



# **CITY OF FRANKLIN, WISCONSIN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

**PREPARED BY THE  
DEPARTMENT OF FINANCE**

**DIRECTOR OF FINANCE & TREASURER  
PAUL ROTZENBERG, CPA**

# CITY OF FRANKLIN, WISCONSIN

## TABLE OF CONTENTS As of and for the Year Ended December 31, 2017

---

### INTRODUCTORY SECTION

	Exhibit	Page
Transmittal Letter		1
Organization Chart		6
List of Principal Officials		7
GFOA Certificate of Achievement		8

### FINANCIAL SECTION

Independent Auditors' Report		9
Management's Discussion and Analysis (Required Supplementary Information)		12
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A	26
Statement of Activities	B	27
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	28
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	D	30
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	31
General Fund – Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (on a Budgetary Basis)	F	32
Statement of Net Position – Proprietary Funds	G	33
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	H	35
Statement of Cash Flows – Proprietary Funds	I	36
Statement of Fiduciary Net Position – Fiduciary Funds	J	38
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	K	39
Notes to Financial Statements		40
Required Supplementary Information		
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System		89
Schedule of Employer Contributions – Wisconsin Retirement System		89
Schedule of Changes in Net Pension Liability and Related Ratios – City of Franklin Defined Benefit Retirement Income Plan		90
Schedule of Contributions – City of Franklin Defined Benefit Retirement Income Plan		91
Schedule of Changes in Net OPEB Liability and Related Ratios – OPEB Plan		92
Schedule of Contributions – OPEB Plan		93
Notes to Required Supplementary Information		94

**CITY OF FRANKLIN, WISCONSIN**

**TABLE OF CONTENTS**

As of and for the Year Ended December 31, 2017

---

**FINANCIAL SECTION (CONTINUED)**

Supplementary Information:

	<u>Schedule</u>	<u>Page</u>
Combining Balance Sheet – Nonmajor Governmental Funds	1	95
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	2	97
Schedule of Revenue and Transfers In – Budget and Actual (on a Budgetary Basis) – General Fund	3	99
Schedule of Expenditures and Transfers Out – Budget and Actual (on a Budgetary Basis) – General Fund	4	101
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	5	103
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (on a Budgetary Basis) – Special Revenue Funds	6	104
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (on a Budgetary Basis) – Capital Projects	7	108
Combining Schedule of Changes in Assets and Liabilities – Agency Funds	8	111
TIF Districts Fund – Combining Balance Sheet	9	112
TIF Districts Fund – Combining Schedule of TIF Districts Revenue, Expenditures And Changes in Fund Balances	10	113
TIF Districts Fund – Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (on a Budgetary Basis)	11	114
Capital Assets Used in the Operation of Governmental Funds:		
Schedule by Source	12	116
Schedule by Function and Activity	12.1	117
Schedule of Changes by Function and Activity	12.2	118

# CITY OF FRANKLIN, WISCONSIN

## TABLE OF CONTENTS As of and for the Year Ended December 31, 2017

---

<b>STATISTICAL SECTION</b>	<u>Table</u>	<u>Page</u>
Net Position by Component – Last Ten Years	1	119
Changes in Net Position – Last Ten Years	2	120
Fund Balances, Governmental Funds – Last Ten Years	3	122
Changes in Fund Balances, Governmental Funds – Last Ten Years	4	123
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Years	5	124
Estimated Actual Values and TID Values	5A	125
Estimated Actual Property Value and Construction Data – Last Ten Years	6	126
Direct and Overlapping Property Tax Rates – Last Ten Years	7	127
Principal Property Taxpayers – Current Year and Nine Years Ago	8	128
Property Tax Levies and Collections – Last Ten Years	9	129
Property Tax Levies by Tax Jurisdiction – Last Ten Years	10	130
Ratios of Net General Bonded Debt Outstanding – Last Ten Years	11	131
Schedule of Direct and Overlapping Debt	12	132
Computation of Legal Debt Margin – Last Ten Years	13	133
Demographic and Economic Statistics – Last Ten Years	14	134
Principal Employers – Current Year and Nine Years ago	15	135
Full-time Equivalent City Government Employees by Function – Last Ten Years	16	136
Operating Indicators by Function/Program – Last Ten Years	17	137
Capital Asset Statistics by Function/Program – Last Ten Years	18	138

## **INTRODUCTORY SECTION**

May 17, 2018

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

**Introduction**

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2017, is hereby submitted. State law requires that all local governments with a population over 25,000 publish a complete set of financial statements that are presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by Baker Tilly Virchow Krause, LLP, a firm of certified public accountants experienced in auditing governmental entities. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2017, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The City early adopted GASB 74 and 75 related to OPEB liabilities as of January 1, 2017. Baker Tilly Virchow Krause, LLP 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, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **City Profile**

The City of Franklin, incorporated in 1956, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 36,046. Over the last ten years the City has experienced an average annual population increase of 0.1% per year. The city is a residential community (75.2%) with a commercial and industrial component (24.8%). Median Family Income of \$95,302 is 140% of the national average. Approximately one third of the acreage in the City is undeveloped, which demands attention to growth issues. It is considered to be one of the more desirable communities in the Milwaukee metropolitan area in which to live and work. The City provides a typical range of municipal services for a suburban community including police, fire protection, emergency medical/paramedic, maintenance of streets and other infrastructure, library, public health services, recreational activities, building inspection, zoning control, refuse collection, recycling collection, sanitary sewer, storm sewer and water services, both construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries to support the services provided.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of a mayor and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring management. 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 ten officials appointed by the Mayor or Director of Administration and confirmed by the Common Council. Numerous boards, commissions and committees allow for citizen involvement in government by providing a forum for policy input to the Council and guidance to the departments. Library service is provided through a separate Library Board that functions like a department of the City and engages the Library Director. Water service is provided through a separate Water Utility that functions like a department of the City. The Water Utility also has a Board of Water Commissioners which oversees water utility operations. 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's activities are reported within the City's financial statements. Additional information on the Authority can be found in Note 1 in the notes to the financial statements.

The budgetary process serves as the foundation of the City's financial planning and control system. The objective of the budgetary process is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Common Council. The preparation of a forecast for the existing programs for the following year is prepared during July and August. Departmental requests for personnel changes and new capital outlay expenditures are made by the middle of August. The Mayor then reviews the forecast including recommended personnel and capital expenditures and determines by mid- August the personnel and capital expenditures that will be included in the initial departmental requested budgets. The departments take this information and submit their requested budgets by the end of August. The budgets are reviewed and the Mayor submits his recommended budget by the middle of September. The Council reviews the recommended budget and agrees on a proposed budget by mid-October. The Council is required to hold a public hearing on the proposed budget in early November, and then adopts a final budget in mid-November. The adopted budget is prepared by fund, function (e.g. Public Safety), and

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

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

### **Economic Condition and Outlook**

The economic activity in Franklin in both the residential and the non-residential sectors was stable. New construction was marginally elevated in 2017 compared to 2016 as evidenced by increased construction permit revenues. Prospects in 2018 for residential, commercial and industrial development are anticipated to be meaningfully higher.

Estimated actual property values have grown at an average annual rate of (0.01)% since 2008. The new growth was \$19 million in 2017, \$23 million in 2016, and \$33.7 million in 2015. 2018 growth is expected to be in the \$20 to \$30 million dollar range reflecting the level of economic activity. This growth has allowed the City to maintain a relatively low municipal tax rate while still funding the increased cost of services required as a result of the City's growth.

### **Residential Growth**

Over the past ten years, residential valuation has stagnated, rising just .03%. The recession of 2008 had longer impacts than many expected. The development activity increased in 2017, with several large developments in various stages of approval. Longer range, the City has the most developable land in the County and anticipates new subdivisions as economic activity increases again.

### **Commercial and Industrial Growth**

Over the past ten years, commercial and industrial valuation has decreased at an average annual rate of (0.22) %.

In 2005, two TIF Districts (#3 & #4) were established on the eastern side of the City. The two districts have equalized value tax increments of \$62 and \$47 million, respectively. In 2016, a new District #5 was established to aid the Ballpark Commons project. A Developers agreement was signed in Q1 2018. The project projects \$100+ million in new taxable development.

Expansion of the commercial and industrial tax base is a goal of the City with respect to the overall tax rate. Currently 75.2% of the City's property value is residential compared to 74.9% ten years ago. Future tax relief will need to come from industrial and commercial tax base expansion.

### **Organizational and Service Growth**

2017 was a year where overall revenue of \$33.7 million fell 2.9% compared to last year. The decrease was the result of reduced TID revenues and development activity.

2017 was a revaluation year. The last reassessment was done in 2010. A re-valuation was completed in 2013 and 2016. Performing revaluations on a regular basis is in line with the

Common Council policy to schedule a revaluation every three years to keep property values in line with current market values. The State determined that the local assessment, after reassessment, was 99.1% of fair value. The estimated actual value of City properties was approximately \$3.8 billion. The City recently rose to the third largest city in Milwaukee County based upon equalized value. While the local tax levy remained unchanged, for the fifth year, individual property owners experienced tax changes based upon the shift of values between property classes.

The challenge for the operating departments in 2017 was to continue to maintain service levels at a time of flat revenues and growth of 0.63% in new property base.

One threat the City faces is the challenge by larger retail property owners of assessed values. Should that group be successful in reducing their assessed values, the tax burden shifts to other property owners.

### **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, 2017 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws or regulations.

As a recipient of federal and state financial assistance, if the level of grant expenditures exceeds an established level, currently \$750,000, a single audit of grants is required. The City was not required to have a single audit of grants in 2017.

### **Financial Planning**

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

### **Financial Policies**

The City maintains policies on fund balance level, debt levels and term, investment policies, budget forecasting policy and a capitalization policy. The City also takes advantage of policies that has new development to finance infrastructure needs caused by the new development via special assessments and impact fees. Conservative management and the enumerated policies above have served the City well. The existence of a fund balance enabled the fund balance to be utilized in 2009 during the revenue decline and replenished in 2010 and 2011 when revenue stabilized. In 2016, a 2001 debt offering was refunded for the second time to take advantage of declining interest rates, with a savings of \$390,000 over its remaining life. Debt Service planning has permitted a steadily declining Debt Service levy since 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, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance

Mayor, Common Council and Citizens  
May 8, 2018

with the highest standards for preparation of state and local government financial reports. This was the 24rd consecutive year that the City has received this award.

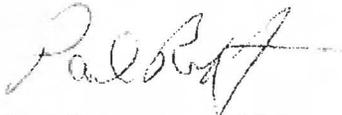
In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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 2017 Certificate.

### **Acknowledgments**

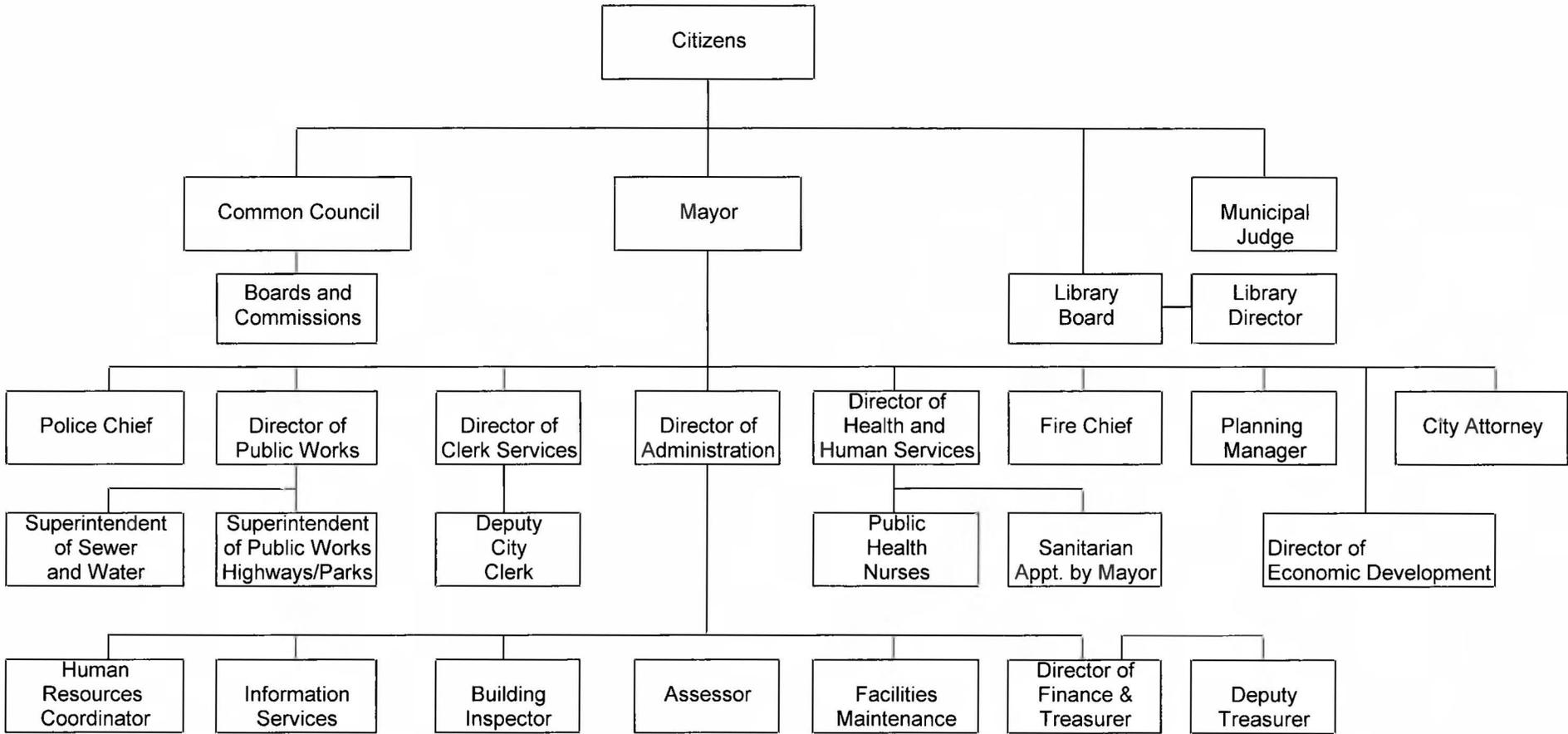
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. Thanks are also extended to the Mayor, Common Council,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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul Rotzenberg", with a long horizontal flourish extending to the right.

Paul Rotzenberg, CPA  
Director of Finance & Treasurer

**CITY OF FRANKLIN, WISCONSIN  
Organization Chart**



**CITY OF FRANKLIN, WISCONSIN  
LIST OF PRINCIPAL OFFICIALS**

Elected Officials

<u>Title</u>	<u>Name</u>
Mayor	Stephen R Olson
Aldermen:	
District No. 1	Mark Dandrea
District No. 2	Daniel M Mayer
District No. 3	Kristen Wilhelm
District No. 4	Steve F Taylor
District No. 5	Mike Barber
District No. 6	John Nelson
Municipal Judge	Fred F Klimetz

Non-elected Officials

Assessor	Mark Link
Building Inspector	Fred Baumgart
City Attorney	Jesse Wesolowski
City Clerk	Sandi Wesolowski
City Engineer/Public Works Director	Glen Morrow
Director of Administration	Mark Lubarda
Director of Economic Development	Aaron Hertzberg
Director of Finance & Treasurer	Paul Rotzenberg
Director of Health & Human Services	Bill Wucherer
Fire Chief	Adam Remington
Human Resources Coordinator	Dana Zahn
Information Services Manager	James Matelski
Library Director	Jennifer Loeffel
Planning Manager	Joel Dietl
Police Chief	Rick Oliva
Superintendent of Public Works	Jerry Schaefer
Superintendent of Sewer & Water	Mike Roberts



Government Finance Officers Association

**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, 2016**

*Christopher P. Morill*

Executive Director/CEO