in 2015.

CITY OF FRANKLIN
Direct and Overlapping Debt
December 31, 2011

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to City	Amount applicable to City	School Districts		Milwaukee County	Franklin	City of Franklin	Overlapping Debt Total	City of Franklin	Total
				Whitnall	Oak Creek/Franklin						
Milwaukee County ¹	\$ 816,346,695	6.0864%	\$ 49,686,048								
Whitnall School District	8,270,000	14.2091%	1,175,097								
Oak Creek - Franklin School District	51,705,000	16.4066%	8,483,031								
Franklin School District	6,885,000	100.0000%	6,885,000								
Milwaukee Area Technical College	106,445,000	4.9477%	5,266,621								
Milwaukee Metropolitan Sewerage District	970,279,043	5.9970%	58,187,207								
Total Overlapping Debt	1,959,930,738		129,683,004								
City of Franklin	32,495,000	100.0000%	32,495,000								
Total	\$ 1,992,425,738		\$ 162,178,004								
History	Milwaukee County	Franklin	Whitnall	Oak Creek/Franklin	MATC	MMSD	Overlapping Debt Total	City of Franklin	Total		
2011	\$ 49,686,048	\$ 6,885,000	\$ 1,175,097	\$ 8,483,031	\$ 5,266,621	\$ 58,187,207	\$ 129,683,004	\$ 32,495,000	\$ 162,178,004		
2010	49,485,672	8,590,000	366,516	8,804,319	4,624,047	53,906,419	125,776,973	39,890,000	165,666,973		
2009	48,685,158	9,860,000	398,980	9,860,000	2,930,822	49,520,701	121,255,661	45,165,000	166,420,661		
2008	24,814,695	13,335,000	498,112	8,825,309	2,930,822	50,315,201	100,719,139	56,080,000	156,799,139		
2007	24,417,746	16,615,000	584,345	9,317,100	2,693,188	40,872,492	94,499,871	49,705,000	144,204,871		
2006	25,056,911	19,545,000	997,479	5,652,024	2,894,865	39,475,550	93,621,829	41,600,000	135,221,829		
2005	24,889,812	22,100,000	1,190,187	5,572,164	3,253,837	37,814,976	94,820,976	32,900,000	127,720,976		
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		

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

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

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

CITY OF FRANKLIN

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
2011	\$ 3,676,379,700	\$ 183,818,985	\$ 32,495,000	\$ 151,323,985	17.68%
2010	3,670,508,700	183,525,435	39,890,000	143,635,435	21.74%
2009	3,912,642,600	195,632,130	45,165,000	150,467,130	23.09%
2008	3,898,387,300	194,919,365	56,080,000	138,839,365	28.77%
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%

(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.

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		
2011	35,504		N/A	N/A	N/A	N/A	5.2%	7.8%	7.0%		
2010	35,451	\$1,085,585,506	\$	30,622	\$	20,486	\$	24,218	5.7%	8.1%	7.8%
2009	33,700	1,039,533,497		30,847		20,195		23,211	7.2%	9.7%	9.1%
2008	33,550	1,103,807,365		32,900		21,233		24,329	4.5%	6.5%	6.5%
2007	33,380	1,117,587,480		33,481		21,603		24,374	3.5%	5.0%	4.5%
2006	33,000	1,091,761,153		33,084		20,782		23,845	3.0%	5.0%	4.8%
2005	32,548	951,934,636		29,247		19,372		22,214	3.4%	5.2%	4.8%
2004	31,804	893,501,576		28,094		18,240		21,055	3.3%	5.3%	4.9%
2003	31,467	859,395,237		27,311		17,900		20,606	4.1%	6.0%	5.3%
2002	30,749	836,126,808		27,192		17,492		19,809	4.3%	6.1%	5.4%

(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	2011			2002		
		Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Northwestern Mutual	Insurance/Investment Services	2,133	1	11.26%	-	-	-
Wheaton Franciscan Healthcare	Medical & surgical hospital	657	3	3.47%	-	-	-
Franklin Public Schools	K-12 Education	548	2	2.89%	550	2	3.26%
Krones, Incorporated	High speed labeling/filler machines	460	4	2.43%	700	1	4.15%
Milwaukee County							
County Corrections South	Government	381	5	2.01%	540	3	3.20%
General Automotive Mfg LLC	Off-road engine components mfg.	379	6	2.00%	350	5	2.08%
Wal-Mart	Retailer	330	7	1.74%	417	4	2.47%
Strauss Veal & Lamb Int'l Inc	Animal Processing	269	8	1.42%	-	-	-
Conway Transport	General Freight Trucking	257	9	1.36%	-	-	-
Carlisle Interconnect Technologies	Wire harnesses	235	10	1.24%	250	7	1.48%
Central Aquatics	Aquariums and fluorescent lights	-	-	-	300	6	1.78%
City of Franklin	Government	-	-	-	232	8	1.38%
Vesta Inc	Silicone rubber molded products	-	-	-	200	9	1.19%
General Thermodynamics	Heat Exchangers	-	-	-	150	10	0.89%
		5,649		29.83%	3,689		21.87%

Source: Past Debt offering Official Statements and employer surveys

CITY OF FRANKLIN

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

Department	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government										
Common council	0.00	0.00	0.00	0.00	0.48	0.48	0.48		0.45	0.45
Municipal buildings	2.50	2.00	2.00	2.00	2.00	2.00	2.00	0.50	0.45	0.45
Clerk	4.14	4.00	4.00	4.00	3.53	3.53	3.50	3.50	3.50	3.50
Information services	-	-	-	-	-	-	-	-	-	-
Administration	3.00	3.60	3.60	3.60	3.80	3.80	3.80	3.75	3.25	3.00
Finance	7.10	7.03	7.10	7.10	7.10	7.30	7.30	7.45	7.45	7.18
Assessor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00
Municipal buildings	3.74	3.92	4.74	4.74	4.83	4.83	4.90	4.68	4.68	5.06
Total general government	21.48	21.55	22.44	22.44	22.74	22.94	22.98	20.88	21.33	21.19
Public safety										
Police	76.75	77.25	77.25	77.25	77.25	77.25	77.25	78.75	78.75	78.75
Fire	46.45	46.48	46.45	46.45	46.45	45.45	44.00	44.00	44.00	44.00
Paid on call fire	-	-	-	-	-	-	-	-	-	-
Building inspection	7.00	8.00	8.00	8.00	10.00	10.00	10.00	12.00	11.00	12.00
Total public safety	130.20	131.73	131.70	131.70	133.70	132.70	131.25	134.75	133.75	134.75
Public works										
Engineering	8.25	8.25	8.80	8.80	9.80	9.80	9.80	9.80	9.80	9.80
Highway	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	21.00	22.00
Parks	2.00	2.00	2.00	2.00	2.27	1.79	1.25	1.25	1.25	1.25
Total public works	32.25	32.25	32.80	32.80	34.07	33.59	33.05	33.05	32.05	33.05
Public health	6.25	6.25	6.15	6.15	6.50	6.63	6.50	6.50	6.35	6.35
Planning	4.60	5.60	5.60	5.60	7.60	7.60	6.60	6.60	5.21	6.49
Total general fund	194.78	197.38	198.69	198.69	204.61	203.46	200.38	201.78	198.69	201.83
Public health - grant	-	-	-	-	-	-	-	0.25	0.60	0.60
Library	16.82	17.12	17.11	17.11	17.20	17.22	16.92	16.10	15.59	15.04
Sewer & water	11.53	11.53	12.55	12.55	12.85	12.85	12.85	11.10	10.80	9.80
Total (including paid on call)	223.13	226.03	228.35	228.35	234.66	233.53	230.15	229.23	225.68	227.27
Total FTE's	223.13	226.03	228.35	228.35	234.66	233.53	230.15	229.23	225.68	227.27

CITY OF FRANKLIN

Operating Indicators by Function/Program
Last Ten Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Police										
Part 1 Major crimes	560	629	804	994	1,066	764	775	765	822	681
Arrests	1,450	1,606	1,235	1,467	1,492	2,021	1,954	1,754	1,682	1,817
Traffic & parking citations	10,820	9,125	7,793	6,880	8,449	6,730	8,021	8,632	7,135	8,359
Calls for service	39,700	37,273	28,267	27,107	28,169	-	-	-	-	-
Call to dispatch	-	-	-	-	-	81,500	77,146	81,790	87,053	82,488
Number of sworn officers	59	59	59	59	59	59	59	59	59	59
Fire										
Fire responses	593	574	496	704	573	588	514	557	531	463
EMS responses	2,561	2,596	2,515	2,790	2,767	2,526	2,451	2,225	2,114	2,235
Fire inspections	2,600	2,463	2,611	2,578	2,364	2,267	2,056	1,800	1,770	1,610
Number of full-time firefighters	46	46	46	46	46	45	43	43	43	43
Number of paid on call firefighters	-	-	-	-	-	-	-	-	-	6
Highway										
Miles of crack sealing	32	28	31	34	31	21	19	17	21	15
Tress pruned	1,000	2,176	927	378	558	1,640	823	988	1,101	1,000
Vehicles maintained	165	165	165	165	159	150	150	150	149	147
Solid waste										
Non-recyclable refuse collected (tons)	8,353	8,320	7,792	8,519	8,381	8,368	8,296	8,372	5,722	6,669
Recyclables collected (tons)	2,813	2,693	2,676	2,825	3,008	3,108	3,132	3,097	2,617	2,810
Yard waste (tons)	274	295	375	214	205	208	193	246	277	282
Health										
Home visits	1,500	1,383	1,616	1,280	1,401	1,602	1,440	946	660	605
Immunization clinic visits	3,700	3,660	8,658	3,407	3,015	3,004	3,140	2,550	3,088	2,877
Sanitarian inspections	350	366	380	274	196	393	420	454	483	420
Animal control										
Animal control pickups	145	167	126	165	223	194	208	214	175	193
Library										
Circulation	520,000	519,580	519,054	490,843	471,442	465,468	452,382	434,568	400,986	350,000
Collection size	142,000	140,000	135,688	130,000	127,000	120,724	117,804	110,376	65,000	60,000
Internet use	50,400	50,369	50,222	55,000	54,000	51,187	46,364	39,059	35,050	21,145
Sanitary sewer										
Number of customers	9,780	9,775	9,883	9,853	9,779	9,567	9,216	8,769	8,580	8,380
Feet of sewer cleaned	250,000	218,000	250,000	264,000	92,010	119,200	317,042	222,461	247,681	217,000
Water										
Number of customers -average	7,850	7,807	7,756	7,683	7,561	7,288	6,930	5,311	4,695	4,670
Average daily consumption	2,800,000	2,298,000	2,461,276	2,474,000	2,521,000	2,269,000	2,519,000	1,929,000	1,864,000	1,875,000
Peak daily consumption	5,604,000	4,212,000	4,803,000	5,681,000	6,097,420	5,023,029	5,737,376	4,612,000	5,270,000	5,063,000

CITY OF FRANKLIN

Capital Asset Statistics by Function/Program

Last Ten Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Area in square miles	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Area in acres:										
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)	15,474	15,550	15,549	15,550	15,634	15,642	17,700	17,700	17,700	17,700
Acres developed (approximate)	11,336	11,329	11,287	11,233	10,878	10,210	6,200	6,200	6,200	6,200
Acres in park and open space	3,873	3,873	3,873	3,873	3,851	3,684	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	23.74	23.74	23.74
Local	165.97	165.97	165.97	166.51	165.31	164.74	162.78	159.85	155.68	152.55
Fire protection and ambulance service:										
Number of manned fire stations	3	3	3	3	3	3	3	3	3	3
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of sub stations	1	1	1	1	1	1	1	1	1	1
Sewer and water service:										
Miles of sanitary sewer	185	185	185	182	181	180	176	163	154	147
Miles of watermain	166	166	166	164	163	157	154	124	98	95
Number of fire hydrants	2,115	2,111	2,106	2,081	2,058	1,956	1,890	1,726	1,362	1,295
Recreation and culture:										
Number of trails	4	4	4	4	4	3	3	2	2	2
Number of city parks	12	12	12	12	12	11	11	11	11	11
Number of county parks	8	8	8	8	8	8	8	8	8	8
Number of libraries	1	1	1	1	1	1	1	1	1	1
Municipal buildings (square footage):										
City hall	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206
Law enforcement building	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300
Fire stations	37,750	37,750	32,392	26,480	26,480	26,480	26,480	26,480	26,480	26,480
Library	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Public works building	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450
Sewer & water building	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620