

FINAL OFFICIAL STATEMENT DATED AUGUST 5, 2008

NEW ISSUE
Bank Qualified

Moody's Rated "Aa2"

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

\$10,000,000
CITY OF FRANKLIN
Milwaukee County, Wisconsin
General Obligation Promissory Notes

Dated: August 26, 2008

Due: March 1, 2009-2014

The \$10,000,000 General Obligation Promissory Notes (the "Notes") will be dated August 26, 2008, will be in the denomination of \$5,000 each or any multiple thereof, and will mature serially on March 1 of the years 2009 through 2014 as below. Interest on the Notes will be payable commencing on March 1, 2009 and semi-annually thereafter on September 1 and March 1 of each year.

MATURITY SCHEDULE

<u>(March 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2009	\$200,000	3.00%	2.00%
2010	800,000	3.00	2.20
2011	1,000,000	3.00	2.70
2012	2,000,000	3.25	2.96
2013	2,500,000	3.40	3.17
2014	3,500,000	3.50	3.37

The Notes are being issued pursuant to Section 67.12(12) of the Wisconsin Statutes. The Notes will be general obligations of the City for which its full faith and credit and taxing powers are pledged which taxes may, under current law, be levied without limitation as to rate or amount. The Notes will be issued for public purposes, consisting of paying the cost of capital projects listed in the City's Capital Improvement Plan, as amended from time to time, and paying the cost of projects listed in the Project Plan for Tax Incremental Districts No. 3 and 4.

The Notes are not subject to optional redemption prior to maturity.

The Notes will be issued only as fully registered Notes and, unless otherwise specified by the successful bidder, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Notes. Individual purchases will be made in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Purchasers of the Notes will not receive certificates representing their interest in the Notes purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The City of Franklin Notes are offered when, as and if issued subject to the approval of legality by Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. The anticipated settlement date for this issue is on or about August 26, 2008.

ROBERT W. BAIRD & CO.
Financial Advisor

**CITY OF FRANKLIN
(Milwaukee County, Wisconsin)**

COMMON COUNCIL

Thomas M. Taylor, Mayor
Steve Olson, Alderman
Ken Skowronski, Alderman
Lyle Sohns, Alderman
Timothy C. Solomon, Alderman
Steve F. Taylor, Alderman (President)
Kristen Wilhelm, Alderman

ADMINISTRATION

Mark W. Luberda, Director of Administration
Sandra L. Wesolowski, Director of Clerk Services/City Clerk
Calvin A. Patterson, Director of Finance & Treasurer
John Bennett, Director of Public Works/City Engineer
Bill Wucherer, Director of Health & Human Services
Dana Zahn, Human Resources Coordinator
Roy Kainz, Superintendent of Sewer/Water
Jerry Schaefer, Superintendent of Public Works
Vacant, City Development Director
Joel E. Dietl, Planning Manager
Mark Link, Assessor
Frederick M. Baumgart, Building Inspector
Frederick F. Klimetz, Municipal Judge
Richard Oliva, Chief of Police
James Martins, Fire Chief
Barbara Roark, Library Director

CITY ATTORNEY

Jesse A. Wesolowski
Wesolowski, Reidenbach, Fleming & Sajdak, S.C.
Franklin, Wisconsin

FINANCIAL ADVISOR

Robert W. Baird & Co.
Milwaukee, Wisconsin

BOND COUNSEL

Quarles & Brady LLP
Milwaukee, Wisconsin

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson, or other person has been authorized by the City of Franklin or by Robert W. Baird & Co. Incorporated, the Financial Advisor, to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy the Notes, nor shall there be any sale of the Notes, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Robert W. Baird & Co., in its role as Financial Advisor, assisted the issuer in preparing the Official Statement. Baird obtained information from the issuer and other sources that it believed was reliable, but cannot guarantee the accuracy or completeness of the information in this Official Statement.

The Underwriter has provided the following sentence for inclusion in the Official Statement. The Underwriter has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any other sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Franklin.

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Appendix A: 2007 Basic Financial Statements and Related Notes

Appendix B: Form of Continuing Disclosure Certificate

SUMMARY

Issuer:	City of Franklin, Milwaukee County, Wisconsin.
Issue:	\$10,000,000 General Obligation Promissory Notes.
Dated Date:	August 26, 2008.
Interest Due:	Commencing on March 1, 2009 and on each September 1 and March 1 thereafter. Interest on the Notes will be computed on the basis of a 30-day month and a 360-day year.
Principal Due:	March 1 of the years 2009 through 2014.
Redemption Provision:	The Notes are not subject to call and prior redemption.
Security:	The full faith, credit and resources of the City are pledged to the payment of the principal of and the interest on the Notes as the same become due and, for said purposes, there are levied on all the taxable property in the City, direct, annual irrepealable taxes in each year and in such amounts which will be sufficient to meet such principal and interest payments when due. Under current law, such taxes may be levied without limitation as to rate or amount.
Purpose:	The Notes will be issued for public purposes, consisting of paying the cost of capital projects listed in the City's Capital Improvement Plan, as amended from time to time, and paying the cost of projects listed in the Project Plan for Tax Incremental Districts No. 3 and 4.
Tax Status:	Interest on the Notes is <u>excludable</u> from gross income for federal income tax purposes. (See "TAX STATUS" herein.)
Credit Rating:	This issue has been assigned a "Aa2" rating by Moody's Investors Service, Inc. (See "RATING" herein.)
Paying Agent:	City Officials, City of Franklin, Wisconsin.
Record Date:	The 15th day of the calendar month next preceding each interest payment date.
Bond Years:	41,438.89 years.
Average Life:	4.144 years.

Information set forth on this page is qualified by the entire Official Statement. A full review of the entire Official statement should be made by potential investors.

INTRODUCTORY STATEMENT

This Official Statement presents certain information relating to the City of Franklin, Wisconsin (the "City" and the "State", respectively) in connection with the sale of the City's \$10,000,000 General Obligation Promissory Notes (the "Notes"). The Notes are issued pursuant to the Constitution and laws of the State and the resolution adopted by the City (the "Resolution") and other proceedings and determinations related thereto.

All summaries of statutes, documents and the Resolution contained in this Official Statement are subject to all the provisions of, and are qualified in their entirety by reference to such statutes, documents and the Resolution, and references herein to the Notes are qualified in their entirety by reference to the form thereof included in the Resolution. Copies of the Resolution may be obtained from the Financial Advisor upon request.

CONSTITUTIONAL STATUTORY CONSIDERATIONS AND LIMITATIONS CONCERNING THE CITY'S POWER TO INCUR INDEBTEDNESS

The Constitution and laws of the State limit the power of the City (and other municipalities of the State) to issue obligations and to contract indebtedness. Such constitutional and legislative limitations include the following, which are presented in summary form and are generally applicable to the City.

Purpose

The City may not borrow money or issue notes or bonds therefor for any purpose except those specified by statute, which include among others the purposes for which the Notes are being issued.

General Obligation Bonds

The principal amount of every sum borrowed by the City and secured by an issue of bonds may be payable at one time in a single payment or at several times in two or more installments; however, no installment may be made payable later than the termination of twenty years immediately following the date of the bonds. The Common Council is required to levy a direct, annual, irrevocable tax sufficient in amount to pay the interest on such bonds as it falls due and also to pay and discharge the principal thereof at maturity. Bonds issued by the City to refinance or refund outstanding notes or bonds issued by the City may be payable no later than twenty years following the original date of such notes or bonds.

Refunding Bonds

In addition to being authorized to issue bonds, the City is authorized to borrow money using refunding bonds for refunding existing debt. To evidence such indebtedness, the City must issue its refunding bonds (with interest) payable within a period not exceeding twenty years following the initial date of the debt to be refunded. Such refunding bonds constitute a general obligation of the City. Refunding bonds are not subject to referendum.

Bond Anticipation Notes

In anticipation of issuing general obligation bonds or notes, the City is authorized to borrow money using bond anticipation notes. The bond anticipation notes shall in no event be general obligations of the City, and do not constitute an indebtedness of the City, nor a charge against its general credit or taxing power. The bond anticipation notes are payable only from (a) proceeds of the bond anticipation notes set aside for payment of interest on the bond anticipation notes as they become due, and, (b) proceeds to be derived from the issuance and sale of general obligation bonds or notes which proceeds are pledged for the payment of the principal of and interest on the bond anticipation notes. The maximum term of any bond anticipation notes (including any refunding) is five years.

Promissory Notes

In addition to being authorized to issue bonds, the City is authorized to borrow money using promissory notes for any public purpose. To evidence such indebtedness, the City must issue its promissory notes (with interest) payable within a period not exceeding ten years following the date of said notes. Such notes constitute a general obligation of the City. Notes may be issued to refinance or refund outstanding notes or bonds. However, such notes must be payable not later than ten years following the original date of such notes.

Debt Limit

The City has the power to contract indebtedness for purposes specified by statute so long as the principal amount thereof does not exceed five percent of the equalized value of taxable property within the City. For information with respect to the City's percent of legal debt incurred, see the caption "INDEBTEDNESS OF THE CITY-*Debt Limit*," herein.

THE RESOLUTION

The following is a summary of certain provisions of the Resolution to be adopted by the City pursuant to the procedures prescribed by Wisconsin Statutes. Reference is made to the Resolution for a complete recital of its terms.

Award Resolution

By way of a Resolution adopted on August 5, 2008 (the "Resolution"), the Common Council will accept the bid (or reject all bids) of the Underwriter for the purchase of the Notes, in accordance with bid specifications, provide the details and form of the Notes, and set out certain covenants with respect thereto. The Resolution pledges the full faith, credit and resources of the City to payments of the principal of and interest on the Notes. Pursuant to the Resolution, the amount of direct, annual, irrevocable taxes levied for collection in the years 2009 through 2014 which will be sufficient to meet the principal and interest payments on the Notes when due will be specified. The Resolution establishes separate and distinct from all other funds of the City a debt service fund with respect to payment of principal of and interest on the Notes.

THE CITY

Common Council

The Common Council is the legislative and policy making body of the City and consists of six council members who are elected from each of the City's aldermanic districts for three-year terms, and a mayor who is elected separately for a three-year term. The present members, their aldermanic districts and the expiration of their respective terms of office are as follows.

Thomas M. Taylor, Mayor
(April, 2011)

<u>Common Council</u>	<u>Aldermanic District</u>	<u>Expiration of Term</u>
Steve Olson, Alderman	1	April, 2010
Timothy C. Solomon, Alderman	2	April, 2010
Kristen Wilhelm, Alderman	3	April, 2011
Steve F. Taylor, Alderman (President)	4	April, 2011
Lyle Sohns, Alderman	5	April, 2010
Ken Skowronski, Alderman	6	April, 2011

Administration

The day-to-day affairs of the City is handled by the Director of Administration. The present members of the administration and their years of service as of July 1, 2008 are listed below.

<u>Name</u>	<u>Title</u>	<u>Years of Service</u>
Mark W. Luberda	Director of Administration	2 ⁽¹⁾
Sandra L. Wesolowski	Director of Clerk Services/City Clerk	23
Calvin A. Patterson	Director of Finance & Treasurer	8
John Bennett	Director of Public Works/City Engineer	39
Bill Wucherer	Director of Health & Human Services	16
Dana Zahn	Human Resources Coordinator	3 ⁽²⁾
Roy Kainz	Superintendent of Sewer/Water	37
Jerry Schaefer	Superintendent of Public Works	33
Vacant	City Development Director	—
Joel E. Dietl	Planning Manager	2 ⁽³⁾
Mark Link	Assessor	1 ⁽⁴⁾
Frederick M. Baumgart	Building Inspector	35
Frederick F. Klimetz	Municipal Judge ⁽⁵⁾	2
Richard Oliva	Chief of Police	3 ⁽⁶⁾
James Martins	Fire Chief	6
Barbara Roark	Library Director	10

⁽¹⁾ Prior to joining the City, Mr. Luberda served as the Administrator for the Town of Caledonia, Wisconsin.

⁽²⁾ Prior to joining the City, Ms. Zahn was the Human Resources Manager for the Unified Solutions, Inc.

⁽³⁾ Prior to joining the City, Mr. Dietl served as a Planner for the Brown County Planning Commission.

⁽⁴⁾ Mr. Link is a contracted assessor from CLT Corporation.

⁽⁵⁾ Mr. Klimetz is an elected official, whose term expires April, 2009.

⁽⁶⁾ Prior to joining the City, Mr. Oliva was a captain for the Milwaukee Police Department.

Employment Relations

<u>Department</u>	<u>Number of Employees</u>
Administration	4
Assessor	1
Building Inspection	10
Clerk	4
City Development	7
Engineering	11
Finance	9
Fire	46
Health	10
Highways	22
Library	29
Mayor/Alderspersons	8
Municipal Buildings Maintenance	6
Municipal Court	4
Police	73
Sewer/Water	12
TOTAL	256

The City of Franklin employees are represented by:

<u>Organization</u>	<u>Employee Group Represented</u>	<u>Date of Contract</u>
Franklin Police Officers Association	Police officers	December 31, 2006*
Franklin Police and Fire Department Clerical Association	Dispatchers	December 31, 2009
Franklin Professional Firefighters Association Local 2760 (I.A.F.F.)	Firefighters	December 31, 2009
Teamsters General Union Local 200	Clerical employees	December 31, 2009
Franklin Inspection Employees Local 2 (AFSCME) (AFL-CIO)	Inspection employees, Engineering Technicians and Police Clerical	December 31, 2008
Franklin Employees Local 2 (AFSCME) (AFL-CIO)	Public Works, Sewer and Water and Custodial employees	December 31, 2008

* In negotiation; employees are still working under the terms of the expired contracts.

All eligible City personnel are covered by the Municipal Employment Relations Act (MERA) of the Wisconsin Statutes. Pursuant to that law, employees have the right to organize and collectively bargain with the municipal employers. In the event of impasse, the City or employee union, other than fire or law enforcement personnel, has the option to pursue final and binding arbitration under a procedure referred to as mediation arbitration. Under this procedure, mediation is first attempted and in the event of its failure, final and binding arbitration is commenced. If, under arbitration, both parties withdraw their final offers, the labor organization upon proper notice, may strike. The parties can also agree to voluntary impasse resolution procedures including authorization for a strike or binding interest arbitration. As a practical matter, it is anticipated that strikes under either procedure will be rare. Furthermore, strikes, if they do occur, may be enjoined by the courts. Impasse resolution for fire fighters and law enforcement personnel is subject to final and binding arbitration procedures, which do not include a right to strike.

Pension Plan

All eligible City of Franklin Police and Fire employees participate in the Wisconsin Retirement System established under Chapter 40 of the Wisconsin Statutes. The total required retirement plan contribution for the years ended December 31, 2006 and 2007 were \$1,234,508 and \$1,275,929, respectively. The amounts of such contributions are determined by the Wisconsin Retirement Fund and were in accordance with the actuarially determined requirement.

All eligible City of Franklin Public Works employees (highway, janitors, sewer and water employees) are covered by a non-contributory single employer defined benefit pension plan. The total required retirement plan contribution for the years ended December 31, 2006 and 2007 were \$273,116 and \$252,283, respectively. The amounts of such contributions are determined by an actuarial valuation dated January 1, 2007.

All other eligible City of Franklin employees participate in a defined contribution plan. The City contributes 10% of covered payroll that amounted to \$353,890 and \$389,408 for the years ended December 31, 2006 and 2007, respectively.

Other Post Employment Benefits

The Issuer currently provides post employment benefits for its employees who retire and meet other negotiated criteria. Similar to other governmental units, the Issuer had historically funded its Other Post Employment Benefits (“OPEB”) program on a pay-as-you-go basis. Effective January 2008, the City is funding these benefits over the working lives of the employees.

For information on the Issuer's post-employment health care benefits, please refer to Appendix A – Basic Financial Statement and Related Notes.

GENERAL INFORMATION

Location

The City is located in southeastern Wisconsin and encompasses approximately 34.5 square miles of the southwestern portion of Milwaukee County. It is located approximately 10 miles southwest of Milwaukee, 80 miles east of Madison, 85 miles northwest of Chicago and 130 miles south of Green Bay.

History

Franklin, a part of the Northwest Territory, was given the name "Franklin" in honor of Benjamin Franklin in 1838 by the Wisconsin Territorial Legislature and was organized into a township in 1841. Franklin's early town officials fought against annexation to the City of Milwaukee. In 1956 a City charter arrived from Madison to incorporate from a town to a city. Bounded by Greenfield to the north, Oak Creek to the east, and Racine and Waukesha Counties to the south and west, the City is primarily a residential community with a growing commercial and industrial base.

Education

The City is served by the Franklin, Oak-Creek Franklin and Whitnall School Districts, which offer comprehensive educational programs for students in pre-kindergarten through the twelfth grade. Between these schools, residents are served by a total of three high schools, four middle schools and twelve elementary schools.

Post-secondary education is available nearby at several schools in the University of Wisconsin ("UW") System. UW-Madison, Milwaukee and Whitewater, all four-year colleges, offer programs at the undergraduate, graduate and professional levels in a wide range of fields, while UW-Waukesha and Washington County offer freshman/sophomore level instruction. The Milwaukee Area Technical College, also a two-year institution that has campuses located in Milwaukee, Mequon, Oak Creek and West Allis, offers a variety of education and training opportunities through several associate degree and technical diploma programs. Private four-year colleges in the Milwaukee Metropolitan area include the following:

Alverno College
Cardinal Stritch University
Carroll College
Columbia College of Nursing
Concordia University
Marquette University
Medical College of Wisconsin
Milwaukee Institute of Art and Design
Milwaukee School of Engineering
Mount Mary College
Ottawa University
Wisconsin Lutheran College

Transportation

The City is easily accessible via Interstates 94 and 43, US Highways 41 and 45, State Highways 36 and 100, and several County Highways.

Three general aviation airports serve area residents: General Mitchell International Airport is located 8 miles northeast of the City, John H. Batten Field is located 10 miles to the southeast, and Chicago's O'Hare International Airport is located 70 miles to the south.

Rail freight service is accessible in nearby Oak Creek via the CP Rail System and the Union Pacific Railway on their Chicago to Minneapolis-St. Paul mainlines.

Water transportation is available through the Port of Milwaukee, which is located 12 miles northeast of the City.

Public transit is available through Freeway Flyer and shuttle bus routes operated by the Milwaukee County Transit System, and elderly and disabled residents also have access to specialized transportation services provided by two Milwaukee County programs.

Police, Fire and Public Safety

The Franklin Police Department provides law enforcement services to the City 24 hours per day, 7 days per week, which include protecting of life and property, preserving peace and good order of the community, and furnishing any other appropriate service that enhances the safe and orderly operation of the City.

The Franklin Fire Department's Mission is to render any service it is capable of delivering to protect the lives and property of the citizens within its jurisdiction. It will provide educational activities to the residents and actively promote fire prevention, and will provide these services as efficiently as possible within the limits of funding provided by the citizens of Franklin.

The City is now part of a cooperative effort with other Milwaukee County communities to jointly operate an animal control services facility, governed by the Milwaukee Area Domestic Animal Control Commission ("MADACC"), for animal control purposes.

Other Services

The City provides standard services such as street maintenance and lighting, snow and ice removal, waste collection and disposal, recycling facilities, water, solid waste and sanitary sewerage services, and a public library.

The City provides for the public safety of its residents through the Police Department with seventy-six full-time employees. The Police Department provides patrol, dispatch services, traffic control services, crime prevention and detection, investigations and community relations. The Fire Department has twenty-nine full-time employees, and the Emergency Medical Service Department has fifteen full-time employees. In addition to fire suppression and prevention, the department provides fire inspections, community education, paramedic level medical transportation and specialized rescues.

Health Care

The City's health care needs are served by the St. Luke's Franklin Health Care Center, Rawson Medical Center and Associated Surgical Clinic. The Franklin Health Department, located at the Franklin City Hall, offers immunizations for all ages, health screenings, including blood pressure clinics, a school health program, communicable disease education and follow-up, and an environmental health program including restaurant inspection and a sharps/syringe collection site in the Health Department. In addition, the City is served by the complete range of health facilities and health professionals offered by Milwaukee County's 25 area hospitals and various immediate care centers. Of special interest is the Milwaukee Regional Medical Center, a voluntary consortium of private, nonprofit, and governmental institutions dedicated to the delivery of health care, the education of health personnel, and the conduct of health-related research.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

	<u>Milwaukee County</u>	<u>City of Franklin</u>
Estimate, 2007	937,324	33,380
Estimate, 2006	936,892	33,000
Estimate, 2005	938,995	32,548
Estimate, 2004	939,358	31,804
Estimate, 2003	941,301	31,467
Census, 2000	940,164	29,494

Source: Wisconsin Department of Administration, Demographic Services Center.

Per Tax Return Adjusted Gross Income

	<u>State of Wisconsin</u>	<u>Milwaukee County</u>	<u>City of Franklin</u>
2006	\$48,107	\$42,296	\$67,103
2005	45,357	40,244	60,000
2004	43,512	38,350	58,216
2003	42,474	37,459	56,755
2002	40,719	36,370	55,928

Source: Wisconsin Department of Revenue, Division of Research and Analysis.

Unemployment Rate

	<u>State of Wisconsin</u>	<u>Milwaukee County</u>	<u>City of Franklin</u>
May, 2008	4.2%	5.1%	3.6%
May, 2007	4.7	5.8	3.9
Average, 2007	4.9%	5.9%	3.9%
Average, 2006	4.7	5.7	3.6
Average, 2005	4.7	5.9	3.8
Average, 2004	4.9	6.3	4.2
Average, 2003	5.6	7.1	4.7

Source: Wisconsin Department of Workforce Development.

Building Permits

	<u>Valuation</u>	<u>Number of Permits</u>
2007*	\$59,938,164	137
2006	172,066,634	399
2005	135,160,596	507
2004	88,938,852	558
2003	96,189,402	365

*As of 12/31/2007

Source: City of Franklin.

Largest Employers

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Northwestern Mutual Life	Insurance/Investment Firm	1,100
Franklin Public School District	Education	580
Milwaukee County House of Corrections	Government	465
General Automotive Manufacturing LLC	Machine & Tool Components Mfr.	400
Krones Inc.	High-Speed Labeling Machines Mfr.	390
Waste Management of Wisconsin	Solid Waste Collection	340
Con-Way Freight	General Freight Trucking	300
City of Franklin	Government	256
Wal-Mart/Sam's Club	Retail	250
Harley Davidson Motor Co. Inc.	Distribution Center	200

Source: *Wisconsin Department of Workforce Development – WORKnet Large Employer Database and 2008 Wisconsin Manufacturers and Business Service Directories.*

Largest Taxpayers

Listed below are the largest taxpayers within the District.

<u>Taxpayer Name</u>	<u>Type of Business</u>	<u>2007 Assessed Valuation</u>	<u>2007 Equalized Valuation</u>
Northwestern Mutual Life	Insurance/Investment Firm	\$79,933,200	\$82,320,494
Covenant Health Care System Inc.	Health Care	20,465,300	21,076,519
Whitnall Pointe Apartments	Apartments	20,326,600	20,933,677
VTLC Development LLC	Commercial	19,430,600	20,010,917
Manchester Oaks Apartments	Apartments	19,314,800	19,891,658
Wal-Mart/Sam's Club	Retail	18,882,200	19,446,138
Menards Inc.	Retail	15,013,000	15,461,380
Harley Davidson Motor Co. Inc.	Distribution Center	14,673,300	15,111,535
All Glass Aquarium Co.	Glass Aquarium Mfr.	13,210,800	13,605,355
Waste Management of Wisconsin Inc.	Solid Waste Collection	13,181,300	13,575,000

Source: *City of Franklin.*

TAX LEVIES, RATES AND COLLECTIONS

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31. Real property taxes may be paid in full by January 31 or in installments with one-half of the taxes paid by January 31, one quarter are paid by March 31 and the remainder is paid by May 31. Any amounts paid after July 31 are paid to the county treasurer. The City of Franklin, which has adopted an installment payment plan, settles with other taxing jurisdictions for collections through the preceding month on January 15, February 15 and the 15th day of each month following a month in which an installment payment is due. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all unpaid real property taxes and special taxes. The County Board may authorize its County Treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Since, in practice, all delinquent real estate taxes are withheld from the county's share of taxes, the City receives 100 percent of the real estate taxes it levies.

Set forth below are the taxes levied and the tax rate per \$1,000 assessed value on all taxable property within the City. The rates, tax levies and collections set forth are for the collection years 2004 through 2008:

Levy Year	Collection Year	City Tax Rate	City Levy	Uncollected Personal Property Taxes as of August 20 of Each Year	Percent of Levy Collected
2007	2008	\$5.78	\$19,555,000	<i>In Process of Collection</i>	
2006	2007	5.57	18,501,000	\$27,424	99.85%
2005	2006	6.83	17,566,000	42,150	99.76
2004	2005	6.95	16,899,300	52,998	99.69
2003*	2004	6.80	15,813,611	65,425	99.59

* Reflects City-wide reassessment.

TAX LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes imposes a limit on property tax levies by cities, villages, towns and counties for levy years 2007 and 2008. For levy year 2007, no city, village, town or county may increase its tax levy by a percentage that exceeds the greater of its valuation factor (which is defined as a percentage equal to the greater of two percent or the percentage change in the municipality's January 1 equalized value due to new construction less improvements removed) or 3.86 percent times the municipality's levy for the previous year. For levy year 2008, the tax levy may not be increased by a percentage in excess of the valuation factor. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

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

With respect to general obligation debt service, the following provisions are made: For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact municipalities that experience a reduction in offsetting revenues. The levy limits do not apply to debt service on general obligation debt authorized on or after July 1, 2005.

The Notes will be authorized by adoption of a resolution after July 1, 2005.

ASSESSED TAX RATES

	Levy Years				
	2007	2006	2005	2004	2003*
City of Franklin	\$5.78	\$5.58	\$6.83	\$6.95	\$6.80
School Districts:					
Franklin	10.98	10.05	12.01	12.61	12.74
Oak Creek	7.85	6.95	8.90	7.93	8.42
Whitnall	9.40	9.15	10.32	11.30	10.80
Milwaukee Area Technical College	1.83	1.78	2.13	2.05	1.95
Milwaukee County	4.01	3.95	4.81	4.81	4.72
Milwaukee Metropolitan Sewerage District	1.32	1.31	1.60	1.62	1.57
State	0.18	0.17	0.21	0.21	0.20
Gross Tax Rate:					
Franklin Public School District	24.10	22.84	27.59	28.25	27.98
Oak Creek-Franklin Joint School District	20.97	19.74	24.48	23.57	23.66
Whitnall School District	22.52	21.94	25.90	26.94	26.04
Less: State Credit	(1.52)	(1.38)	(1.40)	(1.50)	(1.55)
Net Tax Rate:					
Franklin Public School District	22.58	21.46	26.19	26.75	26.43
Oak Creek-Franklin Joint School District	19.45	18.36	23.08	22.07	22.11
Whitnall School District	21.00	20.56	24.50	25.44	24.49
Ratio of Assessed to Equalized Valuation	97.10%	101.12%	88.71%	94.74%	101.13%
Equalized Tax Rate:					
Franklin Public School District	<u>\$23.25</u>	<u>\$21.22</u>	<u>\$23.23</u>	<u>\$25.34</u>	<u>\$26.73</u>
Oak Creek-Franklin Joint School District	<u>\$20.03</u>	<u>\$18.16</u>	<u>\$20.47</u>	<u>\$20.91</u>	<u>\$22.36</u>
Whitnall School District	<u>\$21.63</u>	<u>\$20.33</u>	<u>\$21.73</u>	<u>\$24.10</u>	<u>\$24.77</u>

* Reflects City-wide reassessment.

ASSESSED AND EQUALIZED VALUATIONS

All equalized valuations of property in the State of Wisconsin are determined by the State of Wisconsin, Department of Revenue, Supervisor of Assessments Office. Equalized valuations are the State's estimate of full market value. The State determines assessed valuations of all manufacturing property in the State. Assessed valuations of residential and commercial property are determined by local assessors.

Set forth in the table below are the assessed and equalized valuations of property located within the City for the years 2003 through 2007. The City equalized valuation has increased by 53.66 percent since 2003 with an average annual increase of 11.34 percent.

Year	Assessed Valuation	Equalized Valuation (TID IN)	Equalized Valuation (TID OUT)
2007	\$3,581,287,140	\$3,689,054,400	\$3,477,050,900
2006	3,460,340,940	3,481,759,700	3,335,807,600
2005	2,682,091,060	3,030,815,900	2,908,557,900
2004	2,540,818,170	2,681,945,500	2,566,348,500
2003*	2,427,882,640	2,400,765,500	2,298,454,900

* Reflects City-wide reassessment.

The equalized valuation by class in the City for 2007 is as follows:

	2007	
Real Estate		
Residential	\$2,751,324,400	74.58%
Commercial	714,345,500	19.36
Manufacturing	130,218,300	3.53
Agricultural, Undeveloped, Forest, Other	18,856,100	0.51
Total Real Estate	<u>\$3,614,744,300</u>	<u>97.99%</u>
Total Personal Property	<u>\$74,310,100</u>	<u>2.01%</u>
Total	<u><u>\$3,689,054,400</u></u>	<u><u>100.00%</u></u>

Tax Incremental Districts

The City has Tax Incremental Districts created under Wisconsin Statutes Section 66.1105 (formerly Section 66.46). TID valuations totaling \$212,003,500 have been excluded from the City's tax base for 2007.

City of Franklin	Creation Date	Base Value	2007 Value	Increment
02	1993	\$2,229,400	\$177,633,800	\$175,404,400
03	2005	117,768,200	142,672,600	24,904,400
04	2005	19,817,900	31,512,600	11,694,700
TOTAL				<u><u>\$212,003,500</u></u>

INDEBTEDNESS OF THE CITY

Direct Indebtedness

Set forth below is the direct indebtedness of the City, including principal and interest payments due on existing debt as well as debt service on the new issue. The interest on the Notes has been calculated using an average rate of 3.38 percent. Average life of the Notes is 4.144 years and bond years are 41,438.89 years.

Year	Outstanding Bonds & Notes		New Issue - Notes		Total Debt Service Requirements	Less:	Total Projected Net Debt Service Requirements
	Principal	Interest	Principal	Interest		Projected Offsetting Revenues*	
2008	\$3,625,000	\$2,002,331			\$5,627,331	(\$1,941,795)	\$3,685,537
2009	6,315,000	1,794,341	\$200,000	\$334,118	8,643,459	(4,992,835)	3,650,624
2010	6,650,000	1,525,776	800,000	314,500	9,290,276	(6,144,896)	3,145,381
2011	8,620,000	1,204,005	1,000,000	287,500	11,111,505	(7,900,556)	3,210,949
2012	2,675,000	968,524	2,000,000	240,000	5,883,524	(4,239,348)	1,644,176
2013	3,140,000	849,820	2,500,000	165,000	6,654,820	(4,736,605)	1,918,216
2014	8,865,000	580,276	3,500,000	61,250	13,006,526	(11,011,692)	1,994,834
2015	2,720,000	322,390	--	--	3,042,390	(1,146,938)	1,895,453
2016	1,200,000	246,810	--	--	1,446,810	0	1,446,810
2017	1,190,000	201,400	--	--	1,391,400	0	1,391,400
2018	1,180,000	156,370	--	--	1,336,370	0	1,336,370
2019	1,200,000	111,150	--	--	1,311,150	0	1,311,150
2020	1,140,000	66,690	--	--	1,206,690	0	1,206,690
2021	1,185,000	22,515	--	--	1,207,515	0	1,207,515
	<u>\$49,705,000</u>	<u>\$10,052,399</u>	<u>\$10,000,000</u>	<u>\$1,402,368</u>	<u>\$71,159,767</u>	<u>(\$42,114,664)</u>	<u>\$29,045,103</u>
Less: 2008 Sinking Funds	<u>(\$3,625,000)</u>	<u>(\$2,002,331)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$5,627,331)</u>	<u>\$1,941,795</u>	<u>(\$3,685,537)</u>
Total	<u><u>\$46,080,000</u></u>	<u><u>\$8,050,068</u></u>	<u><u>\$10,000,000</u></u>	<u><u>\$1,402,368</u></u>	<u><u>\$65,532,436</u></u>	<u><u>(\$40,172,869)</u></u>	<u><u>\$25,359,567</u></u>

* The above outstanding debt was issued as general obligation debt of the City; however tax increment revenues, special assessments and other revenues are projected to partially offset the total debt service. The actual amount of these offsetting revenues is not guaranteed.

Future Financing

The City does not anticipate the issuance of additional long-term debt within the next six months.

Overlapping and Underlying Indebtedness

Set forth below is information relating to the outstanding overlapping and underlying indebtedness of the City.

Name of Entity	Amount of Debt (Net of 2008 Principal Payments)	Percent Chargeable to City	Outstanding Debt Chargeable to City
Milwaukee County	\$435,696,683	5.50%	\$23,963,318
Milwaukee Area Technical College District	59,475,000	4.50	2,676,375
Franklin Public School District	13,335,000	100.00	13,335,000
Oak Creek-Franklin Joint School District	55,463,737	16.40	9,096,053
Whitnall School District	3,325,000	14.50	482,125
Milwaukee Metropolitan Sewerage District*	775,055,827	5.40	41,853,015
TOTAL	<u>\$1,342,351,247</u>		<u>\$91,405,885</u>

*The District competitively sold \$70,000,000 General Obligation Sewerage System Bonds, Series 2008F on July 28, 2008 and settles on August 14, 2008. The new issue is not included in the figure above.

Statistical Summary

Set forth in the following table is a statistical summary of certain information relating to the City.

2007 Equalized Valuation	\$3,689,054,400
Direct Bonded Indebtedness Including the New Issue to be Refunded (Less 2008 Principal Amounts)	\$56,080,000
Direct, Overlapping and Underlying Bonded Indebtedness Including the New Issue (Less 2008 Principal Amounts)	\$147,485,885
Direct Bonded Indebtedness as a Percentage of Equalized Valuation	1.52%
Direct, Overlapping and Underlying Bonded Indebtedness as a Percentage of Equalized Valuation	4.00%
Population of City (2007 Estimate)	33,380
Direct Bonded Indebtedness Per Capita	\$1,680.05
(Note: excluding the TIF indebtedness of \$35.1 million, the per capita amount would be \$628.52)	
Direct, Overlapping and Underlying Bonded Indebtedness Per Capita	\$4,418.39

Debt Limit

As described under the caption "CONSTITUTIONAL STATUTORY CONSIDERATIONS LIMITATIONS CONCERNING THE CITY'S POWER TO INCUR INDEBTEDNESS--Debt Limit," the total indebtedness of the City may not exceed five percent of the equalized value of property in the City. Set forth in the table below is a comparison of the outstanding indebtedness of the City as a percentage of the applicable debt limit.

Equalized Valuation (2007) as certified by Wisconsin Department of Revenue	\$3,689,054,400
Legal Debt Percentage Allowed	<u>5.00%</u>
Legal Debt Limit	\$184,452,720
Direct Bonded Indebtedness Including the New Issue (Less 2008 Principal Amounts)	<u>\$56,080,000</u>
Unused Margin of Indebtedness	\$128,372,720
Percent of Legal Debt Incurred	30.40%
Percentage of Legal Debt Available	69.60%

FINANCIAL INFORMATION

The financial operations of the City are conducted through its general fund, debt service fund, library fund, sewer fund and capital equipment funds. Most taxes and non-tax revenues (such as license fees, fines and costs and user's fees) are paid into the general fund and current operating expenditures are made from the general fund pursuant to appropriations made by the Common Council. Taxes levied for debt service are paid directly into the debt service fund and debt service expenditures are made from that fund.

Budgeting Process

The City is required by State law to annually formulate a budget and to hold public hearings thereon prior to the determination of the amounts to be financed in whole or in part by general property taxes, funds on hand or estimated revenues from other sources. Such budget must list existing indebtedness of the City and all anticipated revenue from all sources during the ensuing year and must also list all proposed appropriations for each department, activity and reserve account of the City during the ensuing year. The budget must show actual revenues and expenditures for the preceding year, actual revenues and expenditures for not less than the first six months of the current year and estimated revenues and expenditures for the balance of the current year.

As part of the budgeting process, public hearings are held on the proposed budget, at which time any resident or taxpayer in the City may be heard. At an annual meeting in November of each year, the Common Council adopts the final budget for the succeeding year and levies taxes based on assessed valuations of property less any increment attributable to Tax Increment Districts. The amount of taxes so levied and the amounts of the various appropriations in the final budget (after any alterations made pursuant to public hearings) may not be changed unless authorized by a vote of two-thirds of the entire membership of the Common Council. Failure to publish notice of any such alteration within ten days thereafter shall preclude any change in the budget.

Financial Records

The City maintains its financial records on a calendar year basis. Appendix A hereto sets forth the General Fund financial statements of the City for the year ended December 31, 2007, which have been examined by Virchow, Krause & Company, LLP, Certified Public Accountants & Consultants, Milwaukee, Wisconsin. The City did not ask Virchow, Krause & Company, LLP to perform any additional review in connection with this Official Statement.

**GENERAL FUND SUMMARY
YEARS ENDED DECEMBER 31**

	2008 ADOPTED BUDGET	2007 ACTUAL	2006 ACTUAL	2005 ACTUAL	2004 ACTUAL
Revenues					
Taxes	\$14,998,000	\$14,044,931	\$13,284,558	\$12,668,469	\$11,711,134
Intergovernmental revenue	2,271,000	2,460,464	2,705,809	2,581,477	2,641,983
Licenses and permits	1,279,500	978,942	1,386,588	1,486,966	1,258,457
Fines, forfeitures and penalties	411,000	392,451	332,090	361,656	397,169
Public charges for services	1,865,200	1,559,178	1,474,178	1,398,810	1,607,075
Intergovernmental charges for services	284,000	426,387	574,835	591,834	575,009
Investment earnings	804,900	941,177	808,468	425,444	177,420
Miscellaneous revenue	113,400	129,119	130,678	149,013	136,127
Total revenues	<u>22,027,000</u>	<u>20,932,649</u>	<u>20,697,204</u>	<u>19,663,669</u>	<u>18,504,374</u>
Expenditures					
General government	3,062,709	2,609,731	2,481,293	2,314,862	2,262,025
Public safety	14,866,269	13,835,982	13,206,321	12,668,899	12,102,357
Public works	4,441,196	4,110,460	4,039,438	3,746,773	3,580,392
Health and human services	643,267	553,418	538,958	455,963	468,087
Culture, recreation and education	261,274	213,296	185,418	152,797	134,440
Conservation and development	572,285	497,501	470,340	491,582	374,864
Total Expenditures	<u>23,847,000</u>	<u>21,820,388</u>	<u>20,921,768</u>	<u>19,830,876</u>	<u>18,922,165</u>
Excess (deficiency) of revenues over expenditures	(1,820,000)	(887,739)	(224,564)	(167,207)	(417,791)
Other financing sources (uses)					
Operating transfers in	870,000	837,345	777,338	777,829	634,462
Operating transfers (out)	--	(1,035,958)	--	(424,400)	(40,073)
Net other financing sources (uses)	<u>870,000</u>	<u>(198,613)</u>	<u>777,338</u>	<u>353,429</u>	<u>594,389</u>
Revenues and other sources over (under) expenditures and other uses	(\$950,000)	(\$1,086,352)	\$552,774	\$186,222	176,598
Fund balances - beginning of year	<u>5,935,482</u>	<u>7,021,834</u>	<u>6,469,060</u>	<u>6,282,838</u>	<u>6,106,240</u>
Fund balances - end of year	<u>\$4,985,482</u>	<u>\$5,935,482</u>	<u>\$7,021,834</u>	<u>\$6,469,060</u>	<u>\$6,282,838</u>

The amounts shown for the years ended December 31, 2004 through 2007 are excerpts from the audit reports that have been examined by Virchow, Krause & Company, LLP, Certified Public Accountants & Consultants, Milwaukee, Wisconsin. The amounts shown for the years ended December 31, 2008 are shown on a budgetary basis. The comparative statement of revenues, expenditures and encumbrances should be read in conjunction with the other financial statements and Notes thereto appearing at Appendix A to this Official Statement. The Auditor was not asked to perform any additional review in connection with this Official Statement.

UNDERWRITING

The Notes have been purchased at a public sale by a group of Underwriters for whom Robert W. Baird & Co., Milwaukee, Wisconsin is acting as Managing Underwriter. The Underwriters intend to offer the Notes to the public initially at the prices which produce the yields set forth on the first page of this Official Statement plus accrued interest from August 26, 2008, if any, which prices may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Notes to the public. The Underwriters may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at prices lower than the public offering prices. In connection with this offering, the Underwriters may over allocate or effect transactions which stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The reoffering yields shown on the cover of this Official Statement have been provided by the Underwriter, and not by the Issuer.

TAX STATUS

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

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

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

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

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the Notes. It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the Notes) issued prior to enactment.

DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The Issuer will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the Issuer shall covenant pursuant to Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Notes to provide certain financial information and operating data relating to the Issuer to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the Issuer at the time the Notes are delivered. Such Certificate will be in substantially the form attached hereto as Appendix B. The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the Issuer to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

RATING

This issue has been assigned a "Aa2" rating by Moody's Investors Service, Inc. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the City, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any proceedings of the City taken with respect to the issuance or sale thereof.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Notes are subject to the unqualified approving legal opinion of Quarles & Brady LLP, Bond Counsel. Such opinion will be issued on the basis of the law existing at the time of the issuance of the Notes. A copy of such opinion will accompany the Notes and will be available at the time of the delivery of the Notes.

FINANCIAL ADVISOR

Robert W. Baird & Co., Milwaukee, Wisconsin has acted as Financial Advisor to the City in connection with the issuance of the Notes.

MISCELLANEOUS

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "Tax Status") and has not performed any investigation as to its accuracy, completeness or sufficiency. The execution and delivery of this Official Statement by its City Clerk has been duly authorized by the City.

In accordance with SEC Rule 15c2-12, the Preliminary Official Statement is deemed final except for the omission of certain information described in the rule.

AUTHORIZATION

This Official Statement has been approved for distribution to prospective purchasers and the Underwriter of the City of Franklin, Milwaukee County, Wisconsin, \$10,000,000 General Obligation Promissory Notes dated August 26, 2008.

The City, acting through its City Clerk, will provide to the Underwriters of the above Notes at the time of delivery of the Notes, a certificate confirming to the Underwriters that, to the best of its knowledge and belief, the Official Statement with respect to the Notes, together with any supplements thereto, at the time of acceptance of the adoption of the Resolution and at the time of delivery of the Notes, was true and correct in all material respect and did not at any time contain an untrue statement of a material fact or omit to state a material fact required to be stated, where necessary to make the statements in light of the circumstances under which they were made, not misleading.

CITY OF FRANKLIN

By /s/ Sandra L. Wesolowski
Director of Clerk Services/City Clerk

APPENDIX A

**BASIC FINANCIAL STATEMENTS
AND RELATED NOTES**

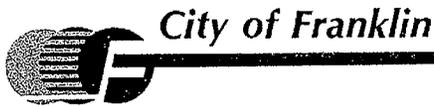
CITY OF FRANKLIN

MILWAUKEE COUNTY, WISCONSIN

For year ended December 31, 2007

**Virchow, Krause & Company, LLP
Certified Public Accountants & Consultants
Milwaukee, Wisconsin**

**The Auditor was not asked to perform any additional review
in connection with this Official Statement.**



Department of Finance

April 15, 2008

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

Introduction

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2007, is hereby submitted. State law requires that all general purpose local governments with a population over 25,000 publish within six months of the end of the fiscal year a complete set of financial statements presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by Virchow, Krause & Company, LLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Mayor, Common Council and Citizens
April 15, 2008

City Profile

The City of Franklin, incorporated in 1956, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 33,380. Over the last ten years the City has experienced an average annual population increase of 2.3% per year. The city is a residential community with a growing commercial and industrial base. It is generally considered to be one of the more desirable communities in the Milwaukee metropolitan area in which to live and work. The City provides a typical range of municipal services for a suburban community including police and fire protection; emergency medical/paramedic, health and sanitary services; building inspection and zoning control; street, sanitary, storm sewer and water construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring a city attorney. The City's mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. The council is elected, by district, on a non-partisan basis. The Mayor and Council members serve staggered three-year terms. The City is organized into departments, headed by fourteen officials appointed by the Mayor or Director of Administration and confirmed by the Common Council. Numerous boards, commissions and committees allow for citizen involvement in government by providing a forum for policy input to the Council and guidance to the departments.

The City provides a full range of services, including police, fire protection and emergency medical services; street construction, maintenance of highways, streets and other infrastructure; recreational and cultural activities and sanitation services. Library service is provided through a separate Library Board that functions like a department of the City and engages the Library Director. Water service is provided through a separate Water Utility that functions like a department of the City. These two areas therefore have been included as an integral part of the City's financial statements. The City also is financially accountable for a legally separate Community Development Authority (Authority). The Authority was established to finance and construct a City Business Park located within the City of Franklin Tax Incremental Financing District No. 2. The Authority's activities are reported within the City's financial statements. Additional information on the Authority can be found in Note 1 in the notes to the financial statements.

The budgetary process serves as the foundation of the City's financial planning and control system. The preparation of a forecast for the existing programs for the following year is prepared by the end of May. Departmental requests for personnel changes and new capital outlay expenditures are made by the end of June. The Mayor then reviews the forecast including recommended personnel and capital outlay expenditures and determines by mid July the personnel and capital outlay expenditures that will be included in the initial departmental requested budgets. The departments take this information and submit their requested budgets by mid August. The budgets are reviewed and the Mayor submits his recommended budget by mid September. The Council through its Finance Committee reviews the recommended budget and submits a proposed budget to the Council by mid October. The Council is required to hold a public hearing on the proposed budget, usually at the beginning of November, and then adopts a final budget in early November. The adopted budget is prepared by fund, function (e.g. Public Safety), and department (e.g.

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

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

Economic Condition and Outlook

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

Estimated actual property values have grown at an average annual rate of 10.0% since 1997. During the previous three years the growth in the City has been in excess of \$100 million per year. The new growth in 2007 was \$80.9 million and the growth in 2008 is expected to be in the \$60 million dollar range. Growth after 2008 is expected to return to higher levels based upon construction in process and commitments received. That type of growth has allowed the City to maintain a relatively low municipal tax rate while still funding the increased cost of services required as a result of the City's growth.

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

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

Residential Growth

Over the past ten years, residential valuation has grown at an average annual rate of 9.5%. In 2007, permits for 99 new equivalent residential units were issued. The decrease from the prior year reflects the area housing slowdown in residential construction. Lingering effects of the slowdown will keep growth from new construction in 2008, at about the same level as 2007. The City remains attractive to builders and potential residents.

Commercial and Industrial Growth

Over the past ten years, commercial and industrial valuation has increased at an average annual rate of 12.2%. In 2007, 49 building permits were issued for commercial and industrial projects. The value of those projects decreased by 65.7% from the 2006 level.

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

In 2005 the City established two new TIF Districts (#3 & #4) on the eastern side of the City. The two districts have experienced a good start with increments of \$24.9 and \$11.7 Million, respectively.

Anticipated residential growth will continue to place demands on the commercial sector for goods and services that, in turn, is expected to continue the trend of commercial growth. Expansion of the commercial and industrial tax base is a goal of the City with respect to the overall tax rate, as 76.1% of the City's property value is currently residential down from 76.7% the prior year. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

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

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

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

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

Internal Controls

The City's internal control structure is subject to ongoing evaluation by management. The City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with laws, regulations and good financial policies. The results of the City's audit for the fiscal year ended December 31, 2007 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws or regulations. As a recipient of federal and state financial assistance, if the level of grant

Mayor, Common Council and Citizens
April 15, 2008

expenditures exceeds an established level, currently \$500,000, a single audit of grants is required. The City was not required to have a single audit of grants for 2007.

Budgeting Controls

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

Cash Management

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

Risk Management

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

Pension and Other Post employment benefits

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

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

Mayor, Common Council and Citizens
April 15, 2008

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the fifteenth consecutive year that the City has received this award.

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

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements. We will be submitting the CAFR to the GFOA to determine its eligibility for a 2007 Certificate.

Acknowledgments

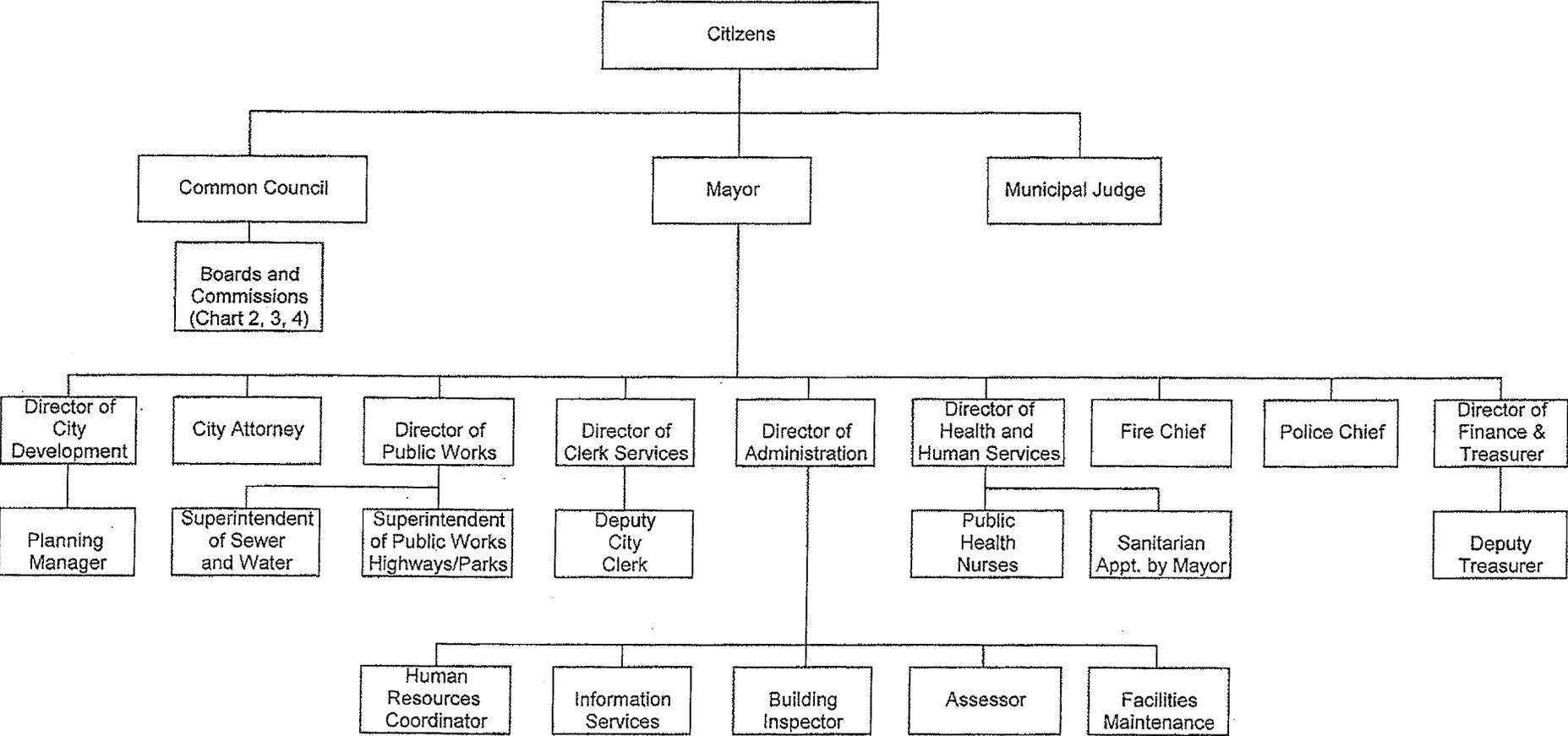
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance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

Respectfully submitted,



Calvin A. Patterson
Director of Finance & Treasurer

**City of Franklin
Organization Chart
Chart 1**



CITY OF FRANKLIN
LIST OF PRINCIPAL OFFICIALS

Elected Officials

<u>Title</u>	<u>Name</u>
Mayor	Tom Taylor
Aldermen:	
District No. 1	Steve Olson
District No. 2	Tim Solomon
District No. 3	Al Hammelman
District No. 4	Pete Kosovich
District No. 5	Lyle Sohns
District No. 6	Ken Skowronski
Municipal Judge	Fred Klimetz

Non-elected Officials

Assessor	Mark Link
Building Inspector	Fred Baumgart
City Attorney	Jesse Wesolowski
City Clerk	Sandi Wesolowski
City Engineer/Public Works Director	John Bennett
City Development Director	Doug Wheaton
Director of Administration	Mark Luberda
Director of Finance & Treasurer	Cal Patterson
Director of Health & Human Services	Bill Wucherer
Fire Chief	Jim Martins
Human Resources Coordinator	Dana Zahn
Library Director	Barbara Roark
Planning Manager	Joel Dietl
Police Chief	Rick Oliva

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Franklin
Wisconsin

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

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



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director



INDEPENDENT AUDITORS' REPORT

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

FINANCIAL SECTION

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Franklin's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information for the enterprise funds has been derived from the City of Franklin's 2006 financial statements and, in our report dated May 7, 2007, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

To the Mayor and Common Council
City of Franklin

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Virelow, Kraus + Company, LLP

Milwaukee, Wisconsin
April 15, 2008

Management's Discussion and Analysis

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

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

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General, Debt Service and TIF Districts Funds, that are considered to be major funds. Data from the remaining eleven governmental funds are combined into a single, aggregated presentation. Individual fund

data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The fiduciary funds maintained by the City are the Property Tax Agency Fund, that records the tax roll and tax collections for the City and other taxing jurisdictions, and other agency funds to record their activity.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 - 71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the notes to the financial statements. These schedules 1 to 9 can be found on pages 72 - 86 of this report.

Government-wide Financial Analysis

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

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 54,283,378	(Restated) \$ 54,074,489	\$ 3,570,688	\$ 3,371,841	\$ 57,854,066	\$ 57,446,330
Capital assets	<u>108,520,754</u>	<u>101,472,776</u>	<u>90,242,855</u>	<u>86,299,652</u>	<u>198,763,609</u>	<u>189,772,428</u>
Total assets	<u>162,804,132</u>	<u>155,547,265</u>	<u>93,813,543</u>	<u>91,671,493</u>	<u>256,617,675</u>	<u>247,218,758</u>
Long-term liabilities	47,294,304	42,786,531	70,071	66,363	47,364,375	42,852,894
Current liabilities	<u>35,580,150</u>	<u>32,992,292</u>	<u>933,091</u>	<u>834,634</u>	<u>36,513,241</u>	<u>33,826,926</u>
Total liabilities	<u>82,874,454</u>	<u>75,778,823</u>	<u>1,003,162</u>	<u>900,997</u>	<u>83,877,616</u>	<u>76,679,820</u>
Net assets:						
Invested in capital assets, net of related debt	75,855,638	61,597,340	90,242,854	88,299,652	166,098,392	149,896,992
Restricted	5,173,895	7,295,036	225,177	215,267	5,399,072	7,510,303
Unrestricted	<u>(1,099,755)</u>	<u>10,876,066</u>	<u>2,342,349</u>	<u>2,255,577</u>	<u>1,242,594</u>	<u>13,131,643</u>
Total net assets	<u>\$ 79,929,678</u>	<u>\$ 79,768,442</u>	<u>\$ 92,810,380</u>	<u>\$ 90,770,496</u>	<u>\$ 172,740,058</u>	<u>\$ 170,538,938</u>

The largest portion of the City's net assets (approximately 96 and 88 percent, in 2007 and 2006, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these net assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$166,098,392 and \$149,896,992 in 2007 and 2006, respectively of the year end net assets. The changes in capital assets were as follows:

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

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

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

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

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

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

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

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

Governmental activities.

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

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

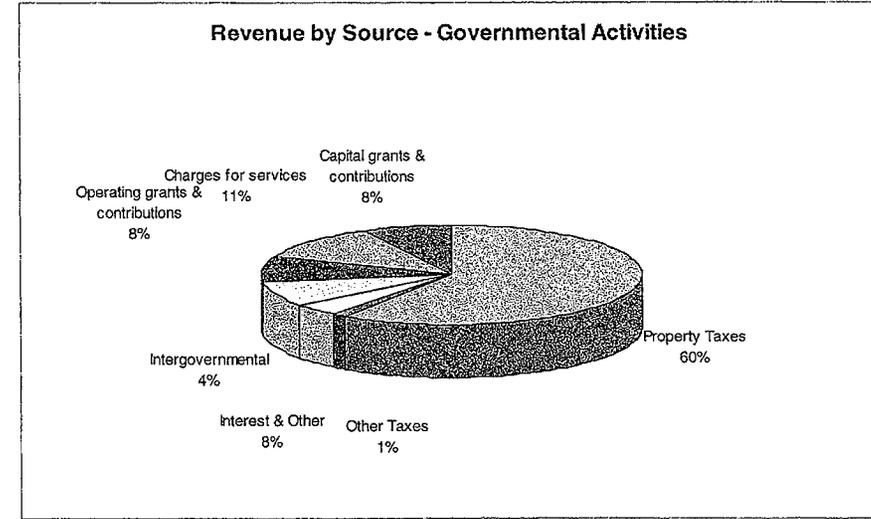
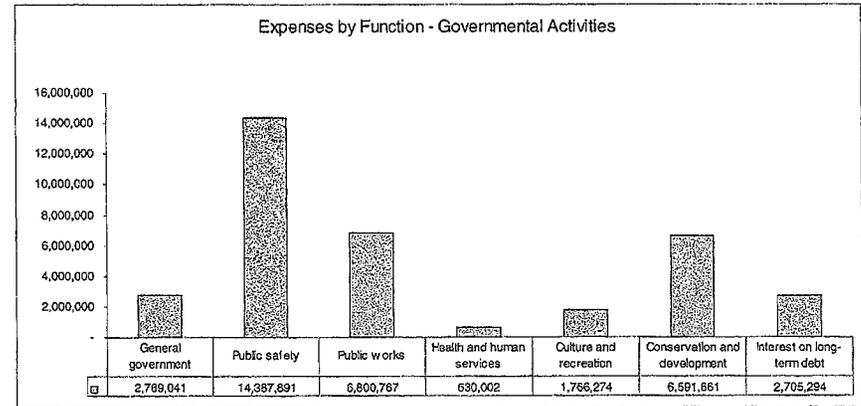
Governmental activities in 2006 increased the City's net assets by \$7,500,593 accounting for 71 percent of the total growth in the net assets of the City. Elements of this increase follow:

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

The details of changes in net assets follow:

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue	(Restated)					
Program revenue:						
Charges for services	\$ 4,128,196	\$ 4,864,627	\$ 5,956,073	\$ 5,452,364	\$ 10,084,269	\$ 10,316,991
Operating grants & contributions	2,957,937	2,015,885	-	-	2,957,937	2,015,885
Capital grants & contributions	2,753,612	4,890,241	1,629,536	1,477,041	4,383,148	6,367,282
General revenue:						
Property taxes	21,641,373	20,420,758	-	-	21,641,373	20,420,758
Other taxes	429,674	419,168	-	-	429,674	419,168
Intergovernmental	1,461,840	1,334,594	-	-	1,461,840	1,334,594
Other	2,999,792	2,609,206	154,633	159,293	3,154,425	2,768,499
Total revenue	36,372,424	36,554,479	7,740,242	7,088,696	44,112,666	43,643,177
Expenses:						
General government	2,769,041	2,730,575	-	-	2,769,041	2,730,575
Public safety	14,387,891	13,981,613	-	-	14,387,891	13,981,613
Public works	6,800,767	4,709,613	-	-	6,800,767	4,709,613
Health & Human services	630,002	592,278	-	-	630,002	592,278
Culture & Recreation	1,766,274	1,859,328	-	-	1,766,274	1,859,328
Conservation & development	6,591,661	634,983	-	-	6,591,661	634,983
Interest on long-term debt	2,705,294	2,574,761	-	-	2,705,294	2,574,761
Water	-	-	3,620,524	3,342,925	3,620,524	3,342,925
Sewer	-	-	2,640,092	2,603,652	2,640,092	2,603,652
Total expenses	35,650,930	27,083,151	6,260,616	5,946,577	41,911,546	33,029,728
Increase in net assets before transfers	721,494	9,471,328	1,479,626	1,142,121	2,201,120	10,613,449
Transfers	(560,258)	(1,970,735)	560,258	1,970,735	-	-
Increase in net assets	161,236	7,500,593	2,039,884	3,112,856	2,201,120	10,613,449
Net assets - beginning	79,768,442	72,267,849	90,770,496	87,657,640	170,538,938	159,925,489
Net assets - ending	\$ 79,929,678	\$ 79,768,442	\$ 92,810,380	\$ 90,770,496	\$ 172,740,058	\$ 170,538,938



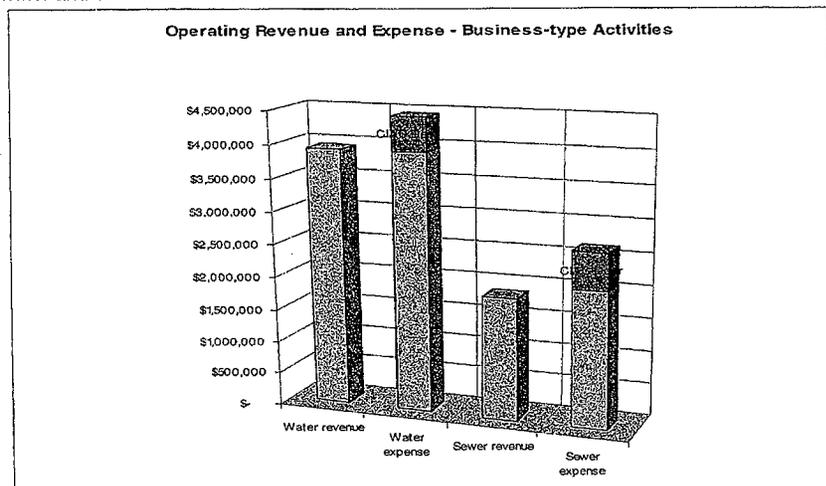
Business-type activities. In 2007, business-type activities increased the City's net assets by \$2,039,884 or 2.2 percent from the prior year. The key elements of this increase follow:

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

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

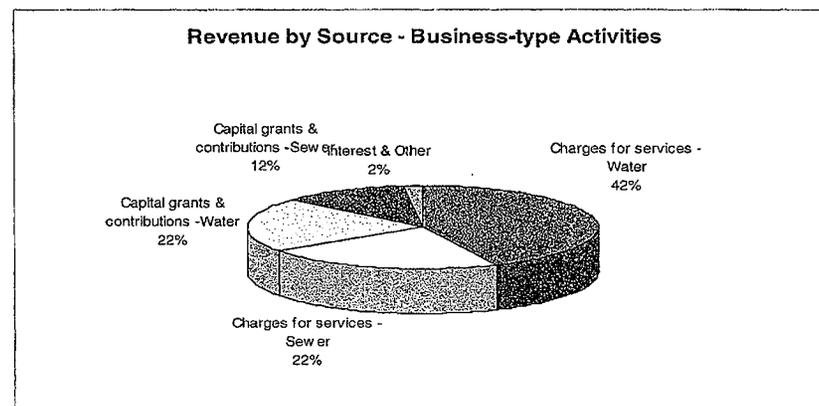
- The (loss) from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$(77,985). The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The sewer revenue is currently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

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



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

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



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's **governmental funds** is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,611,000, a decrease of \$2,124,465 in comparison with the prior year. At year end there was unreserved fund deficit in total or \$8,473,809. Of this total unreserved fund deficit, the following amounts were committed to specific types of activities; i.e., \$4,889,492 for general fund activities, \$1,206,529 for special revenue fund activities, \$685,308 for capital project activities and offset by a \$15,255,138 deficit in the TIF Districts activities. The TIF Districts deficit is due to the favorable type of interim financing selected and will be addressed by a permanent source of financing at an appropriate time.

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

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

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

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

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

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

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

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

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

General Fund Budgetary Highlights

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

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

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

Capital assets.

The City's investment in capital assets for its governmental and business type activities as of December 31, 2007, amounts to \$198,763,608 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

City's Investment in Capital Assets

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

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

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

Long-term debt

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

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

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

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

The Franklin Water Utility has no debt outstanding. The Board of Water Commissioners intention is to generally avoid debt by maintaining and building cash and investments and from time to time making improvements to its rate structure. The utility's plan is to make future infrastructure improvements including water main replacement and new water service from current reserves and from City collected impact fees.

City of Franklin's Outstanding Debt (All purposes)

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

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

Economic Factors, Tax Rates and Next Year's Budgets

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

Requests for Information

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

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

CITY OF FRANKLIN
Statement of Net Assets
December 31, 2007

BASIC FINANCIAL STATEMENTS

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

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Balance Sheet
Governmental Funds
December 31, 2007

Exhibit C

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

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

Net assets of governmental activities

\$ 79,929,678

See accompanying notes to the financial statements.

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

Exhibit D

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

See accompanying notes to the financial statements.

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

Net change in fund balances - total governmental funds	\$ (2,124,465)
Amounts reported for governmental activities in the statement of activities (page 25) are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$8,081,877) exceeded depreciation (\$2,504,160) in the current period.	5,577,717
Contributed capital assets are reported as revenues in the statement of activities.	1,470,261
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of differences in the treatment of long term debt.	(5,285,000)
Government funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	615,320
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the government funds	(311,631)
Revenue in the statement of activities not providing current financial resources are not reported as revenue in the funds	509,153
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	(819,080)
Internal service fund change in net assets	528,961
Net change in net assets of governmental activities	\$ 161,236

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

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

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

	<u>Business-type Activities - Enterprise Funds</u>				<u>Current Year Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water Utility Current Year</u>	<u>Water Utility Prior Year</u>	<u>Sanitary Sewer Current Year</u>	<u>Sanitary Sewer Prior Year</u>		
ASSETS						
Current assets						
Cash and investments	\$ 1,307,375	\$ 1,125,885	\$ 428,941	\$ 702,692	\$ 1,736,316	\$ 1,036,397
Receivables						
Accounts receivable	912,273	814,189	550,525	496,616	1,462,798	167,131
Taxes receivable	95,799	130,093	61,794	65,863	157,593	-
Due from other funds	-	-	45,572	-	45,572	-
Total current assets	<u>2,315,447</u>	<u>2,070,167</u>	<u>1,086,832</u>	<u>1,265,171</u>	<u>3,402,279</u>	<u>1,203,528</u>
Noncurrent assets						
Restricted cash and investments	-	-	225,177	215,267	225,177	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>225,177</u>	<u>215,267</u>	<u>225,177</u>	<u>-</u>
Capital assets						
Land	115,465	115,465	310,919	310,919	426,384	-
Buildings and improvements	730,075	730,075	1,653,266	1,643,266	2,383,341	-
Improvements other than buildings	50,643,157	49,118,159	52,535,731	50,908,998	103,178,888	-
Machinery and equipment	1,370,638	1,385,336	589,163	543,028	1,959,801	-
Construction in progress	633,848	-	28,852	566,427	662,700	-
Less accumulated depreciation	<u>(9,109,628)</u>	<u>(8,366,663)</u>	<u>(9,258,632)</u>	<u>(8,655,358)</u>	<u>(18,368,260)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>44,383,555</u>	<u>42,982,372</u>	<u>45,859,299</u>	<u>45,317,280</u>	<u>90,242,854</u>	<u>-</u>
Total noncurrent assets	<u>44,383,555</u>	<u>42,982,372</u>	<u>46,084,476</u>	<u>45,532,547</u>	<u>90,468,031</u>	<u>-</u>
Total assets	<u>\$ 46,699,002</u>	<u>\$ 45,052,539</u>	<u>\$ 47,171,308</u>	<u>\$ 46,797,718</u>	<u>\$ 93,870,310</u>	<u>\$ 1,203,528</u>

Continued

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

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
LIABILITIES						
Current liabilities						
Accounts payable	\$ 467,507	\$ 417,340	\$ 344,777	\$ 320,908	\$ 812,284	\$ 34,421
Accrued liabilities	23,431	7,391	53,059	45,164	76,490	396,000
Due to other governments	-	-	-	-	-	-
Due to other funds	56,768	40,021	-	138,743	56,768	-
Special deposits	1,700	1,600	-	-	1,700	30,313
Current portion of compensated absences	21,309	21,116	21,308	21,115	42,617	-
Total current liabilities	<u>570,715</u>	<u>487,468</u>	<u>419,144</u>	<u>525,930</u>	<u>989,859</u>	<u>460,734</u>
Noncurrent liabilities						
Accrued compensated absences	35,035	33,181	35,036	33,182	70,071	-
Total noncurrent liabilities	<u>35,035</u>	<u>33,181</u>	<u>35,036</u>	<u>33,182</u>	<u>70,071</u>	<u>-</u>
Total liabilities	<u>605,750</u>	<u>520,649</u>	<u>454,180</u>	<u>559,112</u>	<u>1,059,930</u>	<u>460,734</u>
NET ASSETS						
Invested in capital assets	44,383,555	42,982,372	45,859,299	45,317,280	90,242,854	-
Restricted for						
Sewer equipment replacement	-	-	225,177	215,267	225,177	-
Unrestricted	1,709,697	1,549,518	632,652	706,059	2,342,349	742,794
Total net assets	<u>\$ 46,093,252</u>	<u>\$ 44,531,890</u>	<u>\$ 46,717,128</u>	<u>\$ 46,238,606</u>	<u>\$ 92,810,380</u>	<u>\$ 742,794</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Revenue, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2007
(with comparative information for the year ended December 31, 2006)

	Business-type Activities - Enterprise Funds				Current Year Totals	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						
Residential	\$ 1,916,420	\$ 1,730,648	\$ 1,211,132	\$ 1,157,162	\$ 3,127,552	\$ -
Commercial	862,377	780,448	474,484	407,433	1,336,861	-
Industrial	225,281	203,131	196,430	172,813	421,711	-
Public authority	235,767	226,547	128,704	113,873	364,471	-
Total metered sales	<u>3,239,845</u>	<u>2,940,774</u>	<u>2,010,750</u>	<u>1,851,281</u>	<u>5,250,595</u>	<u>-</u>
Group health & dental charges	-	-	-	-	-	3,707,830
Unmetered sales	18,418	-	-	-	18,418	-
Public fire protection service	541,518	530,743	-	-	541,518	-
Private fire protection service	94,529	84,927	-	-	94,529	-
Forfeited discounts, penalties and other	32,316	29,217	18,697	15,422	51,013	-
Total operating revenue	<u>3,926,626</u>	<u>3,585,661</u>	<u>2,029,447</u>	<u>1,866,703</u>	<u>5,956,073</u>	<u>3,707,830</u>
OPERATING EXPENSES						
Cost of sales and services	2,353,129	2,114,595	1,760,179	1,763,350	4,113,308	3,223,661
Depreciation	789,562	796,563	620,906	608,867	1,410,468	-
Administration	450,683	431,767	259,007	231,435	709,690	-
Total operating expenses	<u>3,593,374</u>	<u>3,342,925</u>	<u>2,640,092</u>	<u>2,603,652</u>	<u>6,233,466</u>	<u>3,223,661</u>
Operating income (loss)	<u>333,252</u>	<u>242,736</u>	<u>(610,645)</u>	<u>(736,949)</u>	<u>(277,393)</u>	<u>484,169</u>
NON-OPERATING REVENUE (EXPENSES)						
Investment earnings	86,352	76,707	26,845	35,746	113,197	44,792
Sundry	37,271	43,350	4,165	3,490	41,436	-
Loss on property abandoned	(27,150)	-	-	-	(27,150)	-
Total non-operating revenue (expenses)	<u>96,473</u>	<u>120,057</u>	<u>31,010</u>	<u>39,236</u>	<u>127,483</u>	<u>44,792</u>
Income (loss) before capital contributions and transfers	<u>429,725</u>	<u>362,793</u>	<u>(579,635)</u>	<u>(697,713)</u>	<u>(149,910)</u>	<u>528,961</u>
Capital contributions	1,966,833	2,313,373	1,060,306	1,911,741	3,027,139	-
Transfers in	-	-	-	-	-	-
Transfers out	(835,196)	(775,518)	(2,149)	(1,820)	(837,345)	-
Change in net assets	<u>1,561,362</u>	<u>1,900,648</u>	<u>478,522</u>	<u>1,212,208</u>	<u>2,039,884</u>	<u>528,961</u>
Net assets - beginning	<u>44,531,890</u>	<u>42,631,242</u>	<u>46,238,606</u>	<u>45,026,398</u>	<u>90,770,496</u>	<u>213,833</u>
Net assets - ending	<u>\$ 46,093,252</u>	<u>\$ 44,531,890</u>	<u>\$ 46,717,128</u>	<u>\$ 46,238,606</u>	<u>\$ 92,810,380</u>	<u>\$ 742,794</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2007
(with comparative information for the year ended December 31, 2006)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,680,829	\$ 3,389,001	\$ 1,981,829	\$ 1,814,980	\$ 5,662,658	\$ 3,825,110
Receipts for interfund services provided	227,686	226,897	1,943	1,750	229,629	-
Payments to suppliers	(2,346,430)	(2,335,502)	(1,613,428)	(1,318,372)	(3,959,858)	(3,207,147)
Payments to employees	(473,825)	(448,289)	(474,669)	(537,959)	(948,494)	-
Payments for interfund services used	90,000	85,600	(90,000)	(85,600)	-	-
Net cash flows provided by (used in) operating activities	<u>1,178,260</u>	<u>917,707</u>	<u>(194,325)</u>	<u>(125,201)</u>	<u>983,935</u>	<u>617,963</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer out - paid for tax equivalent	<u>(835,196)</u>	<u>(775,518)</u>	<u>(2,149)</u>	<u>(1,820)</u>	<u>(837,345)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	<u>(247,926)</u>	<u>(329,245)</u>	<u>(94,212)</u>	<u>(51,786)</u>	<u>(342,138)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings	<u>86,352</u>	<u>76,707</u>	<u>26,845</u>	<u>35,746</u>	<u>113,197</u>	<u>44,792</u>
Net increase (decrease) in cash and cash equivalents	181,490	(110,349)	(263,841)	(143,061)	(82,351)	662,755
Cash and cash equivalents - Beginning	<u>1,125,885</u>	<u>1,236,234</u>	<u>917,959</u>	<u>1,061,020</u>	<u>2,043,844</u>	<u>373,642</u>
Cash and cash equivalents - Ending	<u>\$ 1,307,375</u>	<u>\$ 1,125,885</u>	<u>\$ 654,118</u>	<u>\$ 917,959</u>	<u>\$ 1,961,493</u>	<u>\$ 1,036,397</u>
Cash and Investments - Unrestricted	\$ 1,307,375	\$ 1,125,885	\$ 428,941	\$ 702,692	\$ 1,736,316	\$ 1,036,397
Cash and Investments - Restricted	-	-	225,177	215,267	225,177	-
	<u>\$ 1,307,375</u>	<u>\$ 1,125,885</u>	<u>\$ 654,118</u>	<u>\$ 917,959</u>	<u>\$ 1,961,493</u>	<u>\$ 1,036,397</u>

Continued

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2007
(with comparative information for the year ended December 31, 2006)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 333,252	\$ 242,736	\$ (610,645)	\$ (736,949)	\$ (277,393)	\$ 484,169
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities						
Depreciation	789,562	796,563	620,906	608,867	1,410,468	-
Depreciation allocated to other funds	8,407	8,962	(8,407)	(8,962)	-	-
Other nonoperating income	37,271	43,350	4,165	3,490	41,436	-
Loss on property abandoned	(27,150)	-	-	-	(27,150)	-
Net book value of property abandoned	15,607	-	-	-	15,607	-
(Increase) decrease in assets						
Accounts receivable	(98,083)	(10,025)	(53,909)	(46,682)	(151,992)	117,280
Taxes receivable	34,294	(12,050)	4,069	(6,781)	38,363	-
Due from other funds	(43,789)	145,355	-	-	(43,789)	-
Increase (decrease) in liabilities						
Accounts payable	50,165	4,277	23,869	39,634	74,034	16,514
Accrued liabilities	16,040	6,966	7,895	23,923	23,935	-
Due to other governments	-	(102,368)	-	-	-	-
Due to other funds	60,537	(212,808)	(184,315)	(7,890)	(123,778)	-
Customer deposits	100	600	-	-	100	-
Compensated absences	2,047	6,149	2,047	6,149	4,094	-
Total Adjustments	845,008	674,971	416,320	611,748	1,261,328	133,794
Net cash flows provided by (used in) operating activities	\$ 1,178,260	\$ 917,707	\$ (194,325)	\$ (125,201)	\$ 983,935	\$ 617,963
Noncash Capital Activities						
Cost of Utility plant installed and/or financed by external parties	\$ 1,966,833	\$ 2,313,373	\$ 1,060,306	\$ 1,955,221	\$ 3,027,139	\$ -

See accompanying notes to the financial statements.

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

Exhibit J

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

See accompanying notes to the financial statements.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for a certain Tax Incremental Financing (TIF) development within the City. The Authority is governed by a seven member board appointed by the Mayor and confirmed by the Common Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and manage certain TIF development projects for the benefit of the City and its citizens. The Authority's operations are included in the governmental activities of the government-wide financial statements and in a TIF District capital projects fund. The Authority follows the accounting policies of the City. Separate financial statements are not published for the Authority.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Funds are organized as major funds or non-major funds within the governmental and proprietary fund statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Major Governmental Funds

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

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

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

Major Enterprise Funds

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

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In addition the City reports:

Non-Major Governmental Funds

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally or policy restricted to expenditures for specified purposes. The funds include OPEB, Library Operating, Library Auxiliary, Master Plan, Donations, Civic Celebrations and Grants.

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

Other Fund Types

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

Agency funds – account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and /or governmental units. The agency funds include a property tax fund and an other agency fund that records the agency activity for emergency government, monitoring and siting activities funded by others.

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

Government-Wide Financial Statements

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (continued)

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

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

Fund Financial Statements

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

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

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

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenue of the water and sanitary sewer funds are charges to customers for sales and services provided. The rates billed in the water utility are approved by the Public Service Commission. Sanitary sewer charges are billed at rates established by City policy based on the charges received from the Milwaukee Metropolitan Sewage District.

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

All Financial Statements

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Investments

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

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

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

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

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

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

- b. Credit risk – securities purchased need to have a AA or better investment rating.
- c. Concentration of credit risk - issuer or asset class not to exceed 10% of the market value of the portfolio with the exception of U.S. securities.
- d. Interest rate risk – managed by limiting the length of maturity and the average life of the portfolio.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of City accounting funds is allocated based on average investment balances.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31 2007, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

2. Receivables

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

Property tax calendar – 2007 tax roll:

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

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

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Long term interfund loans (non-current portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and the proprietary activities are reported in the government-wide financial statements as "internal balances".

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

3. Inventories and Prepaid Items

Governmental fund inventory items, except fuel inventory, are charged to expenditures when purchased. The fuel inventory is recorded at cost on a first in first out basis using the consumption method of accounting. Year end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for sale. Material and supplies on hand at year end are considered immaterial.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital Assets

Government-Wide Statements

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

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

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

Buildings and improvements	20-50 Years
Machinery and Equipment	5-30 Years
Water and sewer systems	20-100 Years
Infrastructure	30-90 Years

Fund Financial Statements

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Other Assets

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

7. Compensated Absences

Under terms of employment, employees may earn compensatory time and are granted sick leave, severance pay and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

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

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

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

8. Long-term Obligations/Conduit Debt

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premium) is reported as other

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

financing sources and payments of principal and interest are reported as expenditures. The proprietary fund accounting is the same as it is in the government-wide statements.

For the government-wide and proprietary fund statements, issuance costs, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

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

9. Claims and Judgments

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

10. Equity Classifications

Government-Wide Statements

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Equity Classifications (continued)

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Statements

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

11. Comparative data

The basic financial statements include comparative data for the prior year for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. This comparative data is not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2006, from which the data was derived.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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

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

Special Assessments \$2,885,301

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

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

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net assets.

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

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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

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

Special assessment levies \$509,153

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

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

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

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

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

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

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

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

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

B. DEFICIT BALANCES

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

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

C. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 20 (2007), new legislation was passed that limits the city's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction, or 3.86% for the 2007 levy collected in 2008 and 2.0% for the 2008 levy collected in 2009. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2008 levy.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for non interest bearing accounts. The City's

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

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

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

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

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

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

Reconciliation to the financial statements is shown below:

Per Statement of Net Assets	
Primary Government:	
Unrestricted cash and investments	\$ 16,473,042
Restricted cash and investments	225,177
Per Statement of Fiduciary Net Assets	<u>41,959,247</u>
	<u>\$ 58,657,466</u>

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

Custodial Credit Risk For deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2007 \$2,246,901 of the City's total bank balances of \$33,642,057 was uninsured and uncollateralized and therefore exposed to custodial credit risk. For Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City does not have any investments that were exposed to custodial credit risks at December 31, 2007.

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

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to a large investment position in a single issuer. As of the December 31, 2007 no issue other than the Local Government Investment Pool, treasury or agency securities had a position of greater than five percent of the portfolio.

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

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Receivables consist of accounts, taxes, notes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and a general valuation allowance, was \$101,021 at December 31, 2007. Other than the note receivable and special assessment receivables, all other receivables are expected to be collected within one year.

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

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

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

C. RESTRICTED ASSETS

Sewer Equipment Replacement Account

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge are accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2007 is \$225,177.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

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

	Beginning Balance	(Note 5F) Adjustment	Restated Beginning Balance	Additions	Dispositions	Ending Balance
Governmental Activities						
Capital assets not depreciated:						
Land	\$ 7,870,390	\$ 14,747,528	\$ 22,617,918	\$ 1,668,837	\$ -	\$ 24,286,755
Construction in progress	<u>1,863,283</u>	<u>-</u>	<u>1,863,283</u>	<u>3,779,168</u>	<u>(5,498,297)</u>	<u>144,154</u>
Total capital assets not depreciated	<u>9,733,673</u>	<u>14,747,528</u>	<u>24,481,201</u>	<u>5,448,005</u>	<u>(5,498,297)</u>	<u>24,430,909</u>
Capital assets depreciated:						
Buildings & Improvements	22,037,727	-	22,037,727	160,719	-	22,198,446
Machinery & equipment	12,111,100	1,220,164	13,331,264	1,339,222	(984,680)	13,685,806
Infrastructure	<u>14,368,653</u>	<u>55,277,416</u>	<u>69,646,069</u>	<u>8,102,489</u>	<u>-</u>	<u>77,748,558</u>
Total capital assets depreciated	<u>48,517,480</u>	<u>56,497,580</u>	<u>105,015,060</u>	<u>9,602,430</u>	<u>(984,680)</u>	<u>113,632,810</u>
Less: Accumulated depreciation for:						
Buildings & Improvements	4,815,002	-	4,815,002	508,543	-	5,323,545
Machinery & equipment	7,420,067	660,289	8,080,356	773,511	(984,680)	7,869,197
Infrastructure	<u>467,174</u>	<u>14,660,943</u>	<u>15,128,117</u>	<u>1,222,106</u>	<u>-</u>	<u>16,350,223</u>
Total accumulated depreciation	<u>12,702,243</u>	<u>15,321,242</u>	<u>28,023,485</u>	<u>2,504,160</u>	<u>(984,680)</u>	<u>29,542,985</u>
Net capital assets depreciated	<u>35,815,237</u>	<u>41,176,338</u>	<u>76,991,575</u>	<u>7,098,270</u>	<u>-</u>	<u>84,089,845</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 45,548,910</u>	<u>\$ 55,923,866</u>	<u>\$ 101,472,776</u>	<u>\$ 12,546,275</u>	<u>\$ (5,498,297)</u>	<u>\$ 108,520,754</u>

Depreciation expense was charged to functions as follows:

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

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

Depreciation expense was charged to functions as follows.

Business-Type Activities:	
Water	\$ 789,562
Sewer	620,906
	<u>\$ 1,410,468</u>

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

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

The principal purpose of these interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. In all cases amounts are repaid within one year.

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

Long Term Advances

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

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

CITY OF FRANKLIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Interfund Transfers

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

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

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

CITY OF FRANKLIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS

General Obligation Debt

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

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

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

Business-type Activities

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

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

CITY OF FRANKLIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

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

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

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

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

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

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

CITY OF FRANKLIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

Advanced Refunding

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

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

Lease Revenue Debt

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

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

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

Conduit Debt Obligations

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

G. NET ASSETS/FUND BALANCES

Governmental Activities

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. NET ASSETS/FUND BALANCES (continued)

Governmental Fund Balances

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

Reserved - Major funds:	
General Fund - Inventories, prepaid items and encumbrances	\$ 45,990
General Fund - Advances to other funds	1,000,000
Debt Service Fund - subsequent year debt service	2,240,785
Debt Service Fund - advances to other funds	10,000,000
TIF Districts Fund - contractual obligations and debt service	10,604,000
Reserved - Non Major funds:	
Special Revenue Funds:	
Library services	357,875
Emergency medical services, donations and grants	263,198
Capital Projects Funds:	
Equipment Replacement - Advances to other funds	1,200,000
Capital Outlay & Equipment replacement - encumbrances	95,000
Capital Improvement - contractual obligations & encumbrances	997,000
Development - Advances to other funds	2,900,000
Utility improvement	<u>380,961</u>
Total reserved	<u>\$ 30,084,809</u>
Unreserved Major Fund - General Fund	
Designated for working capital	\$ 3,580,000
Designated for subsequent year expenditures	950,000
Undesignated	<u>359,492</u>
Total General Fund	<u>4,889,492</u>
Unreserved Major Fund - TIF Districts Fund	
Undesignated (Deficit)	<u>(15,255,138)</u>
Unreserved Non Major funds:	
Special Revenue funds	
Designated for OPEB activities	948,646
Designated for master plan activities	191,255
Designated for civic celebration activities	66,628
Total Special Revenue funds	<u>1,206,529</u>
Capital project funds:	
Designated for Capital Outlay	302,740
Designated for Equipment Replacement	652,718
Undesignated deficit for Capital Improvement	(721,198)
Designated for Street Improvement	707,096
Undesignated deficit for Development	<u>(256,048)</u>
Total Capital Project Funds	<u>685,308</u>
Total Unreserved Funds	<u>\$ (8,473,809)</u>

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 5 – OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System

All eligible protective City of Franklin employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All such permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the general category are required by statute to contribute 6.0% of their salary (5.1% for protective occupations with social security, and 3.4% for protective occupations without social security) to the plan.

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

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

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

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan

Plan Description

The City is also a participant in the City of Franklin Public Works Employees' Pension Plan, a non-contributory single employer defined benefit pension plan covering eligible public works employees. The assets of this Plan are administered by Principal Life Insurance Company. An annual financial report may be obtained by writing to the plan administrator at Principal Financial Group, P.O. Box 9693, Des Moines, IA 50306-9396.

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

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

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

Employees do not make pension contributions. The City contributes all amounts necessary to fund the pension plan, using the aggregate actuarial cost method.

Funding Policy

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

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

CITY OF FRANKLIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan (continued)

Annual Pension Cost

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

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

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets ranging from 5.0% to 7.0% compounded annually, (b) projected salary increases of 2.00% per year compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 1.88% to 5.10% per year, depending on age, attributable to seniority/merit. The assumptions did not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

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

CITY OF FRANKLIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan (continued)

Annual Pension Cost

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

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

B. DEFINED CONTRIBUTION PLAN

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

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees may but are not required to make contributions. A participant's accrued benefit for City contributions is 100% vested and non forfeitable upon death, normal retirement, early retirement or permanent and total disability as defined in the Plan. If employment is terminated for any other reason, each participant's accrued benefit vests at various percentages, based on years of service. During 2007, the City made the required contribution amounting to \$389,408, or 10% of covered payroll and employees made \$6,847 in additional voluntary contributions to the plan. The City may make amendments to the Plan.

C. POST RETIREMENT HEALTH CARE BENEFITS

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

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 5 – OTHER INFORMATION (continued)

C. POST RETIREMENT HEALTH CARE BENEFITS (continued)

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

D. CONTINGENCIES AND COMMITMENTS

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

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

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

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

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

E. RISK MANAGEMENT

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

NOTE 5 – OTHER INFORMATION (continued)

E. RISK MANAGEMENT (continued)

The City also offers a group medical and dental insurance plan to employees for which the City is self-insured. This activity is accounted for in the City's Self Insurance Internal Service Fund. Group medical and dental costs are charged to City departments and retirees participating in the program. A third party administrator handles claims payments. The City carries stop loss insurance for losses in excess of \$50,000 per year per individual. Liabilities are reported when it is probable that loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported ("IBNR"). Changes in the balance of claims payable for the three years ended December 31, 2007 are as follows:

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

F. RESTATEMENT OF NET ASSETS

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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Capital Projects Funds

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

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

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

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

Street Improvement Fund - This fund accounts for the activities of the local road improvement program. Funding is provided by the tax levy and a every other year local road improvement grant from the State.

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

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

CITY OF FRANKLIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007

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

(Continued)

CITY OF FRANKLIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007

	Capital Projects Funds						Total	Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund		
ASSETS								
Cash and investments	\$ 349,745	\$ 741,974	\$ 693,762	\$ 707,192	\$ 514,392	\$ 453,912	\$ 3,460,977	\$ 5,251,227
Receivables							14,929	91,989
Accounts receivable	14,929	-	-	-	-	-	1,900,494	3,175,494
Taxes receivable	475,000	327,000	-	950,000	148,494	-	1,356,480	1,356,480
Special assessments receivable	-	-	-	-	1,356,480	-	29,881	36,675
Due from other governments	29,881	-	-	-	-	-	-	6,590
Prepaid items	-	-	-	-	-	-	-	4,100,000
Long-term advances	-	1,200,000	-	-	-	2,900,000	4,100,000	4,100,000
TOTAL ASSETS	<u>\$ 869,555</u>	<u>\$ 2,268,974</u>	<u>\$ 693,762</u>	<u>\$ 1,657,192</u>	<u>\$ 2,019,366</u>	<u>\$ 3,353,912</u>	<u>\$ 10,862,761</u>	<u>\$ 14,018,455</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 85,815	\$ 256	\$ 417,960	\$ 96	\$ 133,431	\$ 709,960	\$ 1,347,518	\$ 1,379,541
Accrued liabilities	-	-	-	-	-	-	-	21,069
Deferred revenue	475,000	327,000	-	950,000	1,504,974	-	3,256,974	4,531,974
Total Liabilities	<u>560,815</u>	<u>327,256</u>	<u>417,960</u>	<u>950,096</u>	<u>1,638,405</u>	<u>709,960</u>	<u>4,604,492</u>	<u>5,932,584</u>
FUND BALANCES								
Reserved for:								
Advances to other funds	-	1,200,000	-	-	-	2,900,000	4,100,000	4,100,000
Encumbrances	6,000	89,000	336,000	-	-	-	431,000	431,000
Contractual obligations	-	-	661,000	-	-	-	661,000	661,000
Library services	-	-	-	-	-	-	-	357,875
Emergency medical services	-	-	-	-	-	-	-	12,354
Utility improvements	-	-	-	-	380,961	-	380,961	380,961
Donations & grants	-	-	-	-	-	-	-	250,844
Unreserved reported in								
Special Revenue Funds	-	-	-	-	-	-	-	1,206,529
Capital Projects Funds	302,740	652,718	(721,198)	707,096	-	(256,048)	685,308	685,308
Total Fund Balances	<u>308,740</u>	<u>1,941,718</u>	<u>275,802</u>	<u>707,096</u>	<u>380,961</u>	<u>2,643,952</u>	<u>6,258,269</u>	<u>8,085,871</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 869,555</u>	<u>\$ 2,268,974</u>	<u>\$ 693,762</u>	<u>\$ 1,657,192</u>	<u>\$ 2,019,366</u>	<u>\$ 3,353,912</u>	<u>\$ 10,862,761</u>	<u>\$ 14,018,455</u>

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

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

(Continued)

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

	Capital Projects Funds						Total	Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund		
REVENUE								
Taxes	\$ 445,000	\$ 315,000	\$ -	\$ 910,000	\$ -	\$ -	\$ 1,670,000	\$ 2,789,000
Intergovernmental revenue	187,107	-	-	79,077	-	-	266,184	398,348
Public charges for services	-	-	27,705	-	-	-	27,705	41,351
Special assessments	-	-	-	-	540,738	710,358	1,251,096	1,251,096
Investment earnings	21,416	122,625	83,560	60,779	97,101	231,512	616,993	675,679
Miscellaneous revenue	87,750	14,951	-	-	-	-	102,701	385,270
Total Revenue	<u>741,273</u>	<u>452,576</u>	<u>111,265</u>	<u>1,049,856</u>	<u>637,839</u>	<u>941,870</u>	<u>3,934,679</u>	<u>5,540,744</u>
EXPENDITURES								
Current:								
Public safety	-	-	-	-	-	-	-	20,050
Health and human services	-	-	-	-	-	-	-	78,469
Culture and recreation	-	-	-	-	-	1,800	1,800	1,223,691
Conservation and development	-	-	-	-	-	-	-	9,451
Capital outlay	713,053	693,454	4,004,392	721,097	6,724	120,990	6,259,710	6,412,150
Total Expenditures	<u>713,053</u>	<u>693,454</u>	<u>4,004,392</u>	<u>721,097</u>	<u>6,724</u>	<u>122,790</u>	<u>6,261,510</u>	<u>7,743,811</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	28,220	(240,878)	(3,893,127)	328,759	631,115	819,080	(2,326,831)	(2,203,067)
OTHER FINANCING SOURCES (USES)								
Transfers in	134,195	-	2,254,359	-	133,855	-	2,522,409	3,478,367
Transfers out	-	-	(1,500,000)	-	(862,810)	(1,660,019)	(4,022,829)	(4,077,024)
Net change in fund balances	162,415	(240,878)	(3,138,768)	328,759	(97,840)	(840,939)	(3,827,251)	(2,801,724)
Fund balances - beginning	146,325	2,182,596	3,414,570	378,337	478,801	3,484,891	10,085,520	10,887,595
Fund balances - ending	<u>\$ 308,740</u>	<u>\$ 1,941,718</u>	<u>\$ 275,802</u>	<u>\$ 707,096</u>	<u>\$ 380,961</u>	<u>\$ 2,643,952</u>	<u>\$ 6,258,269</u>	<u>\$ 8,085,871</u>

CITY OF FRANKLIN
General Fund

Schedule 3

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

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

(Continued)

CITY OF FRANKLIN
General Fund

Schedule 3
(concluded)

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

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

**CITY OF FRANKLIN
General Fund**

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

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
CURRENT				
General Government				
Common council	\$ 130,421	\$ 130,421	\$ 117,400	\$ 13,021
Municipal court	179,038	179,038	164,520	14,518
City clerk	274,401	274,401	261,838	12,563
Elections	17,319	17,319	13,784	3,535
Information services	414,350	414,350	346,206	68,144
Administration	428,586	428,586	430,116	(1,530)
Finance	497,187	497,187	481,781	15,416
Audit	28,050	28,050	27,265	785
Assessor	246,980	246,980	241,340	5,640
Legal counsel	210,460	229,650	229,608	42
Municipal buildings	249,575	249,575	223,610	25,965
Property and liability insurance	67,800	67,800	66,960	840
Other	1,000	2,800	10,503	(7,703)
Contingency	336,000	255,000	-	255,000
Total General Government	<u>3,081,167</u>	<u>3,021,167</u>	<u>2,614,931</u>	<u>406,236</u>
Public Safety				
Police:				
Police	7,152,903	7,152,903	6,911,548	241,355
Dispatchers	962,158	962,158	886,937	75,221
Fire				
Fire	4,964,362	4,964,362	4,967,012	(2,650)
Safety Training	4,000	4,000	2,520	1,480
Fire protection service charge	217,900	217,900	217,856	44
Building inspection	941,779	941,779	847,409	94,370
Sealer of weights and measures	6,800	6,800	6,800	-
Total Public Safety	<u>14,249,902</u>	<u>14,249,902</u>	<u>13,840,082</u>	<u>409,820</u>
Public Works				
Engineering	557,226	557,226	540,561	16,665
Highway	2,104,050	2,098,050	2,037,530	58,520
Refuse collection	1,269,396	1,269,396	1,260,090	9,306
Street lighting	262,600	262,600	253,066	9,534
Weed control	25,100	25,100	9,213	15,887
Total Public Works	<u>4,218,372</u>	<u>4,210,372</u>	<u>4,100,460</u>	<u>109,912</u>
Health and Human Services				
Public health	544,065	544,065	512,331	31,734
Animal control	39,050	39,050	41,087	(2,037)
Total Health and Human Services	<u>583,115</u>	<u>583,115</u>	<u>553,418</u>	<u>29,697</u>
Culture and Recreation				
St. Martin's fair	48,951	48,951	42,745	6,206
Civic celebrations	25,900	25,900	20,958	4,942
Senior travel program	10,000	10,000	9,540	460
Parks	116,669	116,669	161,011	(44,342)
Total Culture and Recreation	<u>201,520</u>	<u>201,520</u>	<u>234,254</u>	<u>(32,734)</u>
Conservation and Development				
City development	534,924	549,924	509,201	40,723
TOTAL EXPENDITURES	\$ 22,869,000	\$ 22,816,000	\$ 21,852,346	\$ 963,654

**CITY OF FRANKLIN
Debt Service Fund**

**Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2007**

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

APPENDIX B

FORM OF

CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Franklin, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$10,000,000 General Obligation Promissory Notes, dated August 26, 2008 (the "Securities"). The Securities are being issued pursuant to an Authorizing Resolution adopted by the Governing Body of the Issuer on August 5, 2008 (the "Resolution") and delivered to Robert W. Baird & Co. Incorporated (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule. Any filing under this Disclosure Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, as reaffirmed in its letter to the MAC dated October 3, 2007.

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

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

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

"Final Official Statement" means the final Official Statement dated August 5, 2008 delivered in connection with the Securities, which is available from the MSRB.

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

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

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

"Issuer Contact" means the Director of Clerk Services/City Clerk of the Issuer who can be contacted at 9229 West Loomis Road, Franklin, WI 53132, phone (414) 425-7500, fax (414) 427-7527.

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

"MSRB" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"NRMSIR" means any nationally recognized municipal securities information repository as recognized from time to time by the SEC for purposes of the Rule.

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

"Repository" means each NRMSIR and each SID, if any.

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

"SEC" means the Securities and Exchange Commission.

"SID" means any public or private repository or entity designated by the State of Wisconsin as a state information depository for the purpose of the Rule. As of the date of this Certificate, there is no SID.

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

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ends December 31, 2008, provide each Repository with an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to each Repository when and if available.

(b) If the Issuer is unable or fails to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the NRMSIRs, the MSRB and any SID.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each NRMSIR and each SID, if any.

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

1. Tax Levies, Rates and Collections
2. Equalized Valuations
3. Indebtedness of the City — Direct Indebtedness

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Securities;
7. Modification to rights of holders of the Securities;
8. Securities calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities; and
11. Rating changes.

(b) Whenever a Material Event occurs, the Issuer shall as soon as possible determine under applicable legal standards if such event would constitute material information for holders of Securities, provided, that any event under subsection (a) (8), (9) or (11) will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Material Event would be material, the Issuer shall promptly file a notice of such occurrence with either all NRMSIRs or with the MSRB and with any SID. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(d) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

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

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to each then existing NRMSIR and the SID, if any, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to each then existing NRMSIR and the SID, if any, of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in

addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. (a) The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

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

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

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 26th day of August, 2008.

Thomas M. Taylor
Mayor

(SEAL)

Sandra L. Wesolowski
Director of Clerk Services/City Clerk

