

**CITY OF FRANKLIN
TAX INCREMENTAL DISTRICT NO. 2
Franklin, Wisconsin**

**FINANCIAL STATEMENTS
From Date of Creation
Through Termination Date of December 20, 2011**

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Independent Auditor's Report

Members of the City Council
City of Franklin
Franklin, Wisconsin

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues, and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses, and Status of Funds of the City of Franklin Tax Incremental District No. 2 (the "District") from the date the District was created through December 20, 2011. These historical summary statements are the responsibility of the District's management. Our responsibility is to express an opinion on the summary statements based on our audit. We did not audit the Balance Sheet, Historical Summary of Project Costs, Project Revenues, and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses, and Status of Funds of the City of Franklin Tax Incremental District No. 2 from the date the District was created through January 5, 2003. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Historical Summary of Project Costs, Project Revenues, and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses, and Status of Funds of the City of Franklin Tax Incremental District No. 2 from the date the District was created through January 5, 2003, is based solely on the report of the other auditors.

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 historical summary statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the historical summary statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall historical summary statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the transactions of the District do not purport to, and do not, present fairly the financial position of the City of Franklin, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District's policy is to prepare its financial statements on a regulatory basis in conformity with the accounting practices prescribed by the Wisconsin Department of Revenue which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the historical summary statements referred to above present fairly, in all material respects, the financial position and the net project costs to be recovered through tax increments as of December 20, 2011, and the sources, uses, and status of funds from the creation date of the District through December 20, 2011, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the City Council, management, overlapping taxing districts, and the Wisconsin Department of Revenue and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
May 21, 2012

**CITY OF FRANKLIN
TAX INCREMENTAL DISTRICT NO. 2
BALANCE SHEET
December 20, 2011**

ASSETS

Cash and investments	<u>\$ 1,098,780</u>
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LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 2,680
Accrued interest payable	4,600
Due to other taxing jurisdictions	<u>1,091,500</u>
Total liabilities	1,098,780

FUND BALANCES

Unassigned	<u>-</u>
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TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,098,780</u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF FRANKLIN
TAX INCREMENTAL DISTRICT NO. 2
HISTORICAL SUMMARY OF PROJECT COSTS, PROJECT REVENUES,
AND NET COST TO BE RECOVERED THROUGH TAX INCREMENTS
For the Period of January 1 - December 20, 2011
and From Date of Creation Through Termination Date of December 20, 2011**

	<u>Period of January 1 - December 20, 2011</u>	<u>From Date of Creation</u>
PROJECT COSTS		
Capital expenditures	\$ 1,118,985	\$ 26,631,980
Administration	16,357	818,554
Interest and fiscal charges	94,000	19,851,836
Distribution to other taxing jurisdictions	<u>1,091,500</u>	<u>1,091,500</u>
 Total project costs	 <u>2,320,842</u>	 <u>48,393,870</u>
 PROJECT REVENUES		
Tax increments	4,493,995	38,754,530
Grant	1,022,776	2,075,879
Special assessments	-	223,403
Interest and other	42,530	2,441,793
Property sales, net	<u>-</u>	<u>4,898,265</u>
 Total project revenues	 <u>5,559,301</u>	 <u>48,393,870</u>
 NET COST RECOVERABLE (RECOVERED) THROUGH TAX INCREMENTS December 20, 2011		
	<u>\$ (3,238,459)</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FRANKLIN
TAX INCREMENTAL DISTRICT NO. 2
HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
For the Period of January 1 - December 20, 2011
and From Date of Creation Through Termination Date of December 20, 2011**

	<u>Period of January 1 - December 20, 2011</u>	<u>From Date of Creation</u>
SOURCES OF FUNDS		
Tax increments	\$ 4,493,995	\$ 38,754,530
Grant	1,022,776	2,075,879
Special Assessments	-	223,403
Interest and other	42,530	2,441,793
Property sales, net	-	4,898,265
Proceeds from long-term debt	-	64,345,000
	<u>5,559,301</u>	<u>112,738,870</u>
USES OF FUNDS		
Capital expenditures	1,118,985	26,631,980
Administration	16,357	818,554
Interest and fiscal charges	94,000	19,851,836
Distribution to other taxing jurisdictions	1,091,500	1,091,500
Principal on long-term debt	4,700,000	64,345,000
	<u>7,020,842</u>	<u>112,738,870</u>
Excess (deficiency) of sources of funds over uses of funds	(1,461,541)	-
BEGINNING FUND BALANCE	<u>1,461,541</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FRANKLIN
TAX INCREMENTAL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 20, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Franklin’s Tax Incremental District No. 2 (the “District”) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Franklin uses the criteria set forth by the Governmental Accounting Standards Board to determine the scope of the reporting entity of the Tax Incremental District No. 2. The accompanying financial statements reflect all the significant operations of the City of Franklin’s Tax Incremental District No. 2.

A. Description of Fund Structure and Long-Term Debt

This report contains the financial information of the City of Franklin’s Tax Incremental District No. 2. The summary statements were prepared from data recorded in the following fund:

TIF District No. 2 - Capital Projects Fund

A detailed description of the purpose of this fund can be found in the City of Franklin’s audited basic financial statements.

The District was created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment.

For districts created prior to October 1, 1995, the statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or until 27 years after the creation date, whichever occurs first. The City of Franklin absorbs project costs uncollected at the dissolution date. As amended by Wisconsin Act 6, project costs may be incurred up to 22 years after the tax base is certified.

<u>Original Project Plan</u>	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
TIF No. 2	January 5, 1993	December 31, 2014	2019

**CITY OF FRANKLIN
TAX INCREMENTAL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 20, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., 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. Project costs, other than interest on long-term debt, are recorded when the related liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the District is entitled to the aids.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

C. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Measurement Focus

The District financial statements are reported using the current financial resources measurement focus. 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 purposes, the District considers revenue to be available if they are collected within 60 days of the current fiscal period. Expenditures are recorded when the related liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures which are recorded as a liability when expected to be paid with expendable available financial resources.

E. 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 historical summary statements. If they are not liquidated with expendable available financial resources, a liability is shown in the long-term debt footnote disclosure. The related expenditure is recognized when the liability is liquidated.

**CITY OF FRANKLIN
TAX INCREMENTAL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 20, 2011**

NOTE 2 - CASH AND TEMPORARY INVESTMENTS

The District invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(lm) and 67.11(2).

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.

The District, as a fund of the City, maintains separate and common cash and investment accounts at the same financial institutions utilized by the City. Federal depository insurance and the State of Wisconsin Guarantee Fund insurance apply to the City of Franklin, Wisconsin, as an individual municipality and, accordingly, the amount of insured funds is not determinable for the District.

NOTE 3 - TERMINATION, RECORDING AND FINAL REPORTING DATES OF THE TIF DISTRICT

On December 20, 2011, the City Council of the City of Franklin, Wisconsin, adopted the Resolution # 2011-6774: Dissolving/Terminating TIF District No. 2 and Authorizing City Treasurer to Distribute Excess Increment to Overlying Taxing Districts. The City deemed that sufficient tax increment had been collected as of the 2010 tax roll, payable in 2011, to cover all of the District project costs, and was now able to escrow funds to cover the District's remaining outstanding obligations.

By December 22, 2011 (within 60 days of the termination resolution date), the City notified the Wisconsin Department of Revenue that the District had been terminated.

By May 22, 2012 (within 6 months of the termination resolution date), the City shall provide a final accounting for the District to the Wisconsin Department of Revenue.

**CITY OF FRANKLIN
TAX INCREMENTAL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 20, 2011**

**NOTE 4 - DISTRIBUTION OF REMAINING FUND BALANCE TO OTHER TAXING
JURISDICTIONS AT TERMINATION**

The City Treasurer shall distribute the remaining fund balance in the District as follows (at the same percentage as the December 2010 tax levy):

Milwaukee County	\$ 193,322
Franklin School District	376,809
Oak Creek School District	108,036
Milwaukee Area Technical College	83,308
Milwaukee Metropolitan Sewerage District	61,843
City of Franklin	<u>268,182</u>
Total	<u>\$ 1,091,500</u>

Independent Auditor's Report on Compliance

Members of the City Council
City of Franklin
Franklin, Wisconsin

We have audited the accompanying Balance Sheet, Historical Summary of Project Costs, Project Revenues, and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses, and Status of Funds of the City of Franklin Tax Incremental District No. 2 (the "District") as of December 20, 2011, and from the date of creation through December 20, 2011, and have issued our report thereon dated May 21, 2012. We did not audit the Historical Summary of Project Costs, Project Revenues, and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses, and Status of Funds of the City of Franklin Tax Incremental District No. 2 from the date the District was created through January 5, 2003. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Balance Sheet, Historical Summary of Project Costs, Project Revenues, and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses, and Status of Funds of the City of Franklin Tax Incremental District No. 2. from the date the District was created through January 5, 2003, is based solely on the report of the other auditors.

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 historical summary statements are free of material misstatement.

Compliance with tax increment financing district laws, regulations, and the project plan is the responsibility of City of Franklin, Wisconsin's management. As part of obtaining reasonable assurance about whether the aforementioned financial statements are free of material misstatement, we performed tests of the City's compliance with Wisconsin State Statutes Section 66.1105 and the project plan. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the City of Franklin, Wisconsin complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Franklin, Wisconsin had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the City Council, management, overlapping taxing districts, and the Wisconsin Department of Revenue and should not be used by anyone other than these specified parties.



Milwaukee, Wisconsin
May 21, 2012