

CITY OF FRANKLIN

Franklin, Wisconsin

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2016

CITY OF FRANKLIN

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**REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN THE
AUDIT TO THOSE CHARGED WITH GOVERNANCE**

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

In planning and performing our audit of the financial statements of the City of Franklin (the "City") as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, the Common Council, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
April 25, 2017

OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks or material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of the financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - > Identify types of potential misstatement.
 - > Consider factors that affect the risks of material misstatement.
 - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the Common Council has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

Also, is there anything that we need to know about the attitudes, awareness, and actions of the City concerning:

- a. The City's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. We will perform preliminary financial audit work during the months of October-December, and sometimes early January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

**COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS AND
INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT MATERIAL WEAKNESSES OR
SIGNIFICANT DEFICIENCIES**

INFORMATIONAL POINTS

DEPARTMENTAL CONTROLS

As part of our annual audit process, we focus our efforts on the primary accounting systems, internal controls, and procedures used by the City. This is in keeping with our goal to provide an audit opinion which states that the financial statements of the City are correct in all material respects.

In some cases, the primary system of accounting procedures and controls of the City are supported by smaller systems which are decentralized, and reside within a department or location. In many cases, those systems are as simple as handling cash collections and remitting those collections to the City treasurer. (For example, this would be the case in a typical municipal library.) In other cases, the department may send invoices or statements of amounts due, and track collections of those amounts in a standalone accounts receivable system. (For example, this would be the case in a typical municipal court.)

Generally, the more centralized a function is, the easier it is to design and implement accounting controls that provide some level of checks and balances. That is because you are able to divide certain tasks over the people available to achieve some segregation of duties. For those tasks that are decentralized, it is usually very difficult to provide for proper segregation of duties. Therefore, with one person being involved in most or all aspects of a transaction, you lose the ability to rely on the controls to achieve the safeguarding of assets and reliability of financial records.

As auditors, we are required to communicate with you on a variety of topics. Since there is now more emphasis on internal controls and management's responsibilities, we believe it is appropriate to make sure that you are informed about the lack of segregation of duties that may occur at departments or locations that handle cash or do miscellaneous billing. Examples in your City that fit this situation may include the following:

Municipal court
Recreation

Library

Police Department

As you might expect, similar situations are common in most governments.

As auditors, we are required to focus on the financial statements at a highly summarized level and our audit procedures support our opinion on those financial statements. Departments or locations that handle relatively smaller amounts of money are not the primary focus of our audit. Yet, because of the lack of segregation of duties, the opportunity for loss is higher there than in centralized functions that have more controls.

Because management is responsible for designing and implementing controls and procedures to detect and prevent fraud, we believe that is important for us to communicate this information to you. We have no knowledge of any fraud that has occurred or is suspected to have occurred within the departments mentioned above. However, your role as the governing body is to assess your risk areas and determine that the appropriate level of controls and procedures are in place. As always, the costs of controls and staffing must be weighed against the perceived benefits of safeguarding your assets.

Without adding staff or splitting up the duties, your own day-to-day contact and knowledge of the operation are also important mitigating factors.

INFORMATIONAL POINTS (cont.)

CYBER SECURITY

It's no surprise that cybersecurity continues to be a top concern for management and those charged with governance across governments of all sizes and types. Protecting citizen's data is critical for any government. In addition, there have been several incidents of critical malware or ransomware threats to communities of various sizes.

We recommend performing a cyber-risk assessment to identify the types and location of data on your system as well as considering the sensitivity or potential regulations associated with your data. This will allow you to make informed decisions about spending on cyber risk mitigation.

Our professionals are also available to assist with your cybersecurity questions, assessments, and programs.

GOVERNMENT FRAUD PREVENTION AND DETECTION: NOW IS THE TIME TO ACT

When it comes to preventing and detecting fraud in government, being proactive is critical. In fact, government is the second most likely industry to be impacted by fraud. According to the audit standards, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. To get started, your government should conduct a fraud risk assessment to identify where and how fraud might occur and what individuals may be in a position to commit fraud. Once you've identified your entity's fraud risk areas, the next step is to develop a fraud risk assessment and investigation policy.

As you begin your fraud risk assessment or develop tools to prevent and detect fraud, it is important to keep in mind the following information provided by the Association of Certified fraud Examiners:

- > Misappropriation of assets accounts for 80 percent of fraud
- > The primary internal control weaknesses observed are lack of internal controls, lack of management review, override of existing internal controls and poor tone at the top
- > A tip is the most effective tool to catch a fraudster followed by management review

The professional requirements and objectives of a financial audit are different than a forensic audit. Due to the nature of a financial audit, less than 10 percent of frauds have been discovered as a result of a financial audit conducted by an independent accounting firm.

If your government has not gone through a fraud risk assessment and does not have a plan to prevent and detect fraud, we recommend that this be done and then updated on a regular basis. We are available to assist you with this process.

INFORMATIONAL POINTS (cont.)

RESOURCES FOR STATE AND LOCAL GOVERNMENT COUNCILS

Expectations and accountability are at all-time high and the knowledge required to be an effective Council member is substantial. As a benefit to our clients, we have compiled a number of resources dedicated to educating state and local government Council members. Go to our Council Governance Resource Center at www.bakertilly.com/Council-governance.

The Resource Center includes the following short informative videos:

1. Government financial statements 101
2. Understanding your government's fraud risk
3. Financial ratios and benchmarks
4. Fund balance and other financial policies
5. Benefits of a fraud risk assessment
6. Understanding utility finances

We encourage you to subscribe to our complimentary newsletter "Government Connection" to stay abreast of the latest issues impacting state and local governments. You can do so by clicking on the "subscribe" button and indicating "State and Local Government" as an area of interest on the subscription form. Also, if you or your Council members have suggested topics to feature on our Council Governance webpage or Government Connection newsletter, we invite you to submit your ideas in person or online.

GASB UPDATES

The Government Accounting Standard Board (GASB) has been very active in recent years, issuing new standards at a fast pace. Over the next few years, your government will have many new standards to evaluate and implement. Here are the standards likely to impact you the most in the upcoming year:

- > GASB 73 includes accounting and reporting for pension plans that are not reported in a trust
- > GASB 74 and 75 are Other Post Employment Benefit (OPEB) standards that parallel the recent pension standards
- > GASB 80 clarifies the presentation requirements for some component units
- > GASB 81 provides guidance for accounting for irrevocable split interest agreements

There are two significant GASB projects drawing to conclusion in 2017. While the implementation dates for these are a few years away, both are anticipated to have significant impacts on many government financial statements:

- > Fiduciary Activities
- > Leases

Looking even further ahead, one of the most significant current GASB projects is the financial reporting model reexamination. The GASB is currently revisiting GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as well as reporting model-related pronouncements including Statements Nos. 37, 41, and No. 46 and Interpretation No. 6.

INFORMATIONAL POINTS (cont.)

GASB UPDATES (cont.)

The GASB has indicated that they are revisiting the following major provisions of these standards: management's discussion and analysis, government-wide financial statements, fund financial statements, proprietary fund and business-type activity financial statements, fiduciary fund financial statements, budgetary comparisons, and other issues. The first of a series of Invitations to Comment was issued in December 2016. This Invitation to Comment addresses governmental fund topics.

Through our firm involvement on AICPA committees, Baker Tilly follows these developments closely so that we can help you prepare for the changes as they evolve. This participation also allows us to share with GASB the experiences and perspectives of our clients to potentially influence the direction of future projects.

Full lists of projects, as well as many resources, are available on GASB's website which is located at www.gasb.org.

OTHER POST EMPLOYMENT BENEFIT (OPEB) REPORTING CHANGES ON THE HORIZON

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The new OPEB standards parallel the pension standards GASB Nos. 67 and 68. Together, the pension and OPEB standards provide consistent and comprehensive guidance for all postemployment benefits.

OPEB plans will implement the new standards beginning with the year end December 31, 2017. Governments that provide OPEB benefits to their employees will need to implement these standards beginning with the year end December 31, 2018.

This standard has similarities to the previous OPEB standards, most notably the definition of an OPEB and the option of the alternative measurement method for small governments. However, the calculation and reporting of the OPEB liability and various required disclosures will change under the new standards, becoming similar to the pension standards.

To implement this standard, your government will need to plan ahead for obtaining a new actuarial study. The selection of a measurement date and timing for the study will be important to consider well in advance of implementation. We are available to further discuss this standard, the timing, and impact on your government.

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE

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

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of City of Franklin (the "City") for the year ended December 31, 2016 and have issued our report thereon dated April 25, 2017. This letter presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the Common Council of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal controls or to identify deficiencies in internal control.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated October 7, 2016.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1.B. to the financial statements, the City changed accounting policies related to financial reporting for investments by adopting GASB Statement No. 72 – *Fair Value Measurement and Application* in 2016. Also, as described in Note 4.F. to the financial statements, the City reported a prior period adjustment to report certain assets of the Sanitary Sewer Fund previously not reported. We noted no transactions entered into by the City of Franklin during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

- > Management's estimate of allowance for ambulance doubtful accounts is based on historical collection rates, days outstanding, and an analysis of the collectivity of individual accounts.
- > Management's estimates of the Wisconsin Retirement System net pension liability and the deferred outflows and deferred inflows related to pensions which impact the reported pension expense are based on information provided by the Wisconsin Retirement System.
- > Management's estimates of the City of Franklin Defined Benefit Retirement Income Plan net pension liability and the deferred outflows and deferred inflows related to pensions which impact the reported pension expense are based on information provided by Principal Financial Group.
- > Management's estimates of post-employment health care benefits is based on information provided by Actuarial & Health Care Solutions, LLC.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the notes to the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no difficulties in dealing with management in performing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

A summary of uncorrected financial statement misstatements follows this required communication. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually, or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATION WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the City that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of the City of Franklin for the year ended December 31, 2016, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the City in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the City other than audit services provided in connection with the audit of the current year's financial statements and the following nonaudit services which in our judgment do not impair our independence.

- > Adjusting journal entries
- > Compiled regulatory reports
- > Financial statement preparation assistance

None of these nonaudit services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

RESTRICTION ON USE

This information is intended solely for the use of the Common Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Baker Tilly Voichaw Krause, LLP

Milwaukee, Wisconsin
April 25, 2017

SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

December 31, 2016

Business-Type Activities
Water Utility
Sanitary Sewer Utility

MANAGEMENT REPRESENTATIONS

April 25, 2017

Baker Tilly Virchow Krause, LLP
777 E Wisconsin Ave 32nd Floor
Milwaukee, WI 53202

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the City of Franklin as of December 31, 2016 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements 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 and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
9. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
11. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

12. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Common Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
16. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

Other

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have a process to track the status of audit findings and recommendations.
20. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
21. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
22. There are no:
 - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

- d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
- e. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

23. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

- a. Adjusting journal entries
- b. Compiled regulatory reports
- c. Financial statement preparation assistance

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

24. The City of Franklin has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
25. The City of Franklin has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
26. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any.
27. The financial statements properly classify all funds and activities.
28. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
29. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
30. The City of Franklin has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
31. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
32. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
33. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

34. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
35. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
36. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
37. Tax-exempt bonds issued have retained their tax-exempt status.
38. We have appropriately disclosed the City of Franklin's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
39. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
40. With respect to the supplementary information, (SI):
 - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - a. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
41. We assume responsibility for, and agree with, the findings of specialists in evaluating the post-employment health care benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.


Baker Tilly
April 25, 2017

42. We agree with the restatement presented in the current year's financial statements.
43. We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
44. We assume responsibility for, and agree with, the information provided by Principal Financial Group related to the City of Franklin Defined Benefit Retirement Income Plan net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.


Sincerely,

City of Franklin

Signed:


Steve Olson, Mayor

Signed:


Paul Rotzenberg, Director of Finance and Treasurer

CITY OF FRANKLIN, WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016



**PREPARED BY THE
DEPARTMENT OF FINANCE**

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

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CITY OF FRANKLIN, WISCONSIN

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April 25, 2017

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, 2016, 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, 2016, 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 included the Ryan Creek Interceptor sanitary sewer in 2016 as a donated asset and recorded a prior period adjustment related thereto. Baker Tilly concurred with this change. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

City Profile

The City of Franklin, incorporated in 1956, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 35,741. Over the last ten years the City has experienced an average annual population increase of 1.2% per year. The city is a residential community (74.5%) with a commercial and industrial component (24.8%). 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. 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 outlay expenditures and determines by mid-August the personnel and capital outlay expenditures that will be included in the initial departmental requested budgets. The departments take this information and submit their requested budgets by the end of August. The budgets are reviewed and the Mayor submits his recommended budget by the 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 lower in 2016 compared to 2015 as evidenced by reduced construction permit revenues. Prospects in 2017 for residential, commercial and industrial development are anticipated to be on a par to 2016. Growth is dependent upon the development and approval of new subdivisions and business parks.

Estimated actual property values have grown at an average annual rate of 0.3% since 2007. The new growth net of TIF Districts was \$23 million in 2016, \$33.7 million in 2015, and \$46.8 million in 2014. 2017 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, falling 0.1%. Lingering effects of the economic slowdown will keep growth from new construction in 2017 at about the same level as 2016. 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 increased at an average annual rate of 0.8 %.

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 \$73 and \$55 million, respectively. In 2016, a new TIF District #5 was established to aid the Baseball Commons project. No developer's agreement has been negotiated as of Q1, 2017. 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 74.5% of the City's property value is residential compared to 76.1% ten years ago. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

2016 was a year where overall revenue fell 1.8% compared to last year. The decrease was the result of reduce development activity.

2016 was a re-valuation year. The last reassessment was done in 2010. A re-valuation was completed in 2013. Performing re-valuations on a regular basis is in line with the Common Council policy to schedule a re-valuation 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 \$3.6 billion. While the local tax levy remained unchanged, for the fourth year, individual property owners experienced tax changes based upon the shift of values between property classes.

The challenge for the operating departments in 2016 was to continue to maintain service levels at a time of flat revenues and growth of 0.94% 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, 2016 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 federal grant expenditures exceeds an established level, currently \$750,000, a single audit of federal and state grants is required. The City was not required to have a single audit of federal and state grants in 2016.

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, 2015. 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 23rd consecutive year that the City has received this award.

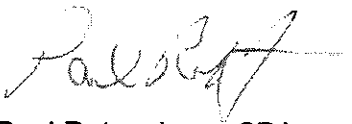
In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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 2016 Certificate.

Acknowledgments

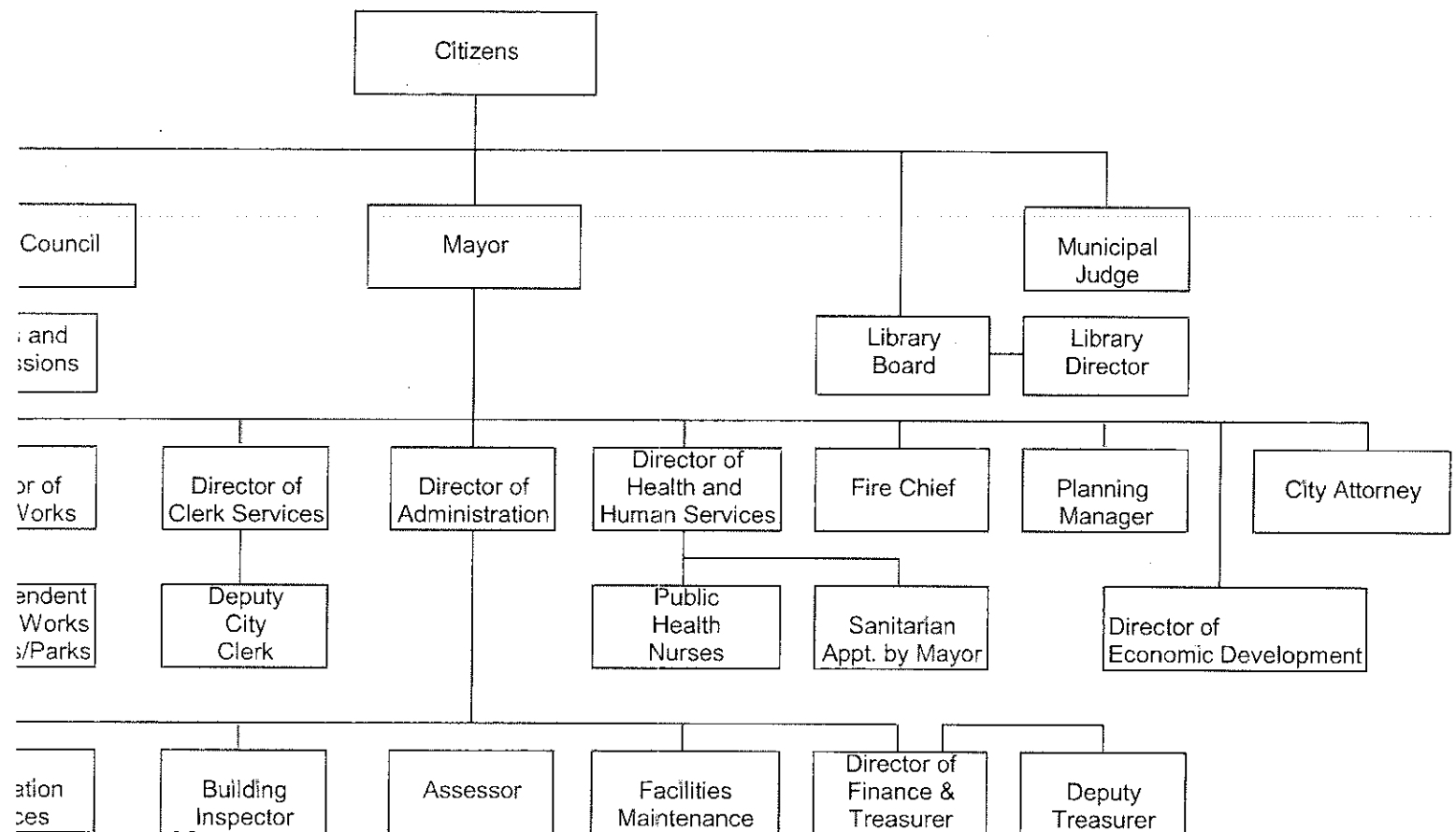
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. Thanks are also extended to the Mayor, Common Council, 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 dark ink, appearing to read 'Paul Rotzenberg', with a stylized flourish at the end.

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	Susanne M Mayer
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	Rachel Muchin Young
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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Franklin
Franklin, Wisconsin

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City of Franklin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Franklin's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Franklin's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Common Council
City of Franklin

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, 2016 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4.F. to the financial statements, net position as of December 31, 2015 has been restated to correct a material misstatement. Our opinions are not modified with respect to this matter.

Other Matters

The financial statements of the City of Franklin as of December 31, 2015, prior to restatement, were audited by other auditors whose report dated June 7, 2016, expressed an unmodified opinion on those statements.

As part of the audit of the December 31, 2016 financial statements, we also audited the adjustment described in Note 4.F. that was applied to restate the December 31, 2015 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2015 financial statements of the City of Franklin other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2015 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Council
City of Franklin

Supplementary Information

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 supplementary information 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

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 Introductory Section 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

Other auditors have previously audited the City of Franklin, Wisconsin's 2015 financial statements, and they expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in their report dated June 7, 2016. We do not express an opinion on the summarized comparative information presented herein as of and for the year ended December 31, 2015.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
April 25, 2017

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

As management of the City of Franklin (City), the following offers readers of the City's financial statements an overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. Readers are encouraged to consider this information in conjunction with additional information contained in the letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of December 31, 2016, by \$248,939,033 (**net position**). Of this amount, \$18,392,464 (**unrestricted net position**) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's business-type activities now reflect the Ryan Creek Interceptor sanitary sewer, a \$22.5 million contribution by intergovernmental agreement. The sanitary sewer's net position was restated to reflect this activity. For the purposes of management's discussion and analysis, the comparative information remains unchanged. For further details on the restatement, see Note 4.F.
- The City's total net position increased by a net amount of \$3,368,886 (excluding the prior period adjustment for the Ryan Creek Sanitary Interceptor Sewer donation). Net investment in capital assets increased by \$2,707,515, while unrestricted net position decreased by \$863,205 and restricted net position increased by \$24,395,406 (however, increased \$3,195,178 considering the impact of the Ryan Creek Sanitary Sewer Interceptor restatement). The increase in net investment in capital assets was related to capital asset additions offset by debt payments, net of unspent bond proceeds and accumulated depreciation. The largest net asset addition was a jurisdictional transfer to the City of S North Cape Road from Milwaukee County. The unrestricted decrease was the result of transfers to the Capital Project Funds.
- The City's governmental funds reported, as of December 31, 2016, combined ending fund balances of \$23,036,463, an increase of \$1,842,240 from the prior year. The primary reasons were results in TID #4, which had resources but no project costs and transfers to the Capital Project Funds.
- The nonspendable fund balances are \$2,296,232, an increase of \$55,700 due an advance to newly formed TID #5.
- The restricted fund balances in total are \$9,730,296, an increase of \$2,342,379, which are the result of TID values increasing from repayment of interfund advances and the lack of project costs.
- The assigned fund balances in total of \$5,746,151 has an increase of \$692,436 related to transfers into the Capital Projects Funds.
- The unassigned fund balance as of December 31, 2016 for the general fund was \$5,334,100 or approximately 21 percent of total anticipated 2017 general fund expenditures. The unassigned fund balance declined by \$1.2 million as the result of a fund transfer to the Capital Project Funds.
- The City's Governmental activities debt decreased from scheduled repayments. See table 11 for complete debt activity details. A refunding took place in 2016 to capture the lower market rates.

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 position presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the difference between the categories reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Table 1 provides a ten year history of Net Position.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave). Table 2 provides a ten year history of the statement of activities.

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

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

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

Fund financial statements

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

Governmental funds

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

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

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

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

The City adopts an annual appropriated budget for all funds except for TIF District #5. 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 functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Franklin Water Utility, the Sanitary Sewer Fund and the Internal Service Fund.

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 39 – 85 of this report.

Other information

In addition to the basic financial statements, notes and accompanying notes, this report also presents certain **required supplementary information** concerning the City of Franklin's progress in funding its retiree health obligations to eligible full time employees and its participation in the Wisconsin Retirement System and City of Franklin Defined Benefit Pension Plans. Required supplementary information can be found on pages 86-90 of this report.

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund, Capital Projects and TIF Funds to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 12.2 can be found on pages 91-113 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$248,939,033 and \$223,118,687 at the end of 2016 and 2015, respectively.

City of Franklin Net Position December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 53,076,382	\$ 56,138,443	\$ 6,730,520	\$ 2,076,362	\$ 59,806,902	\$ 58,214,805
Long term note receivable	-	-	20,014,692	25,311,900	20,014,692	25,311,900
Capital assets	118,399,446	115,505,274	110,484,366	90,084,026	228,883,812	205,589,300
Total assets	171,475,828	171,643,717	137,229,578	117,472,288	308,705,406	289,116,005
Deferred outflows of resources	8,455,769	2,843,406	356,959	286,380	8,812,728	3,129,786
Liabilities:						
Current liabilities	2,403,969	6,075,553	1,415,431	3,248,819	3,819,400	9,324,372
Long-term liabilities	14,689,207	12,554,722	22,899,975	22,438,309	37,589,182	34,993,031
Total liabilities	17,093,176	18,630,275	24,315,406	25,687,128	41,408,582	44,317,403
Deferred inflows of resources	27,060,233	24,809,701	110,286	-	27,170,519	24,809,701
Net position:						
Net investment in capital assets *	110,638,152	107,184,603	88,115,672	88,861,706	198,334,454	196,046,309
Restricted	10,617,660	7,460,603	21,594,455	356,106	32,212,115	7,816,709
Unrestricted *	14,522,376	16,401,941	3,450,718	2,853,728	18,392,464	19,255,669
Total net position	\$ 135,778,188	\$ 131,047,147	\$ 113,160,845	\$ 92,071,540	\$ 248,939,033	\$ 223,118,687

* The net position section includes an adjustment for capital assets owned by the business-type activities but financed by the debt of the governmental activities. Amounts will not cross-foot as a result. See Note 1.D.11

The largest portion of the City's net position (approximately 80 and 88 percent, in 2016 and 2015, 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, net position is 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 \$198,334,454 and \$196,046,309 in 2016 and 2015, respectively, of the year end net position.

The inclusion of the Ryan Creek Sanitary Interceptor Sewer (\$22.5 million) is the major cause for the increase in net capital assets compared to 2015.

Major 2016 projects were acceptance of S North Cape Road (\$3 million jurisdictional transfer from Milwaukee County), completion of Kayla's Playground (an all-inclusive, all-accessible playground), work on three trails (\$369,000), a Public Safety dispatch console (\$242,000), a replacement roof (\$76,000) on fire station #1, and utility costs associated with the S 27th Street reconstruction project.

2015 major projects were the \$3 million Water & Waste Water building, \$1 million of preliminary work on Kayla's Playground, and the South 27th improvement project to bury overhead utilities (\$1.4 million).

Deferred outflows of resources and deferred inflows of resources increased in 2016 from changes in the City's two pension plans' results.

Capital assets contributed to the governmental activities included land dedicated to Parks, playground equipment for the Kayla's Krew playground and office furniture and equipment totaling \$680,818 in 2015.

In 2016, the City contributed water infrastructure on S 27th Street via TID #3 and utility assets in Kayla's playground to the Business-type activities totaling \$659,283. In addition, developers also contributed two water main extensions. In 2015, capital assets contributed to the business-type activities were \$566,251.

An additional portion of the City's net position (12.9% and 3.5% in 2016 and 2015, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$32,212,115 and \$7,816,709 respectively in those net positions that were restricted to specific purposes.

The 2016 \$24,395,406 increase in restricted net position reported is due principally to TIF balances upon the retirement of internal advances and new TIF resources without current project costs and the \$22.5 million donation of the Ryan Creek Sanitary Interceptor sewer by Metropolitan Milwaukee Sewerage District.

The 2015 decrease of \$325,301 in restricted net position reported is due to the use of Development funds for park development.

The remaining balance in unrestricted net position of \$18,392,464 and \$19,255,669 in 2016 and 2015, respectively, may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years the City reported positive balances in the unrestricted net position for both the governmental and for its business-type activities.

The \$6,391,379 increase in the 2015 unrestricted net position was the result of the adoption of Government Accounting Standards Board (GASB) 68 which resulted in the recording a \$2.1 million net pension asset, \$3.0 million deferred outflow of resources, and a \$1.1 million net pension liability and the repayment of inter-fund advances.

Government-wide activities

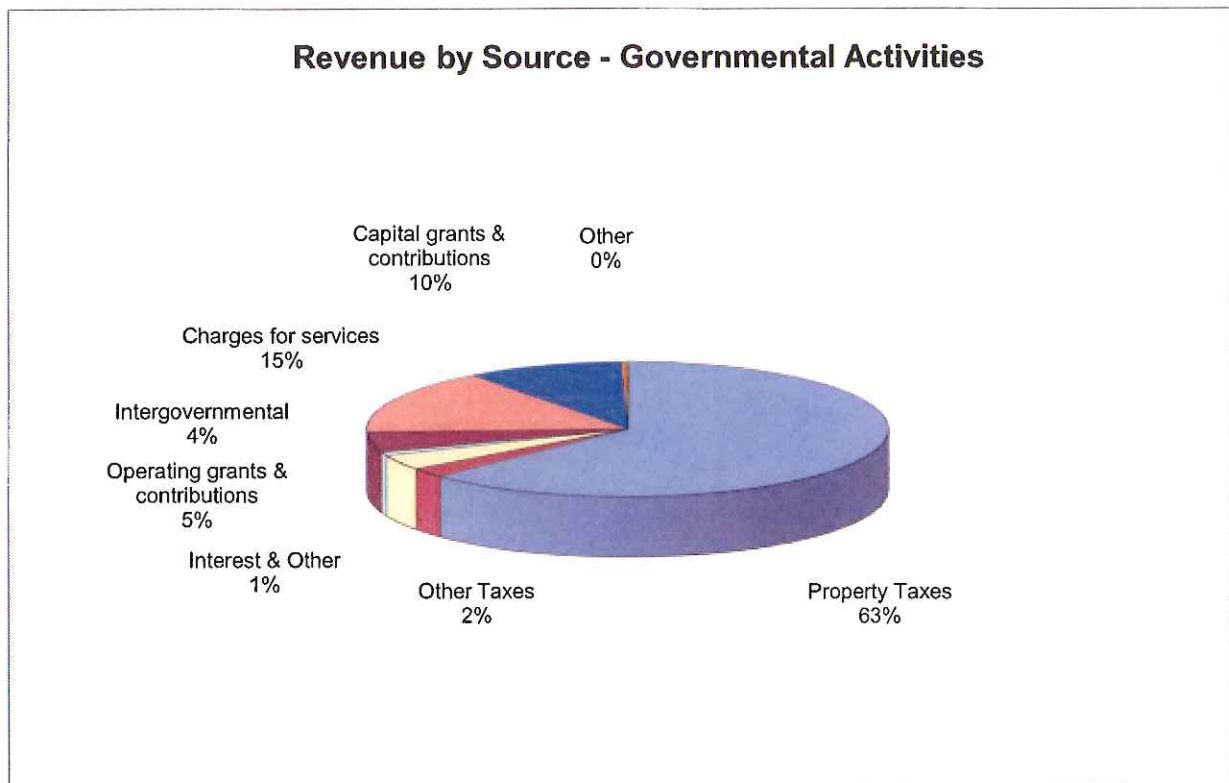
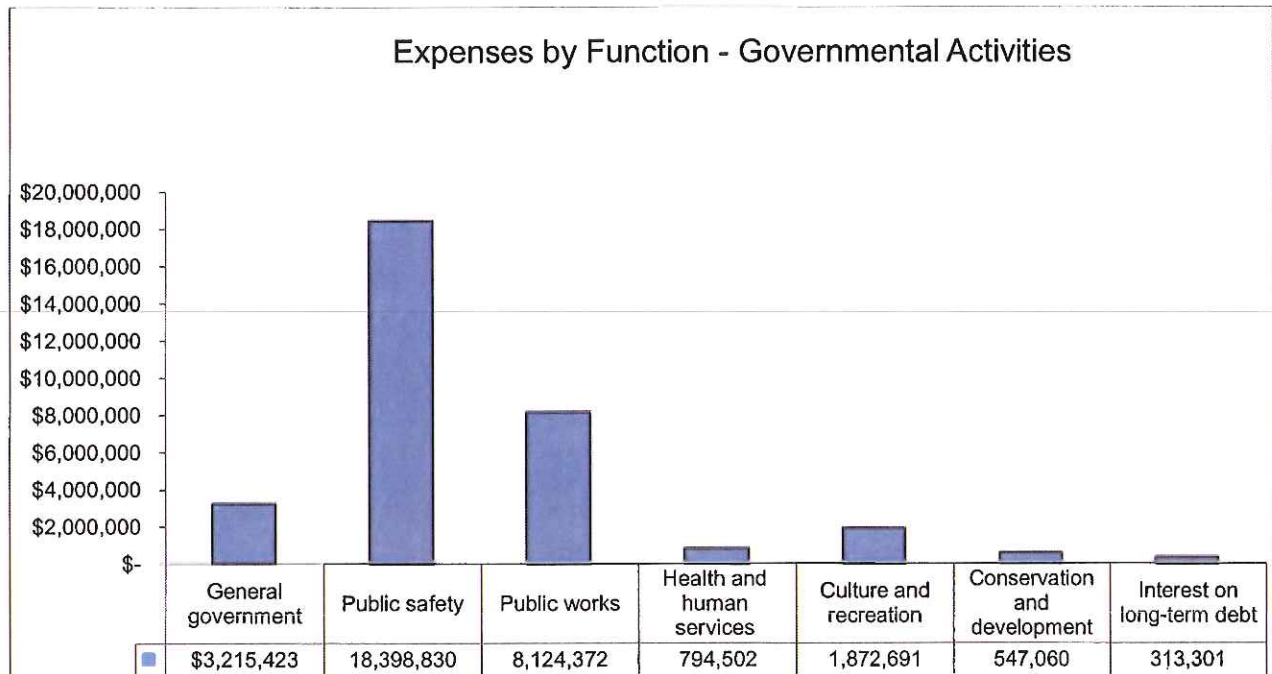
The details of changes in net position follow:

City of Franklin Changes in Net Position For the Years Ending December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program revenue:						
Charges for services	\$ 5,772,042	\$ 5,696,707	\$ 9,383,123	\$ 8,950,310	\$ 15,155,165	\$ 14,647,017
Operating grants & contributions	1,882,406	1,809,520	-	-	1,882,406	1,809,520
Capital grants & contributions	3,677,886	1,144,757	341,915	566,251	4,019,801	1,711,008
General revenue:						
Property taxes	23,669,025	23,312,724	-	-	23,669,025	23,312,724
Other taxes	863,735	785,195	-	-	863,735	785,195
Intergovernmental	1,350,257	1,804,045	-	-	1,350,257	1,804,045
Investment earnings	315,376	411,650	437,909	593,128	753,285	1,004,778
Other	161,381	61,791	58,832	73,601	220,213	135,392
Total revenue	<u>37,692,108</u>	<u>35,026,389</u>	<u>10,221,779</u>	<u>10,183,290</u>	<u>47,913,887</u>	<u>45,209,679</u>
Expenses:						
General government	3,215,423	2,990,355	-	-	3,215,423	2,990,355
Public safety	18,398,830	16,959,091	-	-	18,398,830	16,959,091
Public works	8,124,372	8,304,583	-	-	8,124,372	8,304,583
Health & human services	794,502	726,000	-	-	794,502	726,000
Culture & recreation	1,872,691	1,969,297	-	-	1,872,691	1,969,297
Conservation & development	547,060	576,421	-	-	547,060	576,421
Interest on long-term debt	313,301	405,022	-	-	313,301	405,022
Water	-	-	5,549,508	5,766,088	5,549,508	5,766,088
Sewer	-	-	5,729,314	4,148,420	5,729,314	4,148,420
Total expenses	<u>33,266,179</u>	<u>31,930,769</u>	<u>11,278,822</u>	<u>9,914,508</u>	<u>44,545,001</u>	<u>41,845,277</u>
Increase in net position before transfers	4,425,929	3,095,620	(1,057,043)	268,782	3,368,886	3,364,402
Transfers	<u>305,112</u>	<u>1,044,459</u>	<u>(305,112)</u>	<u>(1,044,459)</u>	-	-
Change in net position	<u>4,731,041</u>	<u>4,140,079</u>	<u>(1,362,155)</u>	<u>(775,677)</u>	<u>3,368,886</u>	<u>3,364,402</u>
Net position - beginning	131,047,147	122,708,989	92,071,540	92,896,445	223,118,687	215,605,434
Restatement	-	4,198,079	22,451,460	(49,228)	22,451,460	4,148,851
Net position - beginning (restated)	<u>131,047,147</u>	<u>126,907,068</u>	<u>114,523,000</u>	<u>92,847,217</u>	<u>245,570,147</u>	<u>219,754,285</u>
Net position - ending	<u>\$ 135,778,188</u>	<u>\$ 131,047,147</u>	<u>\$ 113,160,845</u>	<u>\$ 92,071,540</u>	<u>\$ 248,939,033</u>	<u>\$ 223,118,687</u>

The 2016 governmental activities increased the City's net position by \$4,731,041 or 140% of the total growth in net position. Biggest element of this increase, \$3 million was the donation of S North Cape Road by Milwaukee County and TIF resources with no related project costs. The 2016 business-type activities decrease in net position of \$1,362,155 reflects depreciation charges on contributed assets which is not being recovered via operations.

The 2015 governmental activities increased the City's net position by \$4,140,079 or 123% of the total growth in the net position. Elements of this increase include \$1,724,138 increase in the TID position and an increase from repayment of \$3,725,000 inter-fund advances.

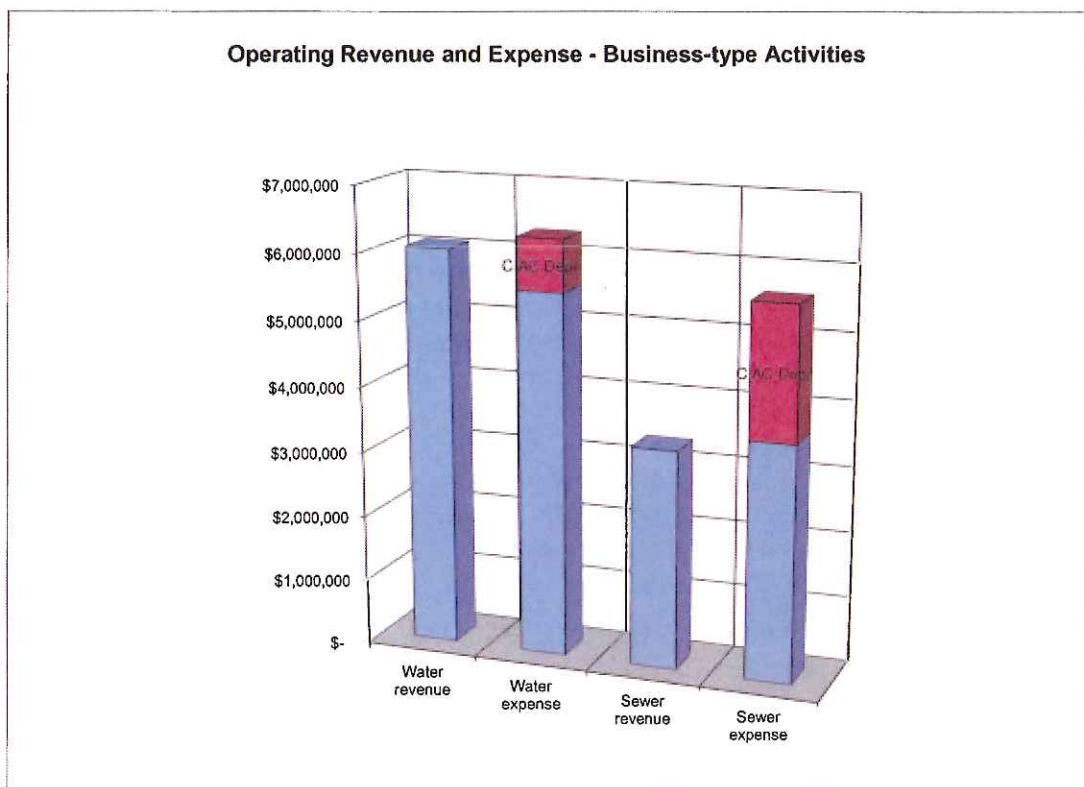


Business-type activities

In 2016, business-type activities decreased the City's net position by \$1,362,155 or 48.3%. Depreciation of contributed assets totaled \$2,795,955, with the Ryan Creek Interceptor Sewer amounting to \$1,425,000 of that total. The Ryan Creek Interceptor Sewer will be donated to Milwaukee Metropolitan Sewer District (MMSD) when the Clean Water Fund Loan is retired in 2031 by intergovernmental agreement. The City must maintain the asset until that time, however no significant maintenance costs have yet been incurred.

In 2015, business-type activities decreased the City's net position by \$775,677 or -23%. Amortization of regulatory assets increased operating expense that year.

The following graph compares the 2016 charges for services to the operating expenses for water and sewer activities.



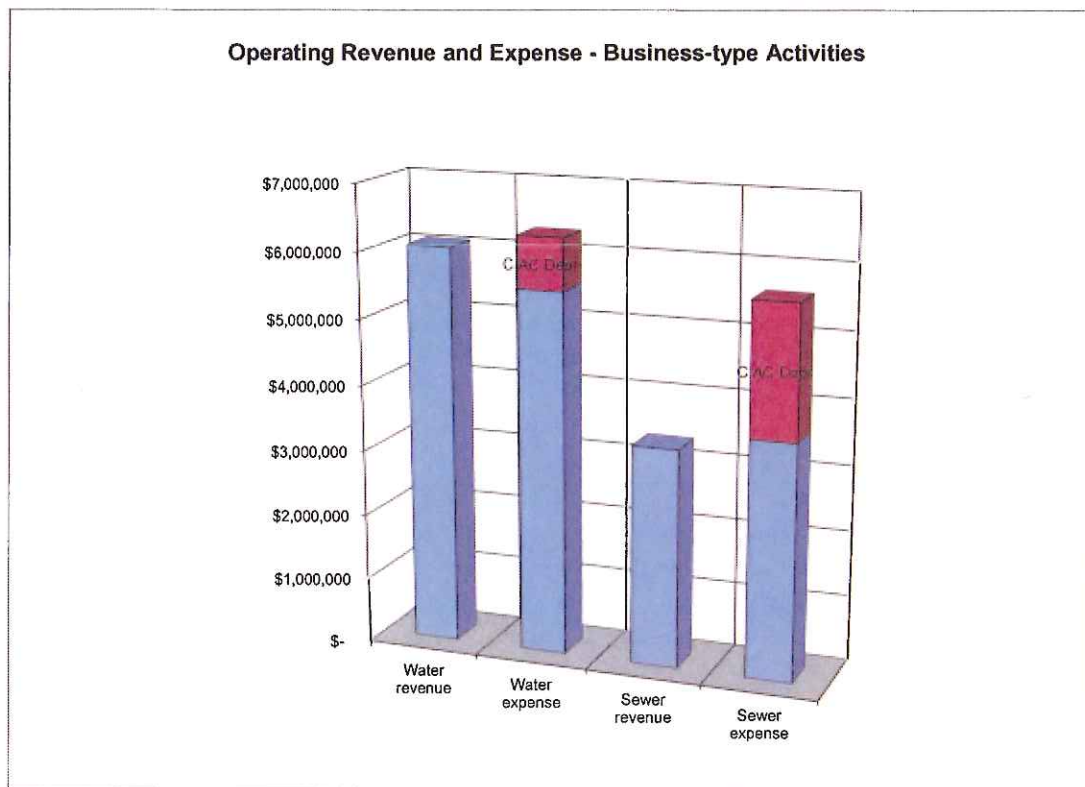
Water and Sewer expenses can exceed revenue due to the current policy of including only depreciation from City spending on capital assets in the rate formula. The large amount of new infrastructure that has been contributed in recent years is the reason for this policy. Over 87% of the business-type assets have been contributed by developers or new growth resources. When maintenance and replacement costs increase, this policy may need to be reevaluated. The City replaced \$284,000 of contributed water mains in 2015 and none in 2016.

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The City has assigned fund balances for activities of the Capital Projects of \$5,684,525. In addition, \$61,626 of General Fund Balance has been assigned for purchase commitments into 2017.

Outside party restrictions have resulted in restricted fund balances:

- 1) to pay debt service - \$651,298
- 2) for utility improvements - \$1,224,190
- 3) for development purposes - \$4,058,562
- 4) for TIF Districts of \$2,583,687
- 5) for library services \$494,386
- 6) for Solid Waste services \$ 330,883 and
- 7) for donations, health, grant funds, and recreational activities – totaling \$387,290.

The City also has nonspendable fund balances to indicate that it is not available for new spending because it has already been committed for prepaid expenses and inventories (\$47,616) and for advances to other funds (\$2,248,616). The advances are scheduled for substantial repayment in January, 2017.

The **General Fund** is the chief operating fund of the City. As of December 31, 2016, the total fund balance of the General Fund was \$7,690,684 of which \$5,334,100 was unassigned. This unassigned fund balance represents approximately 21% of 2017 General Fund budgeted expenditures.

The total General Fund fund balance decreased by \$1,359,225 during fiscal year 2016. With the scheduled repayment of the \$2.2 million advance to the Sanitary Sewer Fund in January 2017 and considering State restrictions on expenditures, a \$1.2 million transfer to the Capital Improvement Fund was made in 2016. A \$390,000 return of Landfill Siting fees (operator overpaid the fees over several years) was another significant non-recurring event.

The **Debt Service Fund** has a total fund balance of \$651,298, restricted for the payment of debt service. The fund balance increase of \$144,015 related to the collection of Special Assessments.

The **TIF Districts Fund** has total fund balance of \$2,531,841; a restricted fund of \$2,583,687 and a deficit fund balance of \$51,846 related to interfund advances.

The **Nonmajor Governmental Funds** have a total fund balance of \$12,162,640. The fund balance increase of \$1,383,853 came principally from the transfer in from the General Fund. The major fund balances relate to future development and capital project fund balances.

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

Unrestricted net position of the Water Utility at the end of the year amounted to \$2,159,943, an increase of \$479,141 from the prior year coming out of operating results.

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$1,290,775, an increase of \$109,071 from the prior year.

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

General Fund Budgetary Highlights

Revenue trailed budget by \$202,088. Building permit revenues were below budget by \$182,181 due to the lack of any major projects. Ambulance fees also trailed expectations.

Actual expenditures were less than budgeted expenditures by \$634,873. The City established a \$552,000 contingency reserve in the Adopted Budget. \$390,000 of that contingency was used to return an overpayment of landfill siting revenues (as the operator mis-calculated payments). Reductions in fuel costs reduced Public Works costs.

A \$23,705 deficit before transfers out, compares favorably to the amended budgeted \$456,490 deficit.

Capital assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2016, amounts to \$228,883,812, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

City of Franklin's Investment in Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 24,623,751	\$ 25,268,691	\$ 888,479	\$ 521,225	\$ 25,512,230	\$ 25,789,916
Buildings and Improvements	26,770,132	24,880,902	6,677,157	6,646,943	33,447,289	31,527,845
Improvements other than buildings	98,419,149	95,141,359	134,145,872	108,949,807	232,565,021	204,091,166
Machinery and and equipment	17,924,405	18,137,992	5,385,346	5,296,978	23,309,751	23,434,970
Construction in process	1,019,925	1,180,903	-	40,484	1,019,925	1,221,387
Total capital assets	168,757,362	164,609,847	147,096,854	121,455,437	315,854,216	286,065,284
Less: Accumulated depreciation	(50,357,916)	(49,104,573)	(36,612,488)	(31,371,411)	(86,970,404)	(80,475,984)
Capital assets net of depreciation	<u>\$ 118,399,446</u>	<u>\$ 115,505,274</u>	<u>\$ 110,484,366</u>	<u>\$ 90,084,026</u>	<u>\$ 228,883,812</u>	<u>\$ 205,589,300</u>

The total increase in the City's net investment in capital assets net of depreciation for the current fiscal year was \$23,294,512 or 11.3%. The inclusion of the \$22.5 million Ryan Creek Sanitary Interceptor sewer and the \$3.0 million S. North Cape Road, both donations from other governments caused the increase.

For further details on capital asset activity refer to Note 1(D)6 and Note 3(E) of the Notes to Financial Statements and Schedules 12 – 12.2.

Long-term debt

State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. At December 31, 2016, the City had general obligation note and bond issues outstanding totaling \$32,625,228. The current legal debt limitation for the City is \$186,450,155. The City's current outstanding general obligation debt is 17.5% of the statutory debt limit. In the last 15 years, the City has not exceeded 29% of the statutory debt limit.

By City policy, outstanding general obligation debt is limited to 2% of total equalized value or \$74,580,062. Outstanding debt represents 44% of this internal limit, leaving an internal debt limit margin of \$41,954,834.

The City's present rating from Moody's for its general obligation debt is "Aa1". This rating was affirmed in the spring of 2016, when a bond refunding took place.

In December 2014, a new \$5,320,000 ten year debt issue was sold. TIF District #3 sold \$3,330,000 for infrastructure costs on the 27th Street project, while the City will use \$1,990,000 for Capital Improvement projects. The Franklin Water Utility borrowed \$1,290,000 on a 20 year bond to finance construction of the Water & Waste Water Building. 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.

In April 2016, the City refunded the 2007 bonds with a notional value of \$5,895,000 with new bonds valued at \$5,770,000. See the debt footnote for further details.

City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation						
Premium (Discount)	\$ 260,403	\$ 203,902	\$ (11,534)	\$ (12,681)	\$ 248,869	\$ 191,221
Bonds	5,770,000	7,095,000	22,380,228	23,592,277	28,150,228	30,687,277
Notes	4,475,000	5,225,000	-	-	4,475,000	5,225,000
Total	<u>\$ 10,505,403</u>	<u>\$ 12,523,902</u>	<u>\$ 22,368,694</u>	<u>\$ 23,579,596</u>	<u>\$ 32,874,097</u>	<u>\$ 36,103,498</u>

Additional information of the City's long-term debt can be found in Note 3(H), Schedule 5 and Tables 11 – 13 in the statistical section of the report.

Other Changes of Significance

Post Employment Health Care Benefits

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

The Government Accounting Standards Board (GASB) issued Statement No. 45 effective for the City of Franklin on January 1, 2008 that said that the expense of these benefits has to be recognized over the working lives of the employees. The Common Council concluded that the City of Franklin should not only recognize the expense on its financial statements but should fund those amounts out of its general revenue starting in 2008 with the establishment of a section 115 trust. The actuarial computed annual required contribution under GASB No. 45 was \$342,872 for 2016 and \$324,393 for 2015.

More detailed information can be found in Note 4(C).

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2016 for the City was 3.4% and Milwaukee County which includes the City, was 3.9%. This compares with an unemployment rate of 4.1% for the State of Wisconsin.
- The local tax rate decreased \$5.69 from \$6.26 for operations for 2017. In the prior two years the tax rate of \$6.26 and \$6.28 was relatively unchanged. The 2016 rate reduction was the result of a revaluation in the City. The tax levy was un-changed the past three years, excluding the TIF Districts.

Requests for Information

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

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

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BASIC FINANCIAL STATEMENTS

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CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
As of December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 24,364,141	\$ 1,708,306	\$ 26,072,447
Receivables (net):			
Accounts	922,837	2,281,830	3,204,667
Taxes	24,201,827	305,400	24,507,227
Special assessments	965,653	-	965,653
Internal balances	8,944	(8,944)	-
Due from other governments	215,783	3,940,408	4,156,191
Prepaid items	178,294	4,518	182,812
Inventories	20,287	-	20,287
Long term advances	2,198,616	(2,198,616)	-
Restricted cash	-	394,227	394,227
Due from other governments - long term	-	20,014,692	20,014,692
Regulatory asset	-	303,391	303,391
Capital assets (net of accumulated depreciation)			
Land	24,623,751	888,479	25,512,230
Construction in progress	1,019,925	-	1,019,925
Buildings and improvements	16,493,700	5,166,988	21,660,688
Machinery and equipment	7,077,705	1,791,057	8,868,762
Improvements other than buildings	69,184,365	102,637,842	171,822,207
Total assets	<u>171,475,828</u>	<u>137,229,578</u>	<u>308,705,406</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding costs	84,189	-	84,189
Pension related amounts	8,371,580	356,959	8,728,539
Total deferred outflow of resources	<u>8,455,769</u>	<u>356,959</u>	<u>8,812,728</u>
LIABILITIES			
Accounts payable	1,085,247	1,288,618	2,373,865
Accrued liabilities	1,041,774	28,626	1,070,400
Due to other governments	98,757	-	98,757
Accrued interest	79,562	98,187	177,749
Special deposits	98,629	-	98,629
Noncurrent liabilities			
Due within one year	3,787,608	1,312,973	5,100,581
Due in more than one year	10,901,599	21,587,002	32,488,601
Total liabilities	<u>17,093,176</u>	<u>24,315,406</u>	<u>41,408,582</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	3,056,450	110,286	3,166,736
Subsequent year property taxes	24,003,783	-	24,003,783
Total deferred inflows of resources	<u>27,060,233</u>	<u>110,286</u>	<u>27,170,519</u>
NET POSITION			
Net investment in capital assets	110,638,152	88,115,672	198,334,454
Restricted	10,617,660	21,594,455	32,212,115
Unrestricted	14,522,376	3,450,718	18,392,464
Total net position	<u>\$ 135,778,188</u>	<u>\$ 113,160,845</u>	<u>\$ 248,939,033</u>

CITY OF FRANKLIN, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	\$ 3,215,423	\$ 138,723	\$ -	\$ 5,060	\$ (3,071,640)	\$ -	\$ (3,071,640)
	18,398,830	2,325,154	313,766	88,752	(15,671,158)	-	(15,671,158)
	8,124,372	2,825,532	1,266,075	3,291,094	(741,671)	-	(741,671)
es	794,502	184,304	109,213	-	(500,985)	-	(500,985)
	1,872,691	176,065	193,352	292,980	(1,210,294)	-	(1,210,294)
ment	547,060	122,264	-	-	(424,796)	-	(424,796)
it	313,301	-	-	-	(313,301)	-	(313,301)
tivities	33,266,179	5,772,042	1,882,406	3,677,886	(21,933,845)	-	(21,933,845)
	5,549,508	6,054,573	-	302,940	-	808,005	808,005
	5,729,314	3,328,550	-	38,975	-	(2,361,789)	(2,361,789)
tivities	11,278,822	9,383,123	-	341,915	-	(1,553,784)	(1,553,784)
ment	\$ 44,545,001	\$ 15,155,165	\$ 1,882,406	\$ 4,019,801	(21,933,845)	(1,553,784)	(23,487,629)
General revenue:							
Property taxes levied for general purposes					19,057,468	-	19,057,468
Property taxes levied for debt service					1,500,000	-	1,500,000
Property taxes levied for TIF Districts					3,111,557	-	3,111,557
Other taxes					863,735	-	863,735
Intergovernmental revenue not restricted to specific programs					1,350,257	-	1,350,257
Investment earnings					315,376	437,909	753,285
Miscellaneous revenue					54,447	58,832	113,279
Gain on sale of capital assets					106,934	-	106,934
Transfers					305,112	(305,112)	-
Total general revenue and transfers					26,664,886	191,629	26,856,515
Change in net position					4,731,041	(1,362,155)	3,368,886
Net position - beginning					131,047,147	92,071,540	223,118,687
Restatement (See Note 4.F.)					-	22,451,460	22,451,460
Net position - beginning (restated)					131,047,147	114,523,000	245,570,147
Net position - ending					\$ 135,778,188	\$ 113,160,845	\$ 248,939,033

CITY OF FRANKLIN, WISCONSIN
Balance Sheet
Governmental Funds
As of December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>TIF Districts</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 5,945,947	\$ 619,492	\$ 3,156,715	\$ 12,024,645	\$ 21,746,799
Receivables (net):					
Accounts	730,900	-	-	191,937	922,837
Taxes	16,441,551	1,331,806	2,267,467	4,161,003	24,201,827
Special assessments	-	86,356	-	879,297	965,653
Due from other funds	60,974	-	-	-	60,974
Due from other governments	24,548	-	-	191,235	215,783
Prepaid items	26,055	-	-	1,274	27,329
Inventories	20,287	-	-	-	20,287
Advances to other funds	2,248,616	-	-	275,000	2,523,616
TOTAL ASSETS	<u>\$ 25,498,878</u>	<u>\$ 2,037,654</u>	<u>\$ 5,424,182</u>	<u>\$ 17,724,391</u>	<u>\$ 50,685,105</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 498,871	\$ -	\$ 180	\$ 559,465	\$ 1,058,516
Accrued liabilities	672,619	-	-	98,655	771,274
Due to other funds	5,784	-	24,694	21,552	52,030
Due to other governments	97,861	-	-	896	98,757
Special deposits	98,629	-	-	-	98,629
Advance from other funds	-	-	600,000	-	600,000
Total liabilities	<u>1,373,764</u>	<u>-</u>	<u>624,874</u>	<u>680,568</u>	<u>2,679,206</u>
DEFERRED INFLOWS OF RESOURCES					
Subsequent year property taxes	16,434,430	1,300,000	2,267,467	4,001,886	24,003,783
Unavailable revenue	-	86,356	-	879,297	965,653
Total deferred inflows of resources	<u>16,434,430</u>	<u>1,386,356</u>	<u>2,267,467</u>	<u>4,881,183</u>	<u>24,969,436</u>
FUND BALANCES					
Nonspendable	2,294,958	-	-	1,274	2,296,232
Restricted	-	651,298	2,583,687	6,495,311	9,730,296
Assigned	61,626	-	-	5,684,525	5,746,151
Unassigned (deficit)	5,334,100	-	(51,846)	(18,470)	5,263,784
Total fund balances	<u>7,690,684</u>	<u>651,298</u>	<u>2,531,841</u>	<u>12,162,640</u>	<u>23,036,463</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 25,498,878</u>	<u>\$ 2,037,654</u>	<u>\$ 5,424,182</u>	<u>\$ 17,724,391</u>	<u>\$ 50,685,105</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of December 31, 2016

Fund balances - total governmental funds	\$ 23,036,463
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets, net of depreciation	118,399,446
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Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenues when earned in the government-wide statements

Special assessments	965,653
---------------------	---------

Deferred outflows of resources related to pension are applicable to future periods and, therefore, are not reported in fund statements

	8,371,580
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Deferred inflows of resources related to pension are applicable to future periods and, therefore, are not reported in fund statements

	(3,056,450)
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Internal Service Fund net position

	2,746,075
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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

General obligation debt	(10,245,000)
Unamortized debt premiums	(260,403)
Compensated absences	(2,050,751)
Net pension obligation	(2,133,053)
Unamortized refunding costs	84,189
Accrued interest	(79,561)

Net change in net position of governmental activities

	<u>\$ 135,778,188</u>
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CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$ 17,161,004	\$ 1,500,000	\$ 3,111,557	\$ 2,760,200	\$ 24,532,761
Intergovernmental revenue	2,318,825	-	373,905	465,866	3,158,596
Licenses and permits	665,169	-	-	27,355	692,524
Fines, forfeitures and penalties	498,653	-	-	-	498,653
Public charges for services	1,452,601	-	-	2,589,914	4,042,515
Special assessments	-	50,583	-	853,564	904,147
Intergovernmental charges for services	194,806	-	-	-	194,806
Investment earnings	161,281	12,676	7,730	102,493	284,180
Miscellaneous revenue	182,016	-	-	299,927	481,943
Total revenue	<u>22,634,355</u>	<u>1,563,259</u>	<u>3,493,192</u>	<u>7,099,319</u>	<u>34,790,125</u>
EXPENDITURES					
Current					
General government	2,910,893	-	58,504	350	2,969,747
Public safety	15,787,827	-	-	25,527	15,813,354
Public works	3,745,146	-	17,352	1,540,268	5,302,766
Health and human services	646,870	-	-	119,238	766,108
Culture, recreation and education	179,933	-	-	1,530,245	1,710,178
Conservation and development	523,268	-	-	-	523,268
Capital Outlay	-	-	1,034,856	3,654,291	4,689,147
Debt Service					
Principal on current refunding	-	5,895,000	-	-	5,895,000
Principal	-	1,300,000	650,000	-	1,950,000
Interest	-	265,588	110,109	-	375,697
Debt issuance costs	-	53,789	-	-	53,789
Total expenditures	<u>23,793,937</u>	<u>7,514,377</u>	<u>1,870,821</u>	<u>6,869,919</u>	<u>40,049,054</u>
Excess (deficiency) of revenue over expenditures	<u>(1,159,582)</u>	<u>(5,951,118)</u>	<u>1,622,371</u>	<u>229,400</u>	<u>(5,258,929)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	126,585	126,585
Transfers in	1,050,382	170,931	113,515	1,524,536	2,859,364
Transfers out	(1,250,025)	-	(62,289)	(496,668)	(1,808,982)
Refunding debt issued	-	5,770,000	-	-	5,770,000
Premium on debt issued	-	154,202	-	-	154,202
Total other financing sources and uses	<u>(199,643)</u>	<u>6,095,133</u>	<u>51,226</u>	<u>1,154,453</u>	<u>7,101,169</u>
Net change in fund balances	(1,359,225)	144,015	1,673,597	1,383,853	1,842,240
Fund balances - beginning	<u>9,049,909</u>	<u>507,283</u>	<u>858,244</u>	<u>10,778,787</u>	<u>21,194,223</u>
Fund balances - ending	<u>\$ 7,690,684</u>	<u>\$ 651,298</u>	<u>\$ 2,531,841</u>	<u>\$ 12,162,640</u>	<u>\$ 23,036,463</u>

CITY OF FRANKLIN, WISCONSIN
Reconciliation of the Statement of Revenue
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds \$ 1,842,240

Amounts reported for governmental activities in the statement
of activities 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 or losses when disposed of.

Capital outlay is reported as an expenditure in the fund statements but capitalized in the government-wide financial statements	4,689,147
Some items reported as capital outlay expenditures in the fund statements are operating expenses in the government-wide financial statements	(476,820)
Depreciation	(3,297,378)
Net book value of assets disposed	(1,023,191)

Contributed capital assets are reported as revenues in the statement of activities.	3,002,414
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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 position.

Principal paid on long-term debt	1,950,000
Principal paid on current refunding	5,895,000
Proceeds from long-term debt	(5,770,000)

Government funds report the effects of premiums, discounts and refunding losses 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.	(93,731)
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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

Compensated absences	(69,931)
OPEB asset	(146,420)
Pension obligation	(3,465,472)
Deferred outflows of resources related to pensions	5,649,593
Deferred inflows of resources related to pensions	(3,056,450)
Accrued interest payable	56,405

Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	
Special assessments	(238,558)

Internal service fund change in net position	(715,807)
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Net change in net position of governmental activities	\$ 4,731,041
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See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with final budget - Excess (Deficiency)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Taxes	\$ 18,133,800	\$ 18,133,800	\$ 18,211,386	\$ 77,586
Intergovernmental revenue	2,321,200	2,321,200	2,318,825	(2,375)
Licenses and permits	847,350	847,350	665,169	(182,181)
Fines, forfeitures and penalties	440,000	450,000	498,653	48,653
Public charges for services	1,544,975	1,565,975	1,452,601	(113,374)
Intergovernmental charges for services	203,200	203,200	194,806	(8,394)
Investment earnings	205,200	205,200	161,281	(43,919)
Miscellaneous revenue	160,100	160,100	182,016	21,916
Total revenue	<u>23,855,825</u>	<u>23,886,825</u>	<u>23,684,737</u>	<u>(202,088)</u>
EXPENDITURES				
Current				
General government	3,166,630	3,126,970	2,887,296	239,674
Public safety	16,128,832	15,780,161	15,780,009	152
Public works	3,612,003	3,948,930	3,717,037	231,893
Health and human services	684,191	684,191	646,870	37,321
Culture and recreation	167,911	194,911	184,883	10,028
Conservation and development	579,858	608,152	492,347	115,805
Total expenditures	<u>24,339,425</u>	<u>24,343,315</u>	<u>23,708,442</u>	<u>634,873</u>
Excess (deficiency) of revenue over (under) expenditures	(483,600)	(456,490)	(23,705)	432,785
OTHER FINANCING USES				
Transfers out	<u>(1,224,000)</u>	<u>(1,250,025)</u>	<u>(1,250,025)</u>	<u>-</u>
Net change in fund balance - budgetary basis	(1,707,600)	(1,706,515)	(1,273,730)	432,785
Adjustments to generally accepted accounting principles basis				
2016 encumbrances	-	61,626	61,626	-
2015 encumbrances	-	(147,121)	(147,121)	-
Net change in fund balance - generally accepted accounting principles basis	(1,707,600)	(1,792,010)	(1,359,225)	432,785
Fund Balances - beginning	<u>9,049,909</u>	<u>9,049,909</u>	<u>9,049,909</u>	<u>-</u>
Fund Balances - ending	<u>\$ 7,342,309</u>	<u>\$ 7,257,899</u>	<u>\$ 7,690,684</u>	<u>\$ 432,785</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
As of December 31, 2016
(with comparative information for December 31, 2015)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	
ts	\$ 1,189,005	\$ 828,364	\$ 519,301	\$ -	\$ 1,708,306	\$ 2,617,342
	1,415,091	1,309,816	866,739	1,143,385	2,281,830	-
	183,461	167,052	121,939	124,633	305,400	-
	26,276	107,810	56,171	89,219	82,447	-
rnments	-	-	3,940,408	380,582	3,940,408	-
	2,304	4,039	2,214	2,109	4,518	150,965
ds	-	-	-	-	-	275,000
ets	2,816,137	2,417,081	5,506,772	1,739,928	8,322,909	3,043,307
investments	-	-	394,227	356,106	394,227	-
rnments	-	-	20,014,692	24,931,318	20,014,692	-
	303,391	434,057	-	-	303,391	-
	-	2,319	-	2,319	-	-
	162,885	162,885	725,594	358,340	888,479	-
overments	3,384,279	3,369,172	3,292,878	3,277,771	6,677,157	-
r than buildings	55,420,201	54,568,851	78,725,671	54,380,957	134,145,872	-
ipment	4,573,476	4,500,307	811,870	796,670	5,385,346	-
gress	-	21,389	-	19,095	-	-
id depreciation	(18,128,361)	(17,147,492)	(18,484,127)	(14,223,919)	(36,612,488)	-
ssets (net of l depreciation)	45,412,480	45,475,112	65,071,886	44,608,914	110,484,366	-
assets	45,715,871	45,911,488	85,480,805	69,898,657	131,196,676	-
	48,532,008	48,328,569	90,987,577	71,638,585	139,519,585	3,043,307
NS OF RESOURCES						
s related to pensions	188,850	180,266	168,109	106,114	356,959	-

Continued

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
As of December 31, 2016
(with comparative information for December 31, 2015)

	Business-type Activities - Enterprise Funds					Governmental
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	Activities - Internal Service Funds
	\$ 730,533	\$ 830,203	\$ 558,085	\$ 597,931	\$ 1,288,618	\$ 26,732
	689	21,798	27,937	41,867	28,626	270,500
e	11,196	11,562	86,991	91,739	98,187	-
	70,899	186,335	20,492	109,915	91,391	-
term obligations	91,219	86,849	1,221,754	1,188,896	1,312,973	-
	904,536	1,136,747	1,915,259	2,030,348	2,819,795	297,232
	-	-	2,198,616	2,198,616	2,198,616	-
	202,705	244,572	180,443	133,402	383,148	-
s payable	1,077,247	1,167,320	19,978,474	21,200,228	21,055,721	-
absences	74,066	35,380	74,067	35,381	148,133	-
ities	1,354,018	1,447,272	20,232,984	21,369,011	21,587,002	-
	2,258,554	2,584,019	24,346,859	25,597,975	26,605,413	297,232
RESOURCES						
pensions	58,347	-	51,939	-	110,286	-
	44,244,014	44,252,792	43,871,658	44,608,914	88,115,672	-
assets	-	-	21,594,455	356,106	21,594,455	-
	2,159,943	1,672,024	1,290,775	1,181,704	3,450,718	2,746,075
	\$ 46,403,957	\$ 45,924,816	\$ 66,756,888	\$ 46,146,724	\$ 113,160,845	\$ 2,746,075

financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016
(with comparative information for December 31, 2015)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	
REVENUE						
	\$ 3,040,247	\$ 2,822,150	\$ 1,789,296	\$ 1,871,113	\$ 4,829,543	\$ -
	717,806	663,537	457,801	424,760	1,175,607	-
	819,012	777,816	487,248	467,975	1,306,260	-
	467,973	392,069	406,631	406,203	874,604	-
	270,342	250,751	151,190	133,395	421,532	-
	<u>5,315,380</u>	<u>4,906,323</u>	<u>3,292,166</u>	<u>3,303,446</u>	<u>8,607,546</u>	-
and sales	-	-	-	-	-	-
initial charges	-	-	-	-	-	3,055,459
	27,284	11,385	-	-	27,284	-
on service	534,028	517,722	-	-	534,028	-
tion service	122,290	121,055	-	-	122,290	-
s, penalties and other	55,591	53,443	36,384	36,936	91,975	-
ating revenue	<u>6,054,573</u>	<u>5,609,928</u>	<u>3,328,550</u>	<u>3,340,382</u>	<u>9,383,123</u>	<u>3,055,459</u>
EXPENSES						
services	3,609,058	3,621,471	2,240,685	2,678,872	5,849,743	3,802,462
	1,214,163	1,189,963	2,123,035	692,909	3,337,198	-
	130,666	367,551	-	-	130,666	-
	<u>560,354</u>	<u>576,166</u>	<u>834,149</u>	<u>216,935</u>	<u>1,394,503</u>	-
expenses	<u>5,514,241</u>	<u>5,755,151</u>	<u>5,197,869</u>	<u>3,588,716</u>	<u>10,712,110</u>	<u>3,802,462</u>
income (loss)	<u>540,332</u>	<u>(145,223)</u>	<u>(1,869,319)</u>	<u>(248,334)</u>	<u>(1,328,987)</u>	<u>(747,003)</u>
CHANGE IN FUND NET POSITION						
beginning	2,589	3,368	435,320	589,760	437,909	31,196
	56,317	67,475	2,515	6,126	58,832	-
	<u>(35,267)</u>	<u>(10,937)</u>	<u>(531,445)</u>	<u>(559,704)</u>	<u>(566,712)</u>	-
operating revenue (expenses)	<u>23,639</u>	<u>59,906</u>	<u>(93,610)</u>	<u>36,182</u>	<u>(69,971)</u>	<u>31,196</u>
before contributions						
fers	563,971	(85,317)	(1,962,929)	(212,152)	(1,398,958)	(715,807)
ADDITIONAL TRANSFERS						
ns	962,223	541,420	124,962	24,831	1,087,185	-
	<u>(1,047,053)</u>	<u>(1,041,040)</u>	<u>(3,329)</u>	<u>(3,419)</u>	<u>(1,050,382)</u>	-
net position	<u>479,141</u>	<u>(584,937)</u>	<u>(1,841,296)</u>	<u>(190,740)</u>	<u>(1,362,155)</u>	<u>(715,807)</u>
ending	45,924,816	46,541,606	46,146,724	46,354,839	92,071,540	3,461,882
Note 4.F.)	-	(31,853)	22,451,460	(17,375)	22,451,460	-
ending (restated)	<u>45,924,816</u>	<u>46,509,753</u>	<u>68,598,184</u>	<u>46,337,464</u>	<u>114,523,000</u>	<u>3,461,882</u>
ENDING BALANCE	<u>\$ 46,403,957</u>	<u>\$ 45,924,816</u>	<u>\$ 66,756,888</u>	<u>\$ 46,146,724</u>	<u>\$ 113,160,845</u>	<u>\$ 2,746,075</u>

nents.

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016
(with comparative information for December 31, 2015)

	Business-type Activities - Enterprise Funds					Governmental
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	Activities - Internal Service Funds
OPERATING ACTIVITIES						
Customers and users	\$ 5,794,402	\$ 5,397,656	\$ 3,640,557	\$ 3,382,616	\$ 9,434,959	\$ 3,055,651
Services provided	276,338	273,986	2,897	-	279,235	-
Depreciation	(3,649,633)	(3,580,074)	(2,627,146)	(2,534,518)	(6,276,779)	(3,869,573)
Amortization	(629,943)	(616,922)	(436,869)	(403,655)	(1,066,812)	-
And services used	(107,264)	(96,600)	(107,982)	(96,600)	(215,246)	-
Provided by (used in)						
Activities	1,683,900	1,378,046	471,457	347,843	2,155,357	(813,922)
NONCAPITAL ACTIVITIES						
Transfers to funds	-	-	-	-	-	813,000
For tax equivalent	(1,047,053)	(1,041,040)	(3,329)	(3,419)	(1,050,382)	-
And by (used in) noncapital						
Activities	(1,047,053)	(1,041,040)	(3,329)	(3,419)	(1,050,382)	813,000
CAPITAL AND INVESTING ACTIVITIES						
Acquisition of asset	-	86,741	-	-	-	-
	(55,000)	(55,000)	(1,157,048)	(1,129,246)	(1,212,048)	-
From governments	-	-	1,356,800	744,031	1,356,800	-
	(34,487)	-	(536,193)	(564,338)	(570,680)	-
Received	38,975	-	38,975	-	77,950	-
On assets	(228,283)	(1,947,556)	(48,560)	(1,774,183)	(276,843)	-
And by (used in) capital						
Financing activities	(278,795)	(1,915,815)	(346,026)	(2,723,736)	(624,821)	-
INVESTING ACTIVITIES						
	2,589	3,368	435,320	589,760	437,909	31,196
Increase (decrease) in cash						
and equivalents	360,641	(1,575,441)	557,422	(1,789,552)	918,063	30,274
Balance - Beginning	828,364	2,403,805	356,106	2,145,658	1,184,470	2,587,068
Balance - Ending	\$ 1,189,005	\$ 828,364	\$ 913,528	\$ 356,106	\$ 2,102,533	\$ 2,617,342
- Unrestricted	\$ 1,189,005	\$ 828,364	\$ 519,301	\$ -	\$ 1,708,306	\$ 2,617,342
- Restricted	-	-	394,227	356,106	394,227	-
	\$ 1,189,005	\$ 828,364	\$ 913,528	\$ 356,106	\$ 2,102,533	\$ 2,617,342

Supplements.

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016
(with comparative information for December 31, 2015)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	
g income (loss) to net g activities	\$ 540,332	\$ (145,223)	\$ (1,869,319)	\$ (248,334)	\$ (1,328,987)	\$ (747,003)
operating income (loss) to net operating activities						
	1,214,163	1,189,963	2,123,035	692,909	3,337,198	-
l to other funds	12,363	12,435	(12,363)	(12,435)	-	-
	130,666	367,551	-	-	130,666	-
is	56,317	67,475	2,515	6,126	58,832	-
1 assets					-	
	(105,275)	(28,586)	276,646	46,327	171,371	192
	(16,409)	22,825	2,694	(14,328)	(13,715)	-
	1,735	(4,039)	(105)	(2,109)	1,630	(93,465)
is	81,534	(86,891)	45,411	(15,687)	126,945	-
ernments	-	-	-	4,109	-	-
	2,319	(2,319)	2,319	(2,319)	4,638	-
	(8,584)	(180,266)	(61,995)	(106,114)	(70,579)	-
1 liabilities					-	
	(99,670)	19,274	(39,846)	(241,748)	(139,516)	26,354
	17,577	(193,473)	24,756	19,794	42,333	-
	(127,799)	120,781	(89,423)	99,705	(217,222)	-
	-	(100)	-	-	-	-
	16,480	212,719	98,981	116,027	115,461	-
nces	(31,849)	5,920	(31,849)	5,920	(63,698)	-
	<u>1,143,568</u>	<u>1,523,269</u>	<u>2,340,776</u>	<u>596,177</u>	<u>3,484,344</u>	<u>(66,919)</u>
rs provided by (used in) activities	\$ 1,683,900	\$ 1,378,046	\$ 471,457	\$ 347,843	\$ 2,155,357	\$ (813,922)
ed and/or financed						
le City	\$ 923,248	\$ 541,420	\$ 85,987	\$ 24,831	\$ 1,009,235	\$ -
	\$ (1,147)	\$ (826)	\$ -	\$ -	\$ (1,147)	\$ -

ial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Fiduciary Net Position
Fiduciary Funds
As of December 31, 2016

	<u>Agency Funds</u>	<u>City of Franklin Post Employment Benefits Trust</u>
ASSETS		
Cash	\$ 56,633,892	\$ 663,296
Investments:		
Fixed Income Securities - Corporate Bonds	-	1,024,272
Domestic Equities	-	2,842,010
International Equities	-	442,930
Total Cash & Investments	<u>56,633,892</u>	<u>4,972,508</u>
Accounts receivable	67,673	-
Taxes receivable	15,012,442	-
Prepaid expense	-	10,653
Total assets	<u><u>\$ 71,714,007</u></u>	<u><u>\$ 4,983,161</u></u>
LIABILITIES		
Accounts payable	\$ 263,859	\$ 52,325
Accrued liabilities	-	45,000
Due to other governments	71,438,790	-
Special deposits	11,358	-
Total liabilities	<u><u>\$ 71,714,007</u></u>	<u><u>97,325</u></u>
Total net position restricted for post employment benefits		<u><u>\$ 4,885,836</u></u>

CITY OF FRANKLIN, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2016

	<u>City of Franklin Post Employment Benefits Trust</u>
ADDITIONS	
Contributions:	
City of Franklin	\$ 191,757
Retirees	84,137
Net investment earnings	461,669
Total additions	<u>737,563</u>
DEDUCTIONS	
Incurred claims	174,425
Prescription drug claims	95,165
Claims fees	16,840
Stop loss premiums less claims received	83,282
Total deductions	<u>369,712</u>
 Change in net position	 367,851
NET POSITION HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:	
Beginning of year	<u>4,517,985</u>
 End of year	 <u>\$ 4,885,836</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the City of Franklin's (the "City") 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. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit 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 or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government. The City has not identified any component units required to be discretely presented.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for certain Tax Incremental Districts (TID) 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 TID development projects for the benefit of the City. The Authority had no financial transactions during 2016, nor does the Authority own any assets or liable for any debt. Therefore, no financial statements are presented in this report. The Authority does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued statement No. 72 - *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

Government-Wide Financial Statements

The statement of net position (Exhibit A) and statement of activities (Exhibit B) 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 non-exchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services provided.

The statement of activities demonstrates the degree that direct expenses of a given segment or function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate all indirect expenses to functions in the statement of activities. Program revenue includes 1) charges to customers or applicants, who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported as general revenue. Internally dedicated resources are reported as general revenue rather than as program revenue.

Fund Financial Statements

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

- a. Total assets and deferred outflows, liabilities and deferred inflows, 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.

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

Major Governmental Funds

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

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

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

Major Enterprise Funds

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Major Enterprise Funds (continued)

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.

In addition the City reports:

Nonmajor Governmental Funds

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

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

Other Fund Types

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

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

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

Government-Wide Financial Statements

The government-wide statement of net position 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, deferred inflows, liabilities and deferred outflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year that they are levied for.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (continued)

Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Receivables are recorded as revenue when services are performed. At December 31, 2016, there were \$481,833 of anticipated future assessments. This is not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

Fund Financial Statements

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

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

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

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 inflows of resources.

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Deferred inflows of resources are reported on the governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year that are for subsequent year's operations. For governmental fund financial statements unearned revenues arise where potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue 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 is removed from the balance sheet and revenue is recognized.

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenue of the Water and Sanitary Sewer funds are charges to customers for sales and services provided. The rates billed in the Water Utility are approved by the Public Service Commission. Sanitary sewer charges are billed at rates established by City policy based on the charges received from the Milwaukee Metropolitan Sewerage District and local operation and maintenance expenses. The principal operating revenue of the internal service fund is charges to other funds for group health coverage.

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

All Financial Statements

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

1. Cash and Investments

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

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

- a. Requires a minimum rating at time of purchase of Aa3 by either Moody's or Standard & Poor's.
- b. Limits an issuer to 10% or less and asset classes to 35% or less of the fair value of the portfolio with the exception of U.S. Government Treasury and Agency securities that have the full faith guarantee of the U.S. Government.
- c. Specifies a minimum amount of cash equivalents be maintained, an average life of the portfolio not exceeding 6 years and no individual issue with a maturity exceeding seven years at the date of purchase to limit interest rate risk.
- d. Limits investments highly sensitive to market changes through its duration and diversification policies to limit interest rate risk.
- e. Prohibits the investment in foreign owned securities.
- f. Limits derivative investments to those with a final maturity of seven years or less.

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

1. Cash and Investments (continued)

The second investment policy is for its fiduciary fund for retiree health purposes. The policy:

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

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

- a. Custodial credit risk
 - investments are held by a trustee or third party custodian.
 - deposits in excess of FDIC insurance limits are maintained in the State LGIP or secured bank balances in amounts of at least 75% of the year end cash balances.
- b. Credit risk – securities purchased need to have an AA or better investment rating.
- c. Concentration of credit risk – issuer or asset class not to exceed 10% of the market value of the portfolio with the exception of U.S. issued securities.
- d. Interest rate risk – managed by limiting the length of maturity of newly purchased investments and limits the average life of the portfolio to control risk.

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 methods and inputs as outlined in Note 3.A. 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 (loss). Investment income (loss) on commingled investments of various City 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, 2016, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

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, three 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 position.

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	March 31, 2017
Third installment due	May 31, 2017
Personal property taxes in full	January 31, 2017
Final tax settlement with County	August 20, 2017
Tax deed by County – 2017	
Delinquent real estate taxes	October 2019

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 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 position. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

In the general fund financial statements, advances to other funds are offset equally by nonspendable fund balance which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation. Advances in all other governmental funds are classified in fund balance based on the availability of repayments for use.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

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. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted Assets

Mandatory segregation of assets are presented as restricted assets. Such segregation is required by agreements with external parties. Current liabilities payable from restricted assets are so classified. The Pension Asset, if any, is reported as restricted. This asset represents funds held by the Plan Trust, which can only be used to settle Plan obligations. The excess of restricted assets over current liabilities will be used first for equipment replacement. The remainder, if generated from earnings, is shown as restricted net position.

5. Pensions

For purposes of measuring the net pension obligations (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Wisconsin Retirement System (WRS) and the City of Franklin Defined Benefit Retirement Income Plan (DPW) and additions to/deductions from WRS and DPW's fiduciary net position have been determined on the same basis as they are reported by WRS and DPW. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

6. 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 \$5,000 for general capital assets and \$10,000 for infrastructure assets with estimated useful lives of two years or more. Capital assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at estimated fair value at the date of donation. Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant.

For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to the applicable function.

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

Buildings and improvements	5-50 Years
Machinery and equipment	2-30 Years
Water and sewer infrastructure	20-100 Years
Infrastructure	20-90 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, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

7. Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time. A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

In governmental funds, property taxes receivable, special assessments and interest revenue not yet due are not recognized as revenue in the current period. For the government-wide and proprietary fund type financial statements, special assessments and interest revenue are recognized as revenue in the current period. This leaves property tax receivable as a deferred inflow of resources in the statement of net position.

Certain items affect the net pension obligation (asset) are amortized over the period determined to be affected by the change. The balance at year end of these items is reported as deferred outflows of resources or deferred inflows of resources section of the statement of net position.

8. 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, 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 a liability, as a result of employee resignations or retirements are payable with expendable available resources.

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

9. 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 of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premium) is reported as other financing sources and payments of principal and interest are reported as expenditures. The proprietary fund accounting is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the interest rate method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

The City has approved issuance of industrial development revenue bonds (IDRB) for the benefit of private business enterprises. IDRB's are secured by mortgages or revenue agreements on associated projects of the business enterprises. The IDRB's do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the financial statements. Five series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$13,075,000 are outstanding with a December 31, 2016 balance of \$7,814,653.

10. 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.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

11. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Unspent related debt proceeds are excluded from the calculation of net investment in capital assets.
- b. Restricted net position – Consists of net position 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; and includes restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net Investment in capital assets	\$ 110,638,152	\$ 88,115,672	\$ (419,370)	\$ 198,334,454
Unrestricted	14,522,376	3,450,718	419,370	18,392,464

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.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

11. Equity Classifications (continued)

Fund Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The City does not report any committed fund balance.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (Common Council) has by resolution authorized the Director of Finance & Treasurer to assign fund balance (Resolution 2014-7025). The Common Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, as additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

When committed, assigned and unassigned resources are available for use, it is the City's policy to use committed resources first, then assigned resources and then unassigned resources, as they are needed.

The City has adopted a fund balance policy (Res. 2016-7216) for all governmental funds supported by tax levy as follows: the ratio of year end fund balance to current year Expenditures shall target a range between 20 and 30%. The amount of Fund Balance will be taken into consideration when establishing the following year's budget. At least 15% of the succeeding year expenditure budget be maintained for working capital. Any non-spendable fund balance of the General Fund shall be excluded from the ratio. As of the year ended December 31, 2016, the City was in compliance with the fund balance policy.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

12. 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, 2015 from which the data was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

A budget has been adopted for the General, Debt Service, TID #3, TID #4, Library Operating, Library Auxiliary, Solid Waste Collection, Civic Celebrations, St Martin's Fair, Donations, Grant, Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Utility Improvement, Development, Sanitary Sewer and Water Utility funds. A budget has not been formally adopted for TID #5 fund.

The budget amounts presented include any amendments made during the year. The City may authorize transfers of budget amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds vote of the Common Council. Supplemental appropriations during the year were not significant. Appropriations lapse at the end of the year unless specifically carried over. Carryovers to the following year amounted to approximately \$2.6 million. Budgets are adopted for personnel and non-personnel expenditures at the function level.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law 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 zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety). For the year ended December 31, 2016 the following fund functions had expenditures exceeding budget:

Fund/Function	Budget Expenditures	Actual Expenditures	Excess Expenditures Over Budget
TIF Districts			
Transfers out	\$ -	\$ 62,289	\$ 62,289
Civic Celebration			
Culture, recreation, and education	102,789	142,353	39,564
Donation			
General government	-	350	350
Health and human services	600	716	116
Capital Improvement			
Transfers out	-	113,515	113,515

NOTE 3 - 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 position and balance sheet as cash and investments of the City. In addition, investments are separately held by several of the funds.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

The City's bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, although the fund had reserves available at December 31, 2016, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 35 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

The City maintains a collateral arrangement with its main bank to provide collateralization in excess of deposits maintained at the bank. The collateral is maintained in the form of a letter of credit from the Federal Home Loan Bank of Cincinnati in the amount of \$20,000,000.

Cash and investments as shown on the December 31, 2016 statement of net position are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 3,539,326	\$ 3,539,326	Credit
Money market funds	704,274	704,274	Custodial credit
Certificates of deposit	245,000	245,000	Custodial credit
U.S. agencies	15,037,838	15,037,838	Credit, custodial credit, interest rate and concentration of credit
Municipal bonds	1,027,420	1,027,420	Credit, custodial credit, interest rate and concentration of credit
Corporate notes	4,518,160	4,518,160	Credit, custodial credit, interest rate and concentration of credit
Total fixed income investments	25,072,018	25,072,018	
Equity funds	3,284,940	3,284,940	Custodial credit
Fixed income funds	1,024,272	1,024,272	Credit and interest rate
Cash and demand deposits	58,691,844	46,055,020	Custodial credit
Total	<u>\$ 88,073,074</u>	<u>\$ 75,436,250</u>	

Reconciliation to the financial statements is shown below:

Per Statement of Net Position

Primary Government:

Unrestricted cash and investments	\$ 26,072,447
Restricted cash and investments	394,227

Per Statement of Fiduciary Net Position - Fiduciary Funds

Agency Fund	56,633,892
City of Franklin Post Employment Benefits Trust	4,972,508
	<u>\$ 88,073,074</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - 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, 2016, none of the City's total bank balances of \$46,055,020 were uninsured and uncollateralized and therefore exposed to custodial credit risk. For investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the City's investments have a tri-party relationship with the investments held by a party independent of the party managing the investment.

Credit Risk Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. The City's policy requires a minimum credit rating of Aa3 at time of purchase. The City's fixed income investments subject to credit risk include agencies securities, corporate asset backed securities, corporate bonds, government repurchase agreements and money market funds and were rated by Moody's Investor Service.

As of December 31, 2016, 73.1% of the fixed income investments were in rated fixed income investments and subject to credit risk. The ratings as a percentage of the total investment portfolio were as follows: Aaa at 6.9%, Aa1 at 3.5%, and Aa3 at 8.6%. The portfolio makeup of fixed income investments was treasury and agency securities at 51.6%, corporate securities at 15.6%, Municipal Bonds at 3.5%, Local Government Investment Pool at 12.1% and money market funds at 2.4%. The Local Government Investment Pool is not rated. Equities and fixed income mutual funds held in trust at 14.8% make up the remainder of the investments and are not individually rated.

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 December 31, 2016 no issuer other than U.S. Treasury and Agency securities that have the full faith guarantee of the U.S. government had a position of greater than ten percent of the portfolio.

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

As of December 31, 2016, the City's investments exposed to interest rate risk were as follows:

Investment type	Fair Value	Investment Maturity in years			
		Less than 1	2 - 3	4 - 5	6 - 7
U.S. treasuries and agencies	\$ 15,037,838	\$ 3,502,981	\$ 5,065,623	\$ 6,469,234	\$ -
Municipal bonds	1,027,420	-	1,027,420	-	-
Corporate notes	4,518,160	2,500,598	2,017,562	-	-
Fixed income funds	1,024,272	171,271	473,681	170,019	209,301
Total	<u>\$ 21,607,690</u>	<u>\$ 6,174,850</u>	<u>\$ 8,584,286</u>	<u>\$ 6,639,253</u>	<u>\$ 209,301</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

Market approach – prices or other information from market transactions involving identical or similar assets.

Investment Type	As of December 31, 2016:			
	Level 1	Level 2	Level 3	Total
US treasuries & agencies	\$ -	\$15,037,838	\$ -	\$15,037,838
Municipal Bonds	-	1,027,420	-	1,027,420
Corporate notes	-	4,518,160	-	4,518,160
Total	-	20,583,418	-	20,583,418
Equity Funds	3,284,940	-	-	3,284,940
Fixed Income Funds	1,024,272	-	-	1,024,272
Total	<u>\$ 4,309,212</u>	<u>\$20,583,418</u>	<u>\$ -</u>	<u>\$24,892,630</u>

B. RECEIVABLES

Receivables consist of accounts, taxes, notes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and ambulance revenue, was \$67,940 at December 31, 2016. Other than the special assessment receivables, all other receivables are expected to be collected within one year.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

Governmental funds report unavailable or unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental funds:			
Subsequent year property taxes	\$ -	\$ 24,003,783	\$ 24,003,783
Special assessments not yet due	<u>965,653</u>	<u>-</u>	<u>965,653</u>
Total deferred inflows of resources for governmental funds	<u>\$ 965,653</u>	<u>\$ 24,003,783</u>	<u>\$ 24,969,436</u>

C. DUE FROM OTHER GOVERNMENTS

In 2011, the City entered into an intergovernmental cooperation agreement with another government for the construction and financing of the Ryan Creek Interceptor Sewer. The terms of this agreement include that the other government will reimburse the City for substantially all of the debt service costs resulting from the City taking on a State Clean Water Fund Loan. Those reimbursements will continue over the life of the loan, ending in 2031. This is presented as due from other governments in the statement of net position. Annual principal and interest payments to maturity received as part of this agreement are as follows:

<u>Year Ending December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,658,571	\$ 507,356
2018	1,214,723	477,809
2019	1,244,629	447,534
2020	1,275,272	416,514
2021	1,306,669	384,731
2022-26	7,032,035	1,418,823
2027-31	<u>7,941,365</u>	<u>498,299</u>
Total	<u>\$ 23,673,264</u>	<u>\$ 4,151,066</u>

D. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2016 is \$394,227.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 25,268,691	\$ 358,600	\$ 1,003,540	\$ 24,623,751
Construction in progress	1,180,903	1,693,420	1,854,398	1,019,925
Total capital assets not depreciated	26,449,594	2,052,020	2,857,938	25,643,676
Capital assets depreciated:				
Buildings & improvements	24,880,902	1,889,230	-	26,770,132
Machinery & equipment	18,137,992	1,253,044	1,466,631	17,924,405
Infrastructure	95,141,359	3,874,845	597,055	98,419,149
Total capital assets depreciated	138,160,253	7,017,119	2,063,686	143,113,686
Less: Accumulated depreciation for:				
Buildings & improvements	9,592,251	684,181	-	10,276,432
Machinery & equipment	11,325,850	967,830	1,446,980	10,846,700
Infrastructure	28,186,472	1,645,367	597,055	29,234,784
Total accumulated depreciation	49,104,573	3,297,378	2,044,035	50,357,916
Net capital assets depreciated	89,055,680	3,719,741	19,651	92,755,770
Governmental activities capital assets, net of accumulated depreciation	\$ 115,505,274	\$ 5,771,761	\$ 2,877,589	\$ 118,399,446

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 223,641
Public safety	703,447
Public works	1,975,535
Health & human services	4,931
Culture & recreation	388,325
Conservation & development	1,499
Total governmental activities depreciation expense	\$ 3,297,378

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS (continued)

	Restated Beginning Balance	Additions	Dispositions	Transfers	Ending Balance
Business-type Activities					
Capital Assets not depreciated:					
Land	\$ 888,479	\$ -	\$ -	\$ -	\$ 888,479
Construction in progress	40,484	48,467	-	(88,951)	-
Total capital assets not depreciated	928,963	48,467	-	(88,951)	888,479
Capital assets depreciated:					
Buildings & improvements	6,646,943	-	-	30,214	6,677,157
Machinery & equipment	5,296,978	88,368	-	-	5,385,346
Infrastructure	133,171,187	1,243,967	328,019	58,737	134,145,872
Total capital assets depreciated	145,115,108	1,332,335	328,019	88,951	146,208,375
Less: Accumulated depreciation for:					
Buildings & improvements	1,301,494	208,675	-	-	1,510,169
Machinery & equipment	3,499,684	234,131	139,526	-	3,594,289
Infrastructure	28,707,407	2,894,392	93,769	-	31,508,030
Total accumulated depreciation	33,508,585	3,337,198	233,295	-	36,612,488
Net capital assets depreciated	111,606,523	(2,004,863)	94,724	88,951	109,595,887
Business-type Activities Capital Assets, Net of Accumulated Depreciation	\$ 112,535,486	\$ (1,956,396)	\$ 94,724	\$ -	\$ 110,484,366

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 1,214,163
Sewer	2,123,035
	<u>\$ 3,337,198</u>

Opening Business-type activity balances were restated to reflect the prior period adjustment for the Ryan Creek Interceptor Sanitary Sewer. Land values were increased by \$367,254 and Infrastructure was increased \$24,221,380, while accumulated depreciation for Infrastructure was increased \$2,137,174 reflecting prior period depreciation. Refer to Note 4.F. for additional information.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

F. LEASE DISCLOSURES

OPERATING LEASES

The City has entered into several lease agreements with telecommunications companies, wherein the City has agreed to allow the use of water utility property for the purpose of telecommunication relays. Revenue from this activity totaled \$102,614 for the year ended December 31, 2016. Future minimum lease payments receivable in conjunction with the leases are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2017	\$ 53,033	\$ 53,003	\$ 106,036
2018	55,892	55,892	111,784
2019	43,218	43,218	86,436
2020	20,778	20,778	41,556
2021	1,913	1,913	3,826

G. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund receivables/payables 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 position, interfund balances owed within the governmental activities or business – type activities are netted and eliminated.

The interfund receivables and payables at December 31, 2016 are as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>			<u>Total</u>
	<u>General</u>	<u>Water Utility</u>	<u>Sanitary Sewer</u>	
General	\$ -	\$ 5,784	\$ -	\$ 5,784
TIF Districts	24,694	-	-	24,694
Non-Major	21,552	-	-	21,552
Water Utility	14,728	-	56,171	70,899
Sanitary Sewer	-	20,492	-	20,492
Totals	\$ 60,974	\$ 26,276	\$ 56,171	\$ 143,421

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (continued)

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 TIF Districts to carry out approved project plans. 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 advances will be repaid as the TIF District resources are available.

Payable Fund	Receivable Fund			Total	Due within one year
	General	Capital Projects Development	Internal Service		
TIF Districts	\$ 50,000	\$ 275,000	\$ 275,000	\$ 600,000	\$ 500,000
Sanitary Sewer	2,198,616	-	-	2,198,616	2,198,616
	<u>\$ 2,248,616</u>	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 2,798,616</u>	<u>\$ 2,698,616</u>

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 as presented on the fund financial statements during the year ended December 31, 2016 were as follows:

	Transfers Out				
	General Fund	TIF Districts	Nonmajor Governmental Funds	Enterprise Funds	Fund Totals
Transfers In					
General Fund	\$ -	\$ -	\$ -	\$ 1,050,382	\$ 1,050,382
Debt Service Fund	-	-	170,931	-	170,931
TIF Districts	-	-	113,515	-	113,515
Nonmajor Governmental Funds	1,250,025	62,289	212,222	-	1,524,536
Total	<u>\$ 1,250,025</u>	<u>\$ 62,289</u>	<u>\$ 496,668</u>	<u>\$ 1,050,382</u>	<u>\$ 2,859,364</u>

Current year transfers into the debt service fund from nonmajor governmental funds were completed for principal and interest payments. Transfers from the enterprise funds to the general fund were for tax-equivalent payments. All other transfers were completed for general operational purposes and capital activities.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (continued)

Transfers (continued)

A reconciliation of fund statement transfers to government wide transfers for the year ended December 31, 2016 is as follows:

	Governmental Funds	Enterprise Funds
Transfers in per fund statements	\$ 2,859,364	\$ -
Transfers out per fund statements	(1,808,982)	(1,050,382)
Municipality financed additions to Utility plant	(745,270)	745,270
Government Wide Transfers	<u>\$ 305,112</u>	<u>\$ (305,112)</u>

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

H. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2016 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 12,320,000	\$ 5,770,000	\$ 7,845,000	\$ 10,245,000	\$ 3,030,000
Premium	203,902	154,202	97,701	260,403	-
Sub-total	<u>12,523,902</u>	<u>5,924,202</u>	<u>7,942,701</u>	<u>10,505,403</u>	<u>3,030,000</u>
Compensated absences					
Accrued vacation pay	440,276	1,000,969	990,065	451,180	451,180
Accrued severance pay	1,318,330	115,071	30,294	1,403,107	109,964
Accrued compensatory time	222,214	237,876	263,626	196,464	196,464
Total compensated absences	<u>1,980,820</u>	<u>1,353,916</u>	<u>1,283,985</u>	<u>2,050,751</u>	<u>757,608</u>
Pension obligation (asset) - WRS	(2,066,135)	3,410,631	-	1,344,496	-
Pension obligation - City of Franklin Defined Benefit Retirement Plan	733,716	54,841	-	788,557	-
Total pension obligations	<u>(1,332,419)</u>	<u>3,465,472</u>	<u>-</u>	<u>2,133,053</u>	<u>-</u>
Governmental activities					
Long-term liabilities	<u>\$ 13,172,303</u>	<u>\$ 10,743,590</u>	<u>\$ 9,226,686</u>	<u>\$ 14,689,207</u>	<u>\$ 3,787,608</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Business-type Activities					
General obligation debt	\$ 23,592,277	\$ -	\$ 1,212,049	\$ 22,380,228	\$ 1,240,535
Discount	(12,681)	-	(1,147)	(11,534)	-
Subtotal	<u>23,579,596</u>	<u>-</u>	<u>1,210,902</u>	<u>22,368,694</u>	<u>1,240,535</u>
Compensated absences					
Accrued vacation pay	42,179	42,377	39,623	44,933	44,932
Accrued severance pay	70,760	4,934	-	75,694	-
Accrued compensatory time	<u>21,519</u>	<u>13,311</u>	<u>7,324</u>	<u>27,506</u>	<u>27,506</u>
Total compensated absences	134,458	60,622	46,947	148,133	72,438
Pension obligation -					
City of Franklin Defined Benefit Retirement Plan	<u>377,974</u>	<u>5,174</u>	<u>-</u>	<u>383,148</u>	<u>-</u>
Business-type activities					
Long-term liabilities	<u>\$ 24,092,028</u>	<u>\$ 65,796</u>	<u>\$ 1,257,849</u>	<u>\$ 22,899,975</u>	<u>\$ 1,312,973</u>

On April 20, 2016, the City issued \$5,770,000 of general obligation refunding bonds with an average coupon rate of 2% to refund \$5,895,000 of outstanding general obligation refunding bonds issued in 2007 with an average coupon rate of 3.8%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$1,378,985 from January 1, 2016 to May 12, 2016. The cash flow requirements on the refunding bonds was \$41,993 from May 12, 2016 through December 31, 2016. The current refunding resulted in an economic gain of \$389,894.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

Details of general obligation notes and bonds payable as of December 31, 2016 are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance Outstanding 12/31
General obligation Refunding Bonds	4/20/2016	2.0%	3/1/17-21	3/1 & 9/1	\$ 5,770,000	\$ 5,770,000
General obligation promissory notes	12/18/14	2.0% - 2.5%	3/1/15-24	3/1 & 9/1	5,320,000	4,475,000 ¹
Total Governmental Activities Debt						<u>\$ 10,245,000</u>
Business-type Activity Debt						
General obligation Clean Water Fund Loan	1/25/12	2.46%	5/1/14-31	5/1 & 11/1	27,562,754	\$ 21,200,228 ²
General obligation Bonds	12/18/14	2.0% - 3.125%	3/1/15-34	3/1 & 9/1	1,290,000	1,180,000 ³
Total Business-type Activities Debt						<u>\$ 22,380,228</u>

¹ Issued 63% for capital TIF purposes and 37% for general capital purposes, ² Issued for a sewer extension on W Ryan Rd, ³ Issued for water building purposes.

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 3,030,000	\$ 199,288	\$ 1,240,535	\$ 540,393
2018	2,315,000	131,038	1,269,723	509,746
2019	1,340,000	88,788	1,299,629	478,371
2020	1,275,000	62,413	1,330,272	446,251
2021	1,295,000	36,263	1,366,669	413,018
2022-26	990,000	35,219	7,342,035	1,532,961
2027-31	-	-	8,296,365	562,815
2032-34	-	-	235,000	11,172
Total	<u>\$ 10,245,000</u>	<u>\$ 553,009</u>	<u>\$ 22,380,228</u>	<u>\$ 4,494,727</u>

The City's statutory debt limit and margin of indebtedness at December 31, 2016 are \$186,450,155 and \$153,824,927, respectively. By City debt policy, the debt limit and margin of indebtedness limit are \$74,580,062 (40% of the limit prescribed by law) and \$41,954,834, respectively.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES

Governmental Activities

Governmental activities net position reported on the government-wide statement of net position at December 31, 2016 include the following:

Net investment in capital assets	
Land	\$ 24,623,751
Construction in process	1,019,925
Other capital assets, net of accumulated depreciation	92,755,770
Less: related long term debt outstanding, net of unspent bond proceeds	<u>(7,761,294)</u>
Net investment in capital assets	<u>110,638,152</u>
Restricted for:	
Debt service	658,091
Utility improvement	2,103,487
Development	4,058,562
TIF Districts	2,583,687
Library	495,660
Solid waste	330,883
Recreation services	48,386
Health	161,571
Donations	<u>177,333</u>
Total restricted	<u>10,617,660</u>
Unrestricted	<u>14,522,376</u>
Total governmental activities net position	<u>\$ 135,778,188</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Governmental Fund Balances

Reported on the fund financial statements at December 31, 2016 include the following:

General Fund - advances	\$ 2,248,616
General Fund - prepaid items and inventory	46,342
Library Fund - prepaid items	1,274
Total nonspendable	<u>\$ 2,296,232</u>
Restricted fund balances	
Debt service	\$ 651,298
Utility improvements	1,224,190
Development	4,058,562
TIF Districts	2,583,687
Donations	177,333
Health services	161,571
Library services	494,386
Solid waste	330,883
Recreational services	48,386
Total restricted	<u>\$ 9,730,296</u>
Assigned Fund balances:	
General Fund - purchase on order	\$ 61,626
Capital Projects:	
Capital outlay	338,922
Equipment replacement	2,371,003
Capital improvement	2,717,272
Street improvement	257,328
Total assigned fund balances	<u>\$ 5,746,151</u>
Unassigned fund balances	
General Fund	\$ 5,334,100
TIF Districts (Deficit)	(51,846)
St Martin's Fair (Deficit)	(18,470)
Total unassigned fund balances	<u>\$ 5,263,784</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Business-type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2016 include the following:

Net investment in capital assets	
Land	\$ 888,479
Other capital assets, net of accumulated depreciation	109,595,887
Less: related long term debt outstanding	<u>(22,368,694)</u>
Net investment in capital assets	<u>88,115,672</u>
Restricted for:	
Sewer equipment replacement	394,227
Intergovernmental cooperation agreement	<u>21,200,228</u>
Total Restricted	<u>21,594,455</u>
Unrestricted	<u>3,450,718</u>
Total business-type activities net position	<u>\$ 113,160,845</u>

NOTE 4 - OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System (Protective Occupation Employees only)

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or 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, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

General Information about the Pension Plan (continued)

Benefits provided. Employees who retire at or after age 54 for protective occupation employees are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 50 for protective occupation employees and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

NOTE 4 - OTHER INFORMATION (continued)

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

General Information about the Pension Plan (continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$803,686 in contributions from the employer.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
Protective with Social Security	6.6%	9.4%

At December 31, 2016, the City reported a liability of \$1,344,496, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.082739220%, which was a decrease of 0.001377480%, from its proportion measured as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$1,616,977, which includes amounts paid to WRS related to duty disability payments.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 227,451	\$ 2,829,469
Changes in assumptions	940,668	-
Net differences between projected and actual earnings on pension plan investments	5,504,752	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,912	-
Employer contributions subsequent to the measurement date	869,137	-
Total	\$ 7,636,920	\$ 2,829,469

The \$869,137 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the pension liability (asset) in the year ended December 31, 2017 for the City.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,758,072	\$ 684,737
2018	1,758,072	684,737
2019	1,758,072	684,737
2020	1,461,974	684,737
2021	31,593	90,521

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
US Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the City's proportionate share of the net pension liability (asset) - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 9,430,323	\$ 1,344,496	\$ (4,970,678)

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

Payables to the pension plan - The City reported payables to the WRS of \$117,957 as of December 31, 2016, of which \$68,699 was the City's share.

City of Franklin Defined Benefit Retirement Income Plan

General Information about the Pension Plan

Plan Description - The City is also a participant in the City of Franklin Defined Benefit Retirement Income Plan, a 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.

Vesting - Participants with five years of credible service are 50% vested in the plan. Upon reaching 10 years of credible service participants are fully vested in the plan.

Benefits provided - The City of Franklin Defined Benefit Retirement Income Plan provides retirement benefits to former bargaining employees of the City that are not covered under Wisconsin State Pension Plan (Wisconsin Retirement System), or who are regular part-time employees as defined by Civil Service and who have a minimum of 6 months of service. Employees who retire at or after age 60 are entitled to receive an unreduced retirement benefit.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

General Information about the Pension Plan (continued)

The factors influencing the benefit are: (1) average compensation at retirement, (2) years of creditable service, and (3) a formula factor.

Average compensation at retirement is the average of the participant's three highest consecutive years' earnings out of the ten latest years prior to retirement. Creditable service is the creditable current and prior service expressed in years or fractional partial years for which a participant receives earnings. The formula factor is a standard percentage based on the plan provisions.

Employees may retire at age 55, with a minimum of 10 completed years of service and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may receive either normal retirement benefits at normal retirement date, or a lump-sum cash payment of participant's vested accumulations.

The plan also provides death and disability benefits for employees.

Participating employees - Membership in the plan as of date of study consisted of the following classes of participants:

Active employees	30
Terminated vested participants	6
Retirees	18
Total	<u>54</u>

Contributions - Contribution requirements are established through action of the City Council and may be amended only through city ordinance. Employees make a non-elective and non-discretionary pension contribution that is equal to 8.2% of their payroll. The City contributes all remaining amounts necessary to fund the pension plan. During the reporting period, contributions of \$339,927 were made by the City to the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$1,171,705 for its net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Current year changes in the net pension liability were as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 8,268,760	\$ 7,157,070	\$ 1,111,690
Changes for the year:			
Service cost	180,074	-	180,074
Interest	603,514	-	603,514
Difference between expected and actual experience	(460,357)	-	(460,357)
Changes of assumptions	12,332	-	12,332
Contributions - employer	-	339,927	(339,927)
Net investment income	-	(41,577)	41,577
Benefit payments	(239,861)	(239,861)	-
Administrative Expense	-	(22,802)	22,802
Balance at December 31, 2015	<u>\$ 8,364,462</u>	<u>\$ 7,192,757</u>	<u>\$ 1,171,705</u>

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 293,510	\$ 337,267
Changes in assumptions	127,801	-
Net differences between projected and actual earnings on pension plan investments	521,414	-
Employer contributions subsequent to measurement date	148,894	-
Total	<u>\$ 1,091,619</u>	<u>\$ 337,267</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$148,894 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 304,018	\$ 123,090
2017	304,018	123,090
2018	222,673	91,087
2019	112,016	-

Actuarial assumptions - The pension liability in the December 31, 2015 actuarial valuation was determined use the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset):	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Market Value
Long-Term Expected Rate of Return:	7.3%
Discount Rate:	7.3%
Salary increase - Inflation:	2.3%
Salary increase - Seniority/Merit:	3.0%
Mortality:	2014 IRS Prescribed Mortality - Optional Combined Table for Small Plans

Actuarial assumptions are based upon an experience study conducted in 2014 using historical experience. The total pension liability for December 31, 2015 is based upon the liability calculated from the December 31, 2014 actuarial valuation.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Long-term Expected Return on Plan Assets - The long-term expected rate of return on pension plan investments was determined using the weighted average rate based on the target asset allocation and the Long-Term Capital Market Assumptions. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equity - Large Cap	8.8%	38.8%
US Equity - Mid Cap	9.1%	4.9%
US Equity - Small Cap	9.6%	4.8%
Non-US Equity	9.2%	12.4%
REITs	8.4%	0.0%
Core Bonds	4.3%	35.1%
High Yield	6.3%	4.0%

Discount rate - A discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a long term bond rate of 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the City's net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease to Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase to Discount Rate (8.25%)
City's net pension liability (asset)	\$ 2,107,701	\$ 1,171,705	\$ 371,168

For the year ended December 31, 2016, the City recognized pension expense of \$323,200.

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 are required to make contributions of 5% of wages. 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 2016, total contributions of \$275,894 or 10% of covered payroll were made. The City contributed \$84,137 and employees \$84,137. The City may make amendments to the Plan.

C. POST-EMPLOYMENT HEALTH CARE BENEFITS

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

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

<u>Employee Group</u>	<u>#</u>	<u>City Amount</u>	<u>Age</u>	<u>Years Service</u>
Non-represented	34	75% of Premium at Retirement	62	20
Police	72	75% of Premium at Retirement	53	15
Dispatch	14	75% of 2005 Premium	62	20
Fire	54	75% of Premium at Retirement	53	20
DPW	28	75% of Premium at Retirement	60	15

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

Annual required contribution	\$ 342,872
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB expense	342,872
Contributions made	(191,814)
Increase in net OPEB obligation (asset)	151,058
Net OPEB obligation (asset) - beginning of year	(151,058)
Net OPEB obligation (asset) - end of year	\$ -

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
12/31/2016	\$ 342,872	55.9%	\$ -
12/31/2015	324,393	146.6%	(151,058)
12/31/2014	551,716	100.0%	-

Funding progress:

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Projected unit credit	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2016	\$ 4,537,189	\$ 5,815,218	\$ 1,278,029	78%	\$ 12,867,864	10%

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

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

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

The following significant assumptions were made:

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

The ARC was calculated using the level percentage of payroll method, amortizing costs over a closed period of 30 years. The remaining amortization period at December 31, 2015 was 22 years.

Based upon the expected return of the City of Franklin Post-Employment Benefits Trust under the investment policy adopted for the Trust, a discount rate of 6.75% was used.

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

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

The expected healthcare trend rate of increase in group health charges was based upon the recent experience of the City of Franklin self-funded health care program. The trend rate assumption of 6.5% for years one and two, 6.0% for years three and four, reduced to an ultimate rate of 5.5% after thirteen years, was used.

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

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

Rates of retirement, mortality and termination for reasons other than retirement and death are from the "Wisconsin Retirement System 2009-2011 Experience Study".

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

D. CONTINGENCIES AND COMMITMENTS

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

D. CONTINGENCIES AND COMMITMENTS (continued)

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

The City has encumbered approximately \$2.6 million at year end due to valid contracts or purchase orders in place and the related services committed and not yet received.

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

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

E. RISK MANAGEMENT

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

The City also offers a group medical and dental insurance plan to employees for which the City is self-insured. This activity is accounted for in the City's Self Insurance Internal Service Fund. Group medical and dental costs are charged to City departments and retirees participating in the program. A third party administrator handles claims payments. The City carries stop loss insurance for claims in excess of \$60,000 per year per individual and \$75,000 per year per group. Liabilities are reported when it is probable that claims have occurred and the amount of the claim can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported ("IBNR").

Changes in the balance of claims payable for the years ended December 31, 2016 and 2015 are as follows:

Fiscal Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claims Payments	Balance End of Year
2016	\$ 270,500	\$ 3,802,461	\$ 3,802,461	\$ 270,500
2015	\$ 370,500	\$ 3,296,302	\$ 3,396,302	\$ 270,500

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

F. RESTATEMENT

The City entered into an intergovernmental cooperation agreement in 2010 for the construction and financing of the Ryan Creek Interceptor Sanitary Sewer. Prior to 2016, the City did not report any capital assets related to this transaction. As a result, the City's beginning of the year net position has been restated as follows:

	<u>Business-type Activities</u>	<u>Sanitary Sewer</u>
Ending net position, December 31, 2015, as previously reported	\$ 92,071,540	\$ 46,146,724
Restatement to record land capital assets related to the Ryan Creek Interceptor Sanitary Sewer	367,254	367,254
Restatement to record infrastructure capital assets related to the Ryan Creek Interceptor Sanitary Sewer	24,221,380	24,221,380
Restatement to record accumulated depreciation related to the Ryan Creek Interceptor Sanitary Sewer	<u>(2,137,174)</u>	<u>(2,137,174)</u>
Net position, January 1, 2016, as restated	<u>\$ 114,523,000</u>	<u>\$ 68,598,184</u>

G. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*

When they become effective, application of these standards may restate portions of these financial statements.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF FUNDING PROGRESS - CITY OF FRANKLIN POST EMPLOYMENT BENEFIT TRUST For the Year Ended December 31, 2016

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Actuarial Accrued Liability (AAL) - Aggregate	(C) Unfunded AAL (UAAL) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C)/(E)]
1/1/2012	\$ 2,399,455	\$ 8,184,388	\$ 5,784,933	29%	\$ 11,553,455	50%
1/1/2014	3,908,637	7,095,993	\$ 3,187,356	55%	12,155,777	26%
1/1/2016	4,537,189	5,815,218	\$ 1,278,029	78%	12,867,864	10%

See independent auditors' report and accompanying notes
to required supplementary information.

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

<u>Fiscal Year Ending Date</u>	<u>Proportion of the Net Pension Asset</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/15	0.841167000%	\$ (2,065,567)	\$ 8,071,472	25.59%	102.74%
12/31/16	0.827392200%	1,344,496	8,459,850	15.89%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

<u>Fiscal Year Ending Date</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 689,692	\$ 689,692	\$ -	\$ 8,459,850	8.15%
12/31/16	869,137	869,137	-	8,682,689	10.01%

See independent auditors' report and accompanying notes
to required supplementary information.

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN For the Year Ended December 31, 2016

	Fiscal Year Ending	
	2015	2016
Total Pension Liability		
Service Cost	\$ 165,130	\$ 180,074
Interest on the Total Pension Liability	531,850	603,514
Difference between Expected and Actual Experience	527,384	(460,357)
Assumption Changes	213,402	12,332
Benefit Payments	(191,375)	(239,861)
Net Change in Total Pension Liability	<u>1,246,391</u>	<u>95,702</u>
Total Pension Liability - Beginning	<u>7,022,369</u>	<u>8,268,760</u>
Total Pension Liability - Ending	<u>\$ 8,268,760</u>	<u>\$ 8,364,462</u>
Plan Fiduciary Net Position		
Employer Contributions	293,632	339,927
Pension Plan Net Investment Income	377,842	(41,577)
Benefit Payments	(191,375)	(239,861)
Pension Plan Administrative Expense	(27,941)	(22,802)
Net Change in Plan Fiduciary Net Position	<u>452,158</u>	<u>35,687</u>
Plan Fiduciary Net Position - Beginning	<u>6,704,912</u>	<u>7,157,070</u>
Plan Fiduciary Net Position - Ending	<u>\$ 7,157,070</u>	<u>\$ 7,192,757</u>
Net Pension Liability (Asset) Ending	\$ 1,111,690	\$ 1,171,705
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.6%	86.0%
Covered Payroll	\$ 1,792,628	\$ 1,876,995
Net Pension Liability as a Percentage of Covered Payroll	62.0%	62.4%

See independent auditors' report and accompanying notes
to required supplementary information.

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF CONTRIBUTIONS CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN For the Year Ended December 31, 2016

<u>Fiscal Year Ending Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
12/31/15	\$ 293,632	\$ 293,632	\$ -	\$ 1,792,628	16.38%
12/31/16	339,927	339,927	-	1,876,995	18.11%

See independent auditors' report and accompanying notes
to required supplementary information.

CITY OF FRANKLIN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
As of and for the Year Ended December 31, 2016

NOTE 1 – PRESENTATION

The City is required to present the last ten years of data on each schedule; however, the standards allow the City to present as many years as are available until ten years are presented.

NOTE 2 – FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress for City of Franklin Post Employment Benefit Trust was taken from the reports issued by the actuary

NOTE 3 – WISCONSIN RETIREMENT SYSTEM

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

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SUPPLEMENTARY INFORMATION

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

Capital Projects Funds

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

Capital Outlay Fund – This fund accounts for the departmental capital outlays. These expenditures are funded by the tax levy and landfill siting revenue. Expenditures are 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 and landfill siting revenues 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 landfill siting revenues, 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, landfill siting revenue and an 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 and special assessments 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, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2016

Special Revenue Funds							
Library Operating Fund	Library Auxiliary Fund	Solid Waste Collection Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Grant Fund	Total
\$ 333,948	\$ 125,789	\$ 466,109	\$ 3,082	\$ 178,297	\$ 48,386	129,455	\$ 1,285,066
-	-	27,673	-	-	-	33,427	61,100
1,296,600	-	1,207,786	-	-	-	-	2,504,386
-	-	-	-	-	-	-	-
93,361	-	-	-	-	-	4,999	98,360
624	650	-	-	-	-	-	1,274
-	-	-	-	-	-	-	-
<u>\$ 1,724,533</u>	<u>\$ 126,439</u>	<u>\$ 1,701,568</u>	<u>\$ 3,082</u>	<u>\$ 178,297</u>	<u>\$ 48,386</u>	<u>\$ 167,881</u>	<u>\$ 3,950,186</u>
IFLOWS OF BALANCES							
\$ 33,542	\$ -	\$ 162,899	\$ -	\$ 964	\$ -	\$ 4,631	\$ 202,036
23,020	1,254	-	-	-	-	1,679	25,953
-	-	-	21,552	-	-	-	21,552
-	896	-	-	-	-	-	896
<u>56,562</u>	<u>2,150</u>	<u>162,899</u>	<u>21,552</u>	<u>964</u>	<u>-</u>	<u>6,310</u>	<u>250,437</u>
RESOURCES							
Party taxes	-	1,207,786	-	-	-	-	2,504,386
-	-	-	-	-	-	-	-
<u>1,296,600</u>	<u>-</u>	<u>1,207,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,504,386</u>
Resources of resources							
624	650	-	-	-	-	-	1,274
370,747	123,639	330,883	-	177,333	48,386	161,571	1,212,559
-	-	-	-	-	-	-	-
-	-	-	(18,470)	-	-	-	(18,470)
<u>371,371</u>	<u>124,289</u>	<u>330,883</u>	<u>(18,470)</u>	<u>177,333</u>	<u>48,386</u>	<u>161,571</u>	<u>1,195,363</u>
Resources (deficit)							
Flows and							
<u>\$ 1,724,533</u>	<u>\$ 126,439</u>	<u>\$ 1,701,568</u>	<u>\$ 3,082</u>	<u>\$ 178,297</u>	<u>\$ 48,386</u>	<u>\$ 167,881</u>	<u>\$ 3,950,186</u>

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2016

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Total
	\$ 510,187	\$ 2,420,785	\$ 2,774,817	\$ 164,453	\$ 1,065,073	\$ 3,804,264	\$ 10,739,579
	-	-	130,837	-	-	-	130,837
	444,300	348,300	-	704,900	159,117	-	1,656,617
	-	-	-	-	879,297	-	879,297
	-	-	-	92,875	-	-	92,875
	-	-	-	-	-	-	-
	-	-	-	-	-	275,000	275,000
	\$ 954,487	\$ 2,769,085	\$ 2,905,654	\$ 962,228	\$ 2,103,487	\$ 4,079,264	\$ 13,774,205
							\$ 17,724,391
DWS OF PLANCES							
	\$ 171,265	\$ 49,782	\$ 136,382	\$ -	\$ -	\$ -	\$ 357,429
	-	-	52,000	-	-	20,702	72,702
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	171,265	49,782	188,382	-	-	20,702	430,131
							680,568
RESOURCES							
taxes	444,300	348,300	-	704,900	-	-	1,497,500
	-	-	-	-	879,297	-	879,297
of resources	444,300	348,300	-	704,900	879,297	-	2,376,797
							4,881,183
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	338,922	2,371,003	2,717,272	257,328	1,224,190	4,058,562	5,282,752
	-	-	-	-	-	-	5,684,525
	338,922	2,371,003	2,717,272	257,328	1,224,190	4,058,562	10,967,277
							12,162,640
ficit)							
is and							
	\$ 954,487	\$ 2,769,085	\$ 2,905,654	\$ 962,228	\$ 2,103,487	\$ 4,079,264	\$ 13,774,205
							\$ 17,724,391

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

Special Revenue Funds

	Library Operating Fund	Library Auxiliary Fund	Solid Waste Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Grant Fund	Total
	\$ 1,287,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,287,000
Revenue	93,361	-	65,995	-	-	-	141,268	300,624
Expenses	-	8,273	1,538,170	-	-	109,628	-	1,656,071
	-	-	-	27,355	-	-	-	27,355
	-	-	-	-	-	-	-	-
	6,635	106	5,137	-	-	-	-	11,878
	-	82,379	905	250	71,179	20,375	8,590	183,678
	<u>1,386,996</u>	<u>90,758</u>	<u>1,610,207</u>	<u>27,605</u>	<u>71,179</u>	<u>130,003</u>	<u>149,858</u>	<u>3,466,606</u>
	-	-	-	-	350	-	-	350
	-	-	-	-	22,936	-	2,591	25,527
	-	-	1,540,268	-	-	-	-	1,540,268
Services	-	-	-	-	716	-	118,522	119,238
Depreciation	1,288,591	54,937	-	44,364	-	142,353	-	1,530,245
	<u>133,897</u>	<u>28,556</u>	<u>-</u>	<u>-</u>	<u>3,522</u>	<u>-</u>	<u>27,177</u>	<u>193,152</u>
	<u>1,422,488</u>	<u>83,493</u>	<u>1,540,268</u>	<u>44,364</u>	<u>27,524</u>	<u>142,353</u>	<u>148,290</u>	<u>3,408,780</u>
Change of revenue assets	(35,492)	7,265	69,939	(16,759)	43,655	(12,350)	1,568	57,826
JRCES (USES)	-	-	-	-	-	-	-	-
Capital assets	-	-	-	11,000	-	13,000	-	24,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balances	(35,492)	7,265	69,939	(5,759)	43,655	650	1,568	81,826
Beginning	<u>406,863</u>	<u>117,024</u>	<u>260,944</u>	<u>(12,711)</u>	<u>133,678</u>	<u>47,736</u>	<u>160,003</u>	<u>1,113,537</u>
Ending	<u>\$ 371,371</u>	<u>\$ 124,289</u>	<u>\$ 330,883</u>	<u>\$ (18,470)</u>	<u>\$ 177,333</u>	<u>\$ 48,386</u>	<u>\$ 161,571</u>	<u>\$ 1,195,363</u>

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Capital Projects Funds						Total	
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Nonmajor Governmental Funds	
						Total		
	\$ 437,100	\$ 342,600	\$ -	\$ 693,500	\$ -	\$ -	\$ 1,473,200	\$ 2,760,200
	4,425	-	67,942	92,875	-	-	165,242	465,866
	67,000	200,000	533,843	133,000	-	-	933,843	2,589,914
	-	-	-	-	270,967	582,597	-	27,355
	-	-	-	-	270,967	582,597	853,564	853,564
	5,940	9,370	(7,945)	3,687	46,220	33,343	90,615	102,493
	39	-	87,355	28,855	-	-	116,249	299,927
	<u>514,504</u>	<u>551,970</u>	<u>681,195</u>	<u>951,917</u>	<u>317,187</u>	<u>615,940</u>	<u>3,632,713</u>	<u>7,099,319</u>
	-	-	-	-	-	-	-	350
	-	-	-	-	-	-	-	25,527
	-	-	-	-	-	-	-	1,540,268
es	-	-	-	-	-	-	-	119,238
	-	-	-	-	-	-	-	1,530,245
	<u>898,728</u>	<u>581,235</u>	<u>1,014,754</u>	<u>940,544</u>	<u>-</u>	<u>25,878</u>	<u>3,461,139</u>	<u>3,654,291</u>
	<u>898,728</u>	<u>581,235</u>	<u>1,014,754</u>	<u>940,544</u>	<u>-</u>	<u>25,878</u>	<u>3,461,139</u>	<u>6,869,919</u>
revenue	(384,224)	(29,265)	(333,559)	11,373	317,187	590,062	171,574	229,400
ES (USES)								
al assets	30,960	95,625	-	-	-	-	126,585	126,585
	26,025	-	1,474,511	-	-	-	1,500,536	1,524,536
	-	-	(113,515)	-	-	(383,153)	(496,668)	(496,668)
rces (uses)	<u>56,985</u>	<u>95,625</u>	<u>1,360,996</u>	<u>-</u>	<u>-</u>	<u>(383,153)</u>	<u>1,130,453</u>	<u>1,154,453</u>
balances	(327,239)	66,360	1,027,437	11,373	317,187	206,909	1,302,027	1,383,853
	<u>666,161</u>	<u>2,304,643</u>	<u>1,689,835</u>	<u>245,955</u>	<u>907,003</u>	<u>3,851,653</u>	<u>9,665,250</u>	<u>10,778,787</u>
ding	\$ 338,922	\$ 2,371,003	\$ 2,717,272	\$ 257,328	\$ 1,224,190	\$ 4,058,562	\$ 10,967,277	\$ 12,162,640

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Excess (Deficiency)</u>
TAXES				
General property taxes	\$ 16,248,800	\$ 16,248,800	\$ 16,297,268	\$ 48,468
Water Utility - tax equivalent	1,100,000	1,100,000	1,050,382	(49,618)
Cable TV franchise fees	500,000	500,000	513,031	13,031
Hotel/Room Tax	260,000	260,000	327,191	67,191
Mobile home assessments	25,000	25,000	23,514	(1,486)
	<u>18,133,800</u>	<u>18,133,800</u>	<u>18,211,386</u>	<u>77,586</u>
INTERGOVERNMENTAL REVENUE				
State shared revenue	476,000	476,000	484,882	8,882
State expenditure restraint revenue	220,100	220,100	220,258	158
Fire insurance - dues	133,000	133,000	141,878	8,878
Local, state and federal grants and aids				
Computer aid	277,000	277,000	271,212	(5,788)
Transportation aids	1,132,600	1,132,600	1,132,139	(461)
Other	82,500	82,500	68,456	(14,044)
	<u>2,321,200</u>	<u>2,321,200</u>	<u>2,318,825</u>	<u>(2,375)</u>
LICENSES, FEES AND PERMITS				
Licenses:				
Beer and liquor	33,000	33,000	32,428	(572)
Bartenders	16,000	16,000	16,582	582
Amusement and related	10,200	10,200	10,055	(145)
Peddlers	1,700	1,700	4,642	2,942
Food and related	1,600	1,600	1,965	365
Dog and cat	12,000	12,000	12,399	399
Health	57,200	57,200	60,761	3,561
Other	15,150	15,150	14,474	(676)
Permits:				
Building	505,500	505,500	322,011	(183,489)
Electrical	75,000	75,000	65,552	(9,448)
Plumbing	80,000	80,000	78,745	(1,255)
Sign	7,500	7,500	9,577	2,077
Park	12,000	12,000	16,342	4,342
Fire	4,500	4,500	4,430	(70)
Other	16,000	16,000	15,206	(794)
	<u>847,350</u>	<u>847,350</u>	<u>665,169</u>	<u>(182,181)</u>
FINES, FORFEITURES AND PENALTIES	<u>440,000</u>	<u>450,000</u>	<u>498,653</u>	<u>48,653</u>

(Continued)

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
PUBLIC CHARGES FOR SERVICES				
General government				
Property reports and document fees	\$ 11,950	\$ 11,950	\$ 16,491	\$ 4,541
Clerk Services		9,000	4,259	(4,741)
Public safety				
Police Department and related	7,000	7,000	14,252	7,252
Ambulance service	1,100,000	1,100,000	1,056,410	(43,590)
Fire Department and related	96,000	96,000	50,422	(45,578)
Quarry reimbursement	42,000	42,000	40,185	(1,815)
Weights and measures	8,000	8,000	8,709	709
Public works				
Weed cutting	15,000	15,000	4,184	(10,816)
Street lighting	8,000	8,000	1,000	(7,000)
Engineering and DPW fees	16,500	16,500	12,742	(3,758)
Landfill tippage fees	94,500	94,500	62,050	(32,450)
Health and human services				
Health clinics and other health fees	80,750	80,750	114,986	34,236
Conservation and development				
Zoning, subdivision and other filing fees	65,275	77,275	66,911	(10,364)
	<u>1,544,975</u>	<u>1,565,975</u>	<u>1,452,601</u>	<u>(113,374)</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES	<u>203,200</u>	<u>203,200</u>	<u>194,806</u>	<u>(8,394)</u>
INVESTMENT EARNINGS	<u>205,200</u>	<u>205,200</u>	<u>161,281</u>	<u>(43,919)</u>
MISCELLANEOUS REVENUE				
Municipal property rental	49,000	49,000	51,307	2,307
Property sales	4,700	4,700	12,138	7,438
Refunds and reimbursements	10,000	10,000	79,908	69,908
Insurance dividend	35,000	35,000	38,308	3,308
Other revenue	61,400	61,400	355	(61,045)
	<u>160,100</u>	<u>160,100</u>	<u>182,016</u>	<u>21,916</u>
TOTAL REVENUE	<u>\$ 23,855,825</u>	<u>\$ 23,886,825</u>	<u>\$ 23,684,737</u>	<u>\$ (202,088)</u>

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Expenditures and Transfers- Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Excess (Deficiency)</u>
CURRENT				
General Government				
Mayor - Personnel Services	\$ 18,508	\$ 18,508	\$ 18,500	\$ 8
Mayor - Other Services	8,000	8,000	5,273	2,727
Aldermen - Personnel Services	47,471	47,471	47,445	26
Aldermen - Other Services	29,500	29,500	22,793	6,707
Municipal court - Personnel Services	181,151	185,151	184,729	422
Municipal court - Other Services	47,150	57,150	55,793	1,357
City clerk - Personnel Services	288,640	292,640	288,673	3,967
City clerk - Other Services	31,000	31,000	22,916	8,084
Elections - Personnel Services	35,548	74,548	72,277	2,271
Elections - Other Services	25,600	25,600	13,094	12,506
Information services - Personnel Services	117,756	117,756	99,508	18,248
Information services - Other Services	364,789	364,789	330,409	34,380
Administration - Personnel Services	285,888	285,888	282,607	3,281
Administration - Other Services	157,045	157,045	85,068	71,977
Finance - Personnel Services	416,636	416,636	409,536	7,100
Finance - Other Services	98,930	98,930	86,734	12,196
Independent Audit	31,810	31,810	29,545	2,265
Assessor - Personnel Services	55,300	17,200	7,735	9,465
Assessor - Other Services	188,100	224,200	223,795	405
Legal counsel	340,225	340,225	310,308	29,917
Municipal buildings - Personnel Services	95,800	95,800	94,319	1,481
Municipal buildings - Other Services	113,595	120,415	115,754	4,661
Property and liability insurance	105,908	105,908	61,743	44,165
Anticipated Underexpenditure	(470,220)	(73,070)	-	(73,070)
Contingency	552,500	53,870	18,742	35,128
Total General Government	<u>3,166,630</u>	<u>3,126,970</u>	<u>2,887,296</u>	<u>239,674</u>
Public Safety				
Police:				
Police - Personnel Services	6,856,537	6,921,537	6,904,205	17,332
Police - Other Services	1,082,650	991,559	956,241	35,318
Dispatch - Personnel Services	1,094,026	1,094,026	987,578	106,448
Fire - Personnel Services	5,609,357	5,609,357	5,498,363	110,994
Fire - Other Services	434,600	434,600	402,073	32,527
Fire protection service charge	273,200	275,200	274,635	565
Building inspection - Personnel Services	736,312	735,518	726,336	9,182
Building inspection - Other Services	34,550	35,344	22,978	12,366
Sealer of weights and measures	7,600	7,600	7,600	-
Anticipated Underexpenditure	-	(324,580)	-	(324,580)
Total Public Safety	<u>16,128,832</u>	<u>15,780,161</u>	<u>15,780,009</u>	<u>152</u>

(Continued)

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Expenditures and Transfers - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Excess (Deficiency)</u>
CURRENT				
Public Works				
Engineering - Personnel Services	603,481	603,481	553,392	50,089
Engineering - Other Services	25,290	70,620	19,332	51,288
Highway - Personnel Services	1,819,785	1,794,785	1,718,531	76,254
Highway - Other Services	791,697	790,864	701,393	89,471
Solid Waste Services	-	390,000	390,000	-
Street lighting	356,700	356,700	331,010	25,690
Weed control	15,050	15,050	3,379	11,671
Anticipated Underexpenditure	-	(72,570)	-	(72,570)
Total Public Works	<u>3,612,003</u>	<u>3,948,930</u>	<u>3,717,037</u>	<u>231,893</u>
Health and Human Services				
Public health - Personnel Services	576,741	576,741	553,597	23,144
Public health - Other Services	68,950	68,950	61,323	7,627
Animal control	38,500	38,500	31,950	6,550
Total Health and Human Services	<u>684,191</u>	<u>684,191</u>	<u>646,870</u>	<u>37,321</u>
Culture and Recreation				
Senior activities and travel program	20,000	22,000	18,314	3,686
Parks - Personnel Services	118,261	138,261	134,492	3,769
Parks - Other Services	29,650	34,650	32,077	2,573
Total Culture and Recreation	<u>167,911</u>	<u>194,911</u>	<u>184,883</u>	<u>10,028</u>
Conservation and Development				
Planning - Personnel Services	332,469	332,469	324,304	8,165
Planning - Other Services	61,200	61,200	54,187	7,013
Economic development - Personnel Services	130,689	130,689	120,785	9,904
Economic development - Other Services	55,500	83,794	(6,929)	90,723
Total Conservation and Development	<u>579,858</u>	<u>608,152</u>	<u>492,347</u>	<u>115,805</u>
Total Expenditures	24,339,425	24,343,315	23,708,442	634,873
Transfers to Other Funds	<u>1,224,000</u>	<u>1,250,025</u>	<u>1,250,025</u>	<u>-</u>
Total Expenditures and Transfers Out - budgetary basis	25,563,425	25,593,340	24,958,467	634,873
Adjustments to generally accepted accounting principles basis				
2016 encumbrances	-	(61,626)	(61,626)	-
2015 encumbrances	-	147,121	147,121	-
Total Expenditures and Transfers Out - generally accepted accounting principles basis	<u>\$ 25,563,425</u>	<u>\$ 25,678,835</u>	<u>\$ 25,043,962</u>	<u>\$ 634,873</u>

CITY OF FRANKLIN, WISCONSIN
Debt Service Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Excess (Deficiency)</u>
REVENUE				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Special assessments	-	-	50,583	50,583
Investment earnings	-	-	12,676	12,676
Total revenue	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,563,259</u>	<u>63,259</u>
EXPENDITURES				
Debt service				
Principal on current refunding	-	5,895,000	5,895,000	-
Principal	1,300,000	1,300,000	1,300,000	-
Interest	291,298	266,711	265,588	1,123
Debt issuance costs	-	53,789	53,789	-
Total expenditures	<u>1,591,298</u>	<u>7,515,500</u>	<u>7,514,377</u>	<u>1,123</u>
Excess of revenue over expenditures	<u>(91,298)</u>	<u>(6,015,500)</u>	<u>(5,951,118)</u>	<u>64,382</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	205,000	205,000	170,931	(34,069)
Refunding debt issued	-	5,770,000	5,770,000	-
Premium on debt issued	-	154,202	154,202	-
Total other financing sources (uses)	<u>205,000</u>	<u>6,129,202</u>	<u>6,095,133</u>	<u>(34,069)</u>
Net change in fund balances	<u>\$ 113,702</u>	<u>\$ 113,702</u>	<u>144,015</u>	<u>\$ 30,313</u>
Fund balances - beginning			<u>507,283</u>	
Fund balances - ending			<u>\$ 651,298</u>	

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

Library Operating Fund				Library Auxiliary Fund			
Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
\$ 1,287,000	\$ 1,287,000	\$ 1,287,000	\$ -	\$ -	\$ -	\$ -	\$ -
78,000	78,000	93,361	15,361	-	-	-	-
-	-	-	-	11,100	11,100	8,273	(2,827)
-	-	6,635	6,635	100	100	106	6
-	-	-	-	42,950	69,454	82,379	12,925
<u>1,365,000</u>	<u>1,365,000</u>	<u>1,386,996</u>	<u>21,996</u>	<u>54,150</u>	<u>80,654</u>	<u>90,758</u>	<u>10,104</u>
1,322,471	1,332,471	1,288,591	43,880	70,850	91,150	54,937	36,213
111,500	135,500	131,199	4,301	23,300	54,504	28,556	25,948
<u>1,433,971</u>	<u>1,467,971</u>	<u>1,419,790</u>	<u>48,181</u>	<u>94,150</u>	<u>145,654</u>	<u>83,493</u>	<u>62,161</u>
\$ (68,971)	\$ (102,971)	(32,794)	\$ 70,177	(40,000)	(65,000)	7,265	72,265
		(2,698)				-	
		<u>406,863</u>				<u>117,024</u>	
		<u>\$ 371,371</u>				<u>\$ 124,289</u>	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

Solid Waste Collection Fund				St Martin's Fair Fund			
Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
\$ 69,200	\$ 69,200	\$ 65,995	\$ (3,205)	\$ -	\$ -	\$ -	\$ -
1,514,915	1,521,915	1,538,170	16,255	-	-	-	-
-	-	-	-	36,100	36,100	27,355	(8,745)
2,000	2,000	5,137	3,137	-	-	-	-
5,050	5,050	905	(4,145)	3,500	3,500	250	(3,250)
<u>1,591,165</u>	<u>1,598,165</u>	<u>1,610,207</u>	<u>12,042</u>	<u>39,600</u>	<u>39,600</u>	<u>27,605</u>	<u>(11,995)</u>
1,533,551	1,540,551	1,540,268	283	-	-	-	-
-	-	-	-	50,736	50,736	44,364	6,372
<u>1,533,551</u>	<u>1,540,551</u>	<u>1,540,268</u>	<u>283</u>	<u>50,736</u>	<u>50,736</u>	<u>44,364</u>	<u>6,372</u>
57,614	57,614	69,939	12,325	(11,136)	(11,136)	(16,759)	(5,623)
-	-	-	-	11,000	11,000	11,000	-
<u>\$ 57,614</u>	<u>\$ 57,614</u>	<u>69,939</u>	<u>\$ 12,325</u>	<u>\$ (136)</u>	<u>\$ (136)</u>	<u>(5,759)</u>	<u>\$ (5,623)</u>
		<u>260,944</u>				<u>(12,711)</u>	
		<u>\$ 330,883</u>				<u>\$ (18,470)</u>	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

Donation Fund				Civic Celebrations Fund			
Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ 70,000	\$ 109,628	\$ 39,628
20,500	20,500	71,179	50,679	20,000	20,000	20,375	375
20,500	20,500	71,179	50,679	90,000	90,000	130,003	40,003
-	-	350	(350)	-	-	-	-
102,501	104,635	22,936	81,699	-	-	-	-
600	600	716	(116)	-	-	-	-
-	-	-	-	102,789	102,789	142,353	(39,564)
30,000	30,000	3,522	26,478	-	-	-	-
133,101	135,235	27,524	107,711	102,789	102,789	142,353	(39,564)
(112,601)	(114,735)	43,655	158,390	(12,789)	(12,789)	(12,350)	439
-	-	-	-	13,000	13,000	13,000	-
\$ (112,601)	\$ (114,735)	43,655	\$ 158,390	\$ 211	\$ 211	650	\$ 439
		133,678				47,736	
		\$ 177,333				\$ 48,386	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

Grant Fund			
Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
\$ 455,900	\$ 497,765	\$ 141,268	\$ (356,497)
2,250	8,250	8,590	340
<u>458,150</u>	<u>506,015</u>	<u>149,858</u>	<u>(356,157)</u>
5,000	5,000	2,591	2,409
172,950	220,815	118,522	102,293
<u>347,400</u>	<u>347,400</u>	<u>27,177</u>	<u>320,223</u>
<u>525,350</u>	<u>573,215</u>	<u>148,290</u>	<u>424,925</u>
<u>\$ (67,200)</u>	<u>\$ (67,200)</u>	1,568	<u>\$ 68,768</u>
		<u>160,003</u>	
		<u>\$ 161,571</u>	

CITY OF FRANKLIN, WISCONSIN
 Capital Projects Funds
 Schedule of Revenue, Expenditures and Changes in Fund Balances -
 Budget and Actual (on a Budgetary Basis)
 For the Year Ended December 31, 2016

Capital Outlay Fund				Equipment Replacement Fund			
Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
\$ 437,100	\$ 437,100	\$ 437,100	\$ -	\$ 342,600	\$ 342,600	\$ 342,600	\$ -
		4,425	4,425			-	-
ill siting 67,000	67,000	67,000	-	200,000	200,000	200,000	-
4,500	4,500	5,940	1,440	20,000	20,000	9,370	(10,630)
-	-	39	39	15,000	15,000	-	(15,000)
<u>508,600</u>	<u>508,600</u>	<u>514,504</u>	<u>5,904</u>	<u>577,600</u>	<u>577,600</u>	<u>551,970</u>	<u>(25,630)</u>
 900,268	 1,147,050	 932,947	 214,103	 655,000	 655,000	 618,126	 36,874
 (391,668)	 (638,450)	 (418,443)	 220,007	 (77,400)	 (77,400)	 (66,156)	 11,244
SES) 25,000	25,000	30,960	5,960	-	-	95,625	95,625
ts -	26,025	26,025	26,025	-	-	-	-
<u>\$ (366,668)</u>	<u>\$ (587,425)</u>	<u>(361,458)</u>	<u>\$ 251,992</u>	<u>\$ (77,400)</u>	<u>\$ (77,400)</u>	<u>29,469</u>	<u>\$ 106,869</u>
		(44,618)				-	
		78,837				36,891	
		<u>666,161</u>				<u>2,304,643</u>	
		<u>\$ 338,922</u>				<u>\$ 2,371,003</u>	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

Capital Improvement Fund				Street Improvement Fund			
Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
\$ -	\$ -	\$ -	\$ -	\$ 693,500	\$ 693,500	\$ 693,500	\$ -
65,193	65,193	67,942	2,749	70,000	70,000	92,875	22,875
498,000	557,000	533,843	(23,157)	133,000	133,000	133,000	-
5,000	5,000	(7,945)	(12,945)	5,500	5,500	3,687	(1,813)
-	-	87,355	87,355	-	22,000	28,855	6,855
<u>568,193</u>	<u>627,193</u>	<u>681,195</u>	<u>54,002</u>	<u>902,000</u>	<u>924,000</u>	<u>951,917</u>	<u>27,917</u>
3,775,359	4,434,856	1,584,282	2,850,574	940,000	962,000	940,544	21,456
50,000	50,000	-	50,000	-	-	-	-
<u>3,825,359</u>	<u>4,484,856</u>	<u>1,584,282</u>	<u>2,900,574</u>	<u>940,000</u>	<u>962,000</u>	<u>940,544</u>	<u>21,456</u>
(3,257,166)	(3,857,663)	(903,087)	2,954,576	(38,000)	(38,000)	11,373	49,373
2,120,953	2,120,953	1,474,511	(646,442)	-	-	-	-
-	-	(113,515)	(113,515)	-	-	-	-
<u>1,000,000</u>	<u>1,000,000</u>	-	<u>(1,000,000)</u>	-	-	-	-
<u>\$ (136,213)</u>	<u>\$ (736,710)</u>	<u>457,909</u>	<u>\$ 1,194,619</u>	<u>\$ (38,000)</u>	<u>\$ (38,000)</u>	<u>11,373</u>	<u>\$ 49,373</u>
		(575,497)				-	
		1,145,025				-	
		<u>1,689,835</u>				<u>245,955</u>	
		<u>\$ 2,717,272</u>				<u>\$ 257,328</u>	

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

Development Fund				Utility Development Fund		
Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original and final Budget	Actual	Variance with final budget - Excess (Deficiency)
\$ 585,000	\$ 585,000	\$ 582,597	\$ (2,403)	234,350	270,967	36,617
36,334	36,334	33,343	(2,991)	59,650	46,220	(13,430)
<u>621,334</u>	<u>621,334</u>	<u>615,940</u>	<u>(5,394)</u>	<u>294,000</u>	<u>317,187</u>	<u>23,187</u>
15,000	18,321	-	18,321	-	-	-
500,000	500,000	25,878	474,122	-	-	-
<u>515,000</u>	<u>518,321</u>	<u>25,878</u>	<u>492,443</u>	<u>-</u>	<u>-</u>	<u>-</u>
106,334	103,013	590,062	487,049	294,000	317,187	23,187
<u>(876,570)</u>	<u>(876,570)</u>	<u>(383,153)</u>	<u>493,417</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
<u>\$ (770,236)</u>	<u>\$ (773,557)</u>	206,909	<u>\$ 980,466</u>	<u>\$ (206,000)</u>	317,187	<u>\$ 523,187</u>
		(3,321)			-	
		3,321			-	
		<u>3,851,653</u>			<u>907,003</u>	
		<u>\$ 4,058,562</u>			<u>\$ 1,224,190</u>	

CITY OF FRANKLIN, WISCONSIN
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
As of December 31, 2016

	<u>December 31, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2016</u>
PROPERTY TAX AGENCY FUND				
ASSETS				
Cash and investments	\$ 52,800,005	\$ 251,494,293	\$ 247,669,825	\$ 56,624,473
Receivables:				
Taxes	18,319,156	125,065,382	128,372,096	15,012,442
Accounts	<u>1,224</u>	<u>62,622</u>	<u>-</u>	<u>63,846</u>
Total assets	<u>\$ 71,120,385</u>	<u>\$ 376,622,297</u>	<u>\$ 376,041,921</u>	<u>\$ 71,700,761</u>
LIABILITIES				
Accounts payable	\$ 163,150	\$ 105,028,916	\$ 105,127,737	\$ 261,971
Due to other governments	<u>70,957,235</u>	<u>71,121,657</u>	<u>71,603,212</u>	<u>71,438,790</u>
Total liabilities	<u>\$ 71,120,385</u>	<u>\$ 176,150,573</u>	<u>\$ 176,730,949</u>	<u>\$ 71,700,761</u>
OTHER AGENCY FUND				
ASSETS				
Cash and investments	\$ 4,477	\$ 35,473	\$ 30,531	\$ 9,419
Accounts receivable	<u>7,845</u>	<u>20,974</u>	<u>24,992</u>	<u>3,827</u>
Total assets	<u>\$ 12,322</u>	<u>\$ 56,447</u>	<u>\$ 55,523</u>	<u>\$ 13,246</u>
LIABILITIES				
Accounts payable	\$ 2,385	\$ 21,853	\$ 21,355	\$ 1,888
Special deposits	<u>9,936</u>	<u>30,583</u>	<u>32,004</u>	<u>11,358</u>
Total liabilities	<u>\$ 12,322</u>	<u>\$ 52,436</u>	<u>\$ 53,360</u>	<u>\$ 13,246</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 52,804,482	\$ 251,529,766	\$ 247,700,356	\$ 56,633,892
Receivables:				
Taxes	18,319,156	125,065,382	128,372,096	15,012,442
Accounts	<u>9,069</u>	<u>83,596</u>	<u>24,992</u>	<u>67,673</u>
Total assets	<u>\$ 71,132,707</u>	<u>\$ 376,678,744</u>	<u>\$ 376,097,444</u>	<u>\$ 71,714,007</u>
LIABILITIES				
Accounts payable	\$ 165,535	\$ 105,050,769	\$ 105,149,092	\$ 263,859
Due to other governments	70,957,235	71,121,657	71,603,212	71,438,790
Special deposits	<u>9,936</u>	<u>30,583</u>	<u>32,004</u>	<u>11,358</u>
Total liabilities	<u>\$ 71,132,707</u>	<u>\$ 176,203,009</u>	<u>\$ 176,784,309</u>	<u>\$ 71,714,007</u>

CITY OF FRANKLIN, WISCONSIN
TIF Districts Fund
Combining Balance Sheet
As of December 31, 2016

	<u>District #3</u>	<u>District #4</u>	<u>District #5</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 1,891,495	\$ 1,242,372	\$ 22,848	\$ 3,156,715
Taxes receivable	1,253,575	1,013,892	-	2,267,467
Total assets	<u>\$ 3,145,070</u>	<u>\$ 2,256,264</u>	<u>\$ 22,848</u>	<u>\$ 5,424,182</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 90	\$ 90	\$ -	\$ 180
Due to other funds	-	-	24,694	24,694
Advances from other funds	550,000	-	50,000	600,000
Total liabilities	<u>550,090</u>	<u>90</u>	<u>74,694</u>	<u>624,874</u>
DEFERRED INFLOWS OF RESOURCES				
Subsequent year property taxes	1,253,575	1,013,892	-	2,267,467
FUND BALANCES (DEFICIT)				
Restricted	1,341,405	1,242,282	-	2,583,687
Unassigned (deficit)	-	-	(51,846)	(51,846)
Total fund balances (deficit)	<u>1,341,405</u>	<u>1,242,282</u>	<u>(51,846)</u>	<u>2,531,841</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3,145,070</u>	<u>\$ 2,256,264</u>	<u>\$ 22,848</u>	<u>\$ 5,424,182</u>

CITY OF FRANKLIN, WISCONSIN
TIF Districts Fund
Combining Schedule of TIF Districts Revenue, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2016

	<u>District #3</u>	<u>District #4</u>	<u>District #5</u>	<u>Total</u>
REVENUE				
Taxes	\$ 1,730,642	\$ 1,380,915	\$ -	\$ 3,111,557
Intergovernmental revenue	355,862	18,043	-	373,905
Investment earnings (loss)	12,765	(5,035)	-	7,730
Total revenue	<u>2,099,269</u>	<u>1,393,923</u>	<u>-</u>	<u>3,493,192</u>
EXPENDITURES				
Current:				
General government	11,505	12,505	34,494	58,504
Public works	-	-	17,352	17,352
Capital Outlay	1,034,856	-	-	1,034,856
Debt Service				
Principal	650,000	-	-	650,000
Interest and fiscal charges	109,189	920	-	110,109
Total expenditures	<u>1,805,550</u>	<u>13,425</u>	<u>51,846</u>	<u>1,870,821</u>
Excess (deficiency) of revenue over expenditures	<u>293,719</u>	<u>1,380,498</u>	<u>(51,846)</u>	<u>1,622,371</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	113,515	-	-	113,515
Transfers out	(62,289)	-	-	(62,289)
Total other financing sources (uses)	<u>51,226</u>	<u>-</u>	<u>-</u>	<u>51,226</u>
Net change in fund balances	344,945	1,380,498	(51,846)	1,673,597
Fund balances (deficit) - beginning	<u>996,460</u>	<u>(138,216)</u>	<u>-</u>	<u>858,244</u>
Fund balances (deficit) - ending	<u>\$ 1,341,405</u>	<u>\$ 1,242,282</u>	<u>\$ (51,846)</u>	<u>\$ 2,531,841</u>

CITY OF FRANKLIN, WISCONSIN
TIF Districts
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	District #3			District #4		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
			Variance with final budget - Excess (Deficiency)			Variance with final budget - Excess (Deficiency)
REVENUE						
Taxes	\$ 1,708,000	\$ 1,708,000	\$ 1,730,642	\$ 1,292,000	\$ 1,292,000	\$ 1,380,915
Intergovernmental revenue	420,000	420,000	355,862	19,000	19,000	18,043
Investment earnings (loss)	3,000	3,000	12,765	-	-	(5,035)
Total revenue	2,131,000	2,131,000	2,099,269	1,311,000	1,311,000	1,393,923
			(31,731)			82,923
EXPENDITURES						
Current:						
General Government	13,020	13,020	11,505	40,835	52,955	405
Capital Outlay	1,205,000	3,525,289	56,175	-	-	-
Debt Service						
Principal	650,000	650,000	650,000	-	-	-
Interest	109,418	109,418	109,189	5,415	5,415	920
Total expenditures	1,977,438	4,297,727	826,869	46,250	58,370	1,325
			3,470,858			57,045
Excess (deficiency) of revenue over expenditures	153,562	(2,166,727)	1,272,400	1,264,750	1,252,630	1,392,598
			3,439,127			139,968
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	113,515	-	-	-
Transfers out	-	-	(62,289)	-	-	-
Net changes in fund balances	\$ 153,562	\$ (2,166,727)	1,323,626	\$ 1,264,750	\$ 1,252,630	\$ 1,392,598
			\$ 3,490,353			\$ 139,968
Adjustments to generally accepted accounting principles basis						
2015 encumbrances			(2,320,289)			(12,100)
2016 encumbrances			1,341,608			-
Fund balances - beginning			996,460			(138,216)
Fund balances - ending			\$ 1,341,405			\$ 1,242,282

CITY OF FRANKLIN, WISCONSIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
As of December 31, 2016

Governmental funds capital assets:

Land	\$ 24,623,751
Buildings and improvements	26,770,132
Machinery and equipment	17,924,405
Infrastructure improvements	98,419,149
Construction in process	<u>1,019,925</u>

Total governmental funds capital assets \$ 168,757,362

Investment in governmental capital assets by source:

General Fund	\$ 614,851
Special Revenue Funds	3,194,955
Capital Projects Funds	91,530,097
Donations	<u>73,417,459</u>

Total governmental funds capital assets \$ 168,757,362

CITY OF FRANKLIN, WISCONSIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
For the Year Ended December 31, 2016

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure Improvements	Construction In process	Total
General Government:						
Mayor	\$ -	\$ -	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	-	-	9,584	-	-	9,584
Municipal court	-	-	35,210	-	-	35,210
City clerk	-	-	21,416	-	-	21,416
Elections	-	-	24,610	-	-	24,610
Information services	-	-	660,460	-	-	660,460
Administration	-	-	261,310	-	-	261,310
Human resources	-	-	9,617	-	-	9,617
Finance	-	-	167,549	-	-	167,549
Assessor	-	-	46,080	-	-	46,080
Attorney	-	-	906	-	-	906
Municipal buildings	597,437	3,472,282	499,539	-	-	4,569,258
Total General Government	597,437	3,472,282	1,738,483	-	-	5,808,202
Public Safety:						
Police	1,201,829	8,418,912	2,415,869	-	-	12,036,610
Fire	63,248	4,351,456	3,618,999	-	-	8,033,703
Building inspection	-	-	273,105	-	-	273,105
Total Public Safety	1,265,077	12,770,368	6,307,973	-	-	20,343,418
Public Works:						
Engineering	-	-	334,980	-	-	334,980
Highway	357,407	2,737,523	5,898,811	-	-	8,993,741
Street Lighting	-	-	1,097	-	-	1,097
Infrastructure	18,408,176	-	-	98,419,149	-	116,827,325
Construction in process	-	-	-	-	1,019,925	1,019,925
Total Public Works	18,765,583	2,737,523	6,234,888	98,419,149	1,019,925	127,177,068
Health & Human Services:						
Health	-	-	131,833	-	-	131,833
Culture and Recreation:						
Library	-	4,969,004	2,702,634	-	-	7,671,638
Parks	3,995,654	2,820,955	760,409	-	-	7,577,018
Total Culture and Recreation	3,995,654	7,789,959	3,463,043	-	-	15,248,656
Conservation and Development:						
Planning	-	-	48,185	-	-	48,185
Total governmental funds capital assets	\$ 24,623,751	\$ 26,770,132	\$ 17,924,405	\$ 98,419,149	\$ 1,019,925	\$ 168,757,362

CITY OF FRANKLIN, WISCONSIN
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended December 31, 2016

Function and Activity	Governmental Funds Capital Assets				December 31, 2016
	December 31, 2015	Additions	Deletions	Transfers	
General Government:					
Mayor	\$ 2,202	\$ -	\$ -	\$ -	\$ 2,202
Aldermen	9,584	-	-	-	9,584
Municipal court	42,656	-	7,446	-	35,210
City clerk	21,416	-	-	-	21,416
Elections	24,610	-	-	-	24,610
Information services	518,281	142,179	-	-	660,460
Administration	261,310	-	-	-	261,310
Human resources	9,617	-	-	-	9,617
Finance	168,034	-	485	-	167,549
Assessor	46,080	-	-	-	46,080
Attorney	906	-	-	-	906
Municipal buildings	4,550,518	224,414	205,674	-	4,569,258
Total General Government	5,655,214	366,593	213,605	-	5,808,202
Public Safety:					
Police	12,749,685	80,542	757,444	(36,173)	12,036,610
Fire	7,940,139	190,468	112,885	15,981	8,033,703
Building inspection	273,105	-	-	-	273,105
Total Public Safety	20,962,929	271,010	870,329	(20,192)	20,343,418
Public Works:					
Engineering	362,888	-	27,908	-	334,980
Highway	8,608,102	635,721	270,274	20,192	8,993,741
Street lighting	1,097	-	-	-	1,097
Infrastructure	113,190,935	4,233,445	597,055	-	116,827,325
Construction in process	1,180,903	1,693,420	1,854,398	-	1,019,925
Total Public Works	123,343,925	6,562,586	2,749,635	20,192	127,177,068
Health & Human Services:					
Health	138,640	-	6,807	-	131,833
Culture and Recreation:					
Library	7,787,102	195,284	310,748	-	7,671,638
Parks	6,635,684	1,673,666	732,332	-	7,577,018
Total Culture and Recreation	14,422,786	1,868,950	1,043,080	-	15,248,656
Conservation and Development:					
City development	86,353	-	38,168	-	48,185
Total governmental funds capital assets	\$ 164,609,847	\$ 9,069,139	\$ 4,921,624	\$ -	\$ 168,757,362

STATISTICAL SECTION

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Statistical Section

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

Financial Trends

Table 1

These tables contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time.

Revenue Capacity

Table 5

These tables contain trend information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

Table 11

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

Demographic and Economic Information

Table 14

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

Operating Information

Table 17

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

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

CITY OF FRANKLIN, WISCONSIN
Net Position by Component
Last Ten Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
					(2)					
\$	110,638,152	\$ 107,184,603	\$ 106,031,877	\$ 104,721,982	\$ 104,097,426	\$ 94,637,222	\$ 88,776,271	\$ 84,178,261	\$ 71,753,307	\$ 72,970,238
658,091		482,773	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238	8,550,662	12,588,371
2,103,487		1,999,759	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220	1,353,540	2,205,799
4,058,562		3,851,653	4,170,339	5,052,168	4,614,731	3,895,040	3,620,826	3,051,562	3,083,708	2,643,952
495,660		524,137	598,752	582,292	541,825	492,473	488,302	442,509	414,428	357,875
3,301,860		602,281	560,306	507,955	541,755	300,582	311,101	279,730	286,114	263,198
14,522,376		16,401,941	8,848,660	4,889,704	1,487,025	2,582,464	2,311,078	(2,065,981)	(791,175)	(11,099,755)
\$	135,778,188	\$ 131,047,147	\$ 122,708,989	\$ 118,000,800	\$ 113,442,058	\$ 107,969,822	\$ 100,281,181	\$ 89,772,539	\$ 84,650,584	\$ 79,929,678
(1)										
\$	88,115,672	\$ 88,861,706	\$ 88,567,257	\$ 89,095,184	\$ 89,398,082	\$ 89,550,594	\$ 90,202,124	\$ 90,828,559	\$ 90,842,486	\$ 90,242,854
394,227		356,106	313,558	277,230	334,508	293,844	261,852	227,388	231,384	225,177
21,200,228		-	-	-	-	-	-	-	-	-
3,450,718		2,853,728	4,015,630	3,017,842	2,518,834	3,171,123	2,763,610	2,875,722	2,309,236	2,342,349
\$	113,160,845	\$ 92,071,540	\$ 92,896,445	\$ 92,390,256	\$ 92,251,424	\$ 93,015,561	\$ 93,227,586	\$ 93,931,669	\$ 93,383,106	\$ 92,810,380
\$	198,334,454	\$ 196,046,309	\$ 194,599,134	\$ 193,817,166	\$ 193,495,508	\$ 184,187,816	\$ 178,978,395	\$ 175,006,820	\$ 162,595,793	\$ 163,213,092
658,091		482,773	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238	8,550,662	12,588,371
2,103,487		1,999,759	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220	1,353,540	2,205,799
4,058,562		3,851,653	4,170,339	5,052,168	4,614,731	3,895,040	3,620,826	3,051,562	3,083,708	2,643,952
495,660		524,137	598,752	582,292	541,825	492,473	488,302	442,509	414,428	357,875
3,301,860		602,281	560,306	507,955	541,755	300,582	311,101	279,730	286,114	263,198
394,227		356,106	313,558	277,230	334,508	293,844	261,852	227,388	231,384	225,177
21,200,228		-	-	-	-	-	-	-	-	-
18,392,464		19,255,669	12,864,290	7,907,546	4,005,859	5,753,587	5,074,688	789,741	1,518,061	(8,757,406)
\$	248,939,033	\$ 223,118,687	\$ 215,605,434	\$ 210,391,056	\$ 205,693,482	\$ 200,985,383	\$ 193,508,767	\$ 183,704,208	\$ 178,033,690	\$ 172,740,058

Sewer Fund Balance Sheet in 2016

d to be consistent with the current year presentation

stricted net position are adjusted to reflect capital assets owned by the business-type activities but financed by the governmental activities.

ie current year is provided in Note 1.D.11 to the financial statements.

Table 2

CITY OF FRANKLIN, WISCONSIN
Changes in Net Position, Last Ten Years
 (accrual basis of accounting)

Fiscal Year									
2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
\$ 3,215,423	\$ 2,990,355	\$ 2,919,940	\$ 2,915,267	\$ 2,794,497	\$ 2,749,207	\$ 2,897,491	\$ 2,948,713	\$ 3,028,903	\$ 2,769,041
18,398,830	16,959,091	16,194,631	16,484,847	17,228,769	16,622,386	16,003,898	15,526,031	15,598,642	14,387,891
8,124,372	8,304,583	7,231,238	6,550,808	6,182,036	6,596,316	6,208,391	6,034,720	6,900,408	6,800,767
794,502	726,000	673,332	698,088	730,499	649,656	698,944	708,084	663,262	630,002
1,872,691	1,969,297	1,865,832	1,838,700	1,870,573	1,890,350	1,919,689	1,753,139	1,803,155	1,766,274
547,080	576,421	459,884	422,095	412,086	957,877	529,833	600,099	718,032	6,591,661
313,301	405,022	582,211	802,562	1,272,721	1,553,257	1,920,023	2,253,215	2,654,969	2,705,294
33,266,179	31,930,769	29,927,068	29,712,367	30,491,161	31,019,049	30,178,269	29,824,001	31,367,371	35,650,930
5,549,508	5,766,088	5,077,744	5,051,835	5,064,149	4,251,187	4,076,409	4,216,453	3,928,578	3,620,524
5,729,314	4,148,420	4,180,946	4,133,632	3,640,106	3,373,459	3,376,505	3,226,261	3,069,523	2,640,092
11,278,822	9,914,508	9,258,690	9,185,467	8,704,255	7,624,646	7,452,914	7,442,714	6,998,101	6,260,616
\$ 44,545,001	\$ 41,845,277	\$ 39,185,758	\$ 38,897,834	\$ 39,195,416	\$ 38,643,695	\$ 37,631,183	\$ 37,266,715	\$ 38,365,472	\$ 41,911,546
**									
\$ 138,723	\$ 150,787	\$ 213,328	\$ 251,573	\$ 163,947	\$ 217,360	\$ 270,412	\$ 305,232	\$ 210,433	\$ 226,496
2,325,154	2,362,176	2,268,334	2,459,946	2,226,209	2,173,060	2,154,618	2,068,413	2,267,580	2,473,830
2,825,532	2,719,888	2,638,717	2,388,273	2,417,109	1,490,348	1,230,437	660,670	739,948	1,071,513
184,304	164,674	115,650	118,702	126,516	105,686	54,385	69,855	86,439	89,853
176,065	146,594	118,008	113,217	45,992	181,414	311,757	146,256	143,797	138,793
122,264	152,588	51,917	63,366	73,530	78,667	64,168	67,051	305,299	127,711
1,882,406	1,809,520	1,901,262	1,838,950	2,144,164	2,136,106	1,921,805	2,080,213	2,285,275	2,957,937
3,677,886	1,144,757	1,437,524	1,659,859	1,240,439	1,334,285	2,570,564	1,190,090	1,735,333	2,753,612
11,332,334	8,650,984	8,744,740	8,893,886	8,437,906	7,716,926	8,578,146	6,587,780	7,774,104	9,839,745
6,054,573	5,609,928	5,421,719	5,403,994	5,361,646	4,539,066	4,395,269	4,454,495	4,218,653	3,926,626
3,328,550	3,340,382	3,266,897	3,243,737	3,142,062	3,124,786	3,062,486	2,994,024	2,706,583	2,029,447
341,915	566,251	238,557	-	-	-	210,668	337,667	734,367	1,629,536
9,725,038	9,516,561	8,927,173	8,647,731	8,503,708	7,663,852	7,668,423	7,786,186	7,659,603	7,585,609
\$ 21,057,372	\$ 18,167,545	\$ 17,671,913	\$ 17,541,617	\$ 16,941,614	\$ 15,380,778	\$ 16,246,569	\$ 14,373,966	\$ 15,433,707	\$ 17,425,354

Table 2
(concluded)

CITY OF FRANKLIN, WISCONSIN
Changes in Net Position, Last Ten Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	*	**			***					
	\$ (21,933,845)	\$ (23,279,785)	\$ (21,182,328)	\$ (20,818,481)	\$ (22,053,255)	\$ (23,302,123)	\$ (21,600,123)	\$ (23,236,221)	\$ (23,593,267)	\$ (25,811,185)
	(1,553,784)	(397,947)	(331,517)	(537,736)	(200,547)	39,206	215,509	343,472	661,502	1,324,993
	\$ (23,487,629)	\$ (23,677,732)	\$ (21,513,845)	\$ (21,356,217)	\$ (22,253,802)	\$ (23,262,917)	\$ (21,384,614)	\$ (22,892,749)	\$ (22,931,765)	\$ (24,486,192)
Position										
	\$ 19,057,468	\$ 19,022,087	\$ 18,905,872	\$ 18,884,009	\$ 18,695,907	\$ 19,058,282	\$ 18,523,570	\$ 18,237,375	\$ 17,534,150	\$ 16,404,257
	1,500,000	1,600,000	1,600,000	1,650,000	1,750,000	1,900,000	1,900,000	1,900,000	2,000,000	2,110,000
	3,111,557	2,690,637	2,526,925	2,410,131	2,560,324	5,645,805	7,457,955	4,829,216	4,685,811	3,127,116
	863,735	785,195	726,774	723,985	708,832	673,736	699,431	666,767	472,575	429,674
	1,350,257	1,804,045	1,519,848	1,620,331	1,590,209	2,292,529	1,485,982	1,380,418	1,320,286	1,461,840
	315,376	411,650	695,541	87,278	784,932	973,349	907,723	1,401,560	1,862,688	2,547,179
	54,447	48,685	43,170	66,191	394,032	40,091	58,885	43,566	14,451	452,613
	106,934	13,106	16,988	2,024	32,129	58,871	64,070	-	-	-
	305,112	1,044,459	(144,601)	(66,726)	1,009,126	348,101	1,011,149	(100,726)	424,212	(560,258)
	26,664,886	27,419,864	25,890,517	25,377,223	27,525,491	30,990,764	32,108,765	28,358,176	28,314,173	25,972,421
	437,909	593,128	642,227	569,444	318,669	32,320	41,393	46,738	67,617	113,197
	58,832	73,601	50,878	40,398	126,867	64,550	50,164	57,627	267,819	41,436
	(305,112)	(1,044,459)	144,601	66,726	(1,009,126)	(348,101)	(1,011,149)	100,726	(424,212)	560,258
	191,629	(377,730)	837,706	676,568	(563,590)	(251,231)	(919,592)	205,091	(88,776)	714,891
	\$ 26,856,515	\$ 27,042,134	\$ 26,728,223	\$ 26,053,791	\$ 26,961,901	\$ 30,739,533	\$ 31,189,173	\$ 28,563,267	\$ 28,225,397	\$ 26,687,312
Intergovernmental Cooperation Agreement										
	\$ 4,731,041	\$ 4,140,079	\$ 4,708,189	\$ 4,558,742	\$ 5,472,236	\$ 7,688,641	\$ 10,508,642	\$ 5,121,955	\$ 4,720,906	\$ 161,236
	-	4,198,079	-	-	-	-	-	-	-	-
	(1,362,155)	(775,677)	506,189	138,832	(764,137)	(212,025)	(704,083)	548,563	572,726	2,039,884
	22,451,460	(49,228)	-	-	-	-	-	-	-	-
	\$ 25,820,346	\$ 7,513,253	\$ 5,214,378	\$ 4,697,574	\$ 4,708,099	\$ 7,476,616	\$ 9,804,559	\$ 5,670,518	\$ 5,293,632	\$ 2,201,120

Sewer Intergovernmental Cooperation Agreement
Statement Nos. 68 and 71

Table 3

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

	Fiscal Year									
<u>16</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	
46,342	\$ 41,186	\$ 78,455	\$ 45,866	\$ 62,936	\$ 55,820	\$ 75,673	\$ 24,927	\$ 25,109	\$ 24,990	
248,616	2,198,616	2,198,616	505,040	-	-	-	-	-	1,000,000	
61,626	147,121	207,270								
334,100	6,662,986	6,148,771	7,230,661	6,439,199	6,065,053	5,400,912	5,079,711	5,519,932	4,910,492	
390,684	9,049,909	8,633,112	7,781,567	6,502,135	6,120,873	5,476,585	5,104,638	5,545,041	5,935,482	
1,274	730	900	2,475	21,800	10,313	10,181	15,707	-	-	
351,298	507,283	546,238	6,801,945	7,423,733	7,876,755	8,393,278	8,845,900	12,091,660	12,240,785	
224,190	907,003	672,431	443,438	543,408	640,787	356,798	147,317	12,640	380,961	
58,562	3,851,653	4,170,339	5,052,168	4,614,731	7,633,040	6,408,826	5,869,562	9,383,708	14,100,000	
383,687	996,460	347,978	-	-	552,904	1,804,838	536,476	184,257	-	
177,333	133,678	122,550	102,326	105,238	299,982	311,101	279,730	286,114	263,198	
161,571	160,003	175,220	165,846	179,239	-	-	-	-	-	
194,386	523,237	596,277	579,817	520,775	492,473	488,302	442,509	414,428	357,875	
330,883	260,944	216,385	188,307	100,546	-	-	-	-	-	
48,386	47,656	46,151	51,476	52,244	72,857	179,224	165,348	132,206	1,206,529	
384,525	4,906,594	4,699,459	2,791,111	2,724,764	2,372,072	2,710,245	1,378,971	3,640,970	1,777,308	
(70,316)	(150,927)	(2,196,383)	(5,180,799)	(5,965,890)	(3,663,211)	(4,009,430)	(5,904,216)	(5,891,813)	(14,651,138)	
345,779	12,144,314	9,397,545	10,998,110	10,320,588	16,287,972	16,653,363	11,777,304	20,254,170	15,675,518	
336,463	\$ 21,194,223	\$ 18,030,657	\$ 18,779,677	\$ 16,822,723	\$ 22,408,845	\$ 22,129,948	\$ 16,881,942	\$ 25,799,211	\$ 21,611,000	

filed to be consistent with the current year presentation

Table 4

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

Fiscal Year									
2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
				**					
\$ 24,532,761	\$ 24,097,919	\$ 23,759,571	\$ 23,668,125	\$ 23,715,063	\$ 27,277,823	\$ 28,580,956	\$ 25,633,358	\$ 24,692,536	\$ 22,071,047
3,158,596	3,490,037	3,408,075	3,438,041	3,757,618	4,380,850	3,704,159	3,299,648	3,536,635	4,269,969
692,524	706,977	808,302	912,357	755,027	702,674	729,432	609,278	723,225	978,942
498,653	484,957	421,976	411,795	457,499	433,106	422,506	385,427	362,928	392,451
4,042,515	4,065,334	3,799,898	3,791,279	3,612,576	2,589,786	2,211,119	1,600,313	1,908,473	1,998,696
904,147	642,256	1,057,088	1,483,350	1,236,114	1,305,578	1,119,230	817,736	1,114,498	1,581,962
194,806	192,188	136,372	162,308	103,615	245,000	237,319	291,584	206,156	426,387
284,180	426,018	739,930	223,806	661,976	938,226	878,978	1,276,600	1,797,738	2,513,703
481,943	419,464	411,301	288,465	674,305	365,129	597,611	635,424	723,724	934,141
<u>34,790,125</u>	<u>34,525,150</u>	<u>34,542,513</u>	<u>34,379,526</u>	<u>34,973,793</u>	<u>38,238,172</u>	<u>38,481,310</u>	<u>34,549,368</u>	<u>35,065,913</u>	<u>35,167,298</u>
2,969,747	2,783,745	2,786,740	2,710,650	2,631,419	2,596,581	2,694,374	2,780,444	2,825,835	2,609,731
15,813,354	16,006,187	15,390,139	15,465,617	16,429,496	16,000,393	15,206,317	15,043,628	15,236,640	13,856,032
5,302,766	4,587,108	5,140,650	4,855,870	4,848,568	4,817,644	4,521,991	4,504,611	4,632,957	4,110,460
766,249	716,169	666,475	668,711	719,447	681,984	629,499	701,821	666,364	631,887
1,710,037	1,606,027	1,575,381	1,514,668	1,539,040	1,575,825	1,565,093	1,427,945	1,490,936	1,436,987
523,268	568,364	461,181	416,765	409,996	964,610	524,705	603,961	729,274	6,587,035
4,689,147	2,097,046	3,967,446	3,172,706	2,915,159	3,343,196	1,953,999	6,061,625	7,627,455	10,931,589
5,895,000	-	-	-	-	-	-	-	-	-
1,950,000	615,000	10,265,000	3,790,000	10,825,000	7,395,000	5,275,000	10,915,000	6,000,000	5,170,000
375,697	460,072	731,288	1,033,519	1,334,958	1,618,615	1,939,762	2,350,882	2,543,194	2,584,080
53,789	-	73,091	-	-	-	-	-	65,650	130,602
<u>40,049,054</u>	<u>32,439,718</u>	<u>41,057,391</u>	<u>33,628,506</u>	<u>41,653,083</u>	<u>38,993,848</u>	<u>34,310,740</u>	<u>44,389,917</u>	<u>41,818,305</u>	<u>48,048,403</u>
(5,258,929)	2,085,432	(6,514,878)	751,020	(6,679,290)	(755,676)	4,170,570	(9,840,549)	(6,752,392)	(12,881,105)
-	-	5,320,000	-	-	-	-	-	10,000,000	10,000,000
5,770,000	-	-	-	-	-	-	-	-	9,925,000
154,202	-	232,827	-	-	-	-	-	83,583	34,970
-	-	-	-	-	-	-	-	-	(10,040,675)
126,585	33,675	39,894	75,559	32,129	58,871	64,070	-	-	-
2,859,364	2,408,253	2,125,007	2,769,157	2,398,454	2,415,916	1,389,654	2,229,036	5,786,181	6,237,805
(1,808,982)	(1,363,794)	(1,951,870)	(1,638,782)	(1,337,416)	(1,440,214)	(376,288)	(1,305,756)	(4,929,161)	(5,400,460)
<u>\$ 1,842,240</u>	<u>\$ 3,163,566</u>	<u>\$ (749,020)</u>	<u>\$ 1,956,954</u>	<u>\$ (5,586,123)</u>	<u>\$ 278,897</u>	<u>\$ 5,248,006</u>	<u>\$ (8,917,269)</u>	<u>\$ 4,188,211</u>	<u>\$ (2,124,465)</u>
22.9%	3.7%	29.3%	15.1%	30.9%	24.6%	22.2%	33.4%	23.8%	19.4%

Table 5

CITY OF FRANKLIN, WISCONSIN**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years**

erty	Personal property		Total	Total	Total	Ratio of
Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Direct Tax Rate	Estimated Actual Value	Assessed to Estimated Value
3,658,026,300	\$ 80,479,000	\$ 70,976,800	\$ 3,704,478,925	\$ 5.69	\$ 3,729,003,100	99.07%
3,558,087,200	76,174,600	91,098,700	3,396,543,100	6.22	3,649,185,900	92.74%
3,498,464,700	85,006,600	91,229,400	3,364,592,800	6.28	3,589,694,100	93.73%
3,314,653,800	94,023,900	99,622,800	3,359,728,100	6.29	3,414,276,600	98.40%
3,436,681,800	95,404,700	87,424,100	3,653,210,788	5.78	3,524,105,900	103.66%
3,587,535,800	90,644,700	88,843,900	3,645,710,088	5.79	3,676,379,700	99.17%
3,573,233,300	93,921,500	97,275,400	3,644,743,988	6.22	3,670,508,700	99.30%
3,820,400,500	90,861,600	92,242,100	3,762,185,140	5.93	3,912,642,600	96.15%
3,821,063,800	75,804,600	77,323,500	3,697,029,540	5.78	3,898,387,300	94.83%
3,614,744,300	71,027,000	74,310,100	3,581,287,140	5.79	3,689,054,400	97.08%

Assessed Valuation by School District - 2016

Franklin School District	Oak Creek/ Franklin School District	Whitnall School District	Total Assessed Value
<u>\$ 2,775,861,725</u>	<u>\$ 707,787,800</u>	<u>\$ 220,829,400</u>	\$ 3,704,478,925

etermined by the City and the Wisconsin Department of Revenue. Estimated actual values were
nsin Department of Revenue and include Wisconsin Section 70.57 adjustments.
d in the following year's City operations.

Table 6

CITY OF FRANKLIN, WISCONSIN
 Estimated Actual Property Value and Construction Data
 Last Ten Years

(1)				(2)		(2)	
Estimate Actual Property value				Residential Construction		Nonresidential Construction	
% of Total	Commercial and Manufacturing	Agricultural, Swamp and Other	Total	# of Units	Value	# of Permits	Value
74.5%	\$ 907,823,500	\$23,865,000	\$3,658,026,300	34	\$ 13,912,735	3	\$ 7,350,000
73.9%	905,420,400	23,831,000	3,558,087,200	34	13,454,139	44	16,589,580
73.8%	894,256,900	23,348,300	3,498,464,700	44	14,780,900	68	19,734,951
73.0%	871,715,000	23,947,400	3,314,653,800	65	19,942,795	17	2,902,692
72.7%	914,654,100	23,513,600	3,436,681,800	55	19,322,659	44	27,991,474
73.0%	948,708,000	19,702,200	3,587,535,800	30	9,995,820	41	17,794,034
73.8%	917,720,700	17,998,500	3,573,233,300	27	6,559,696	40	22,533,497
72.6%	1,026,852,400	19,204,900	3,820,400,500	25	6,709,653	35	14,193,522
74.9%	939,436,600	19,339,400	3,821,063,800	52	11,030,933	61	28,323,674
76.1%	844,563,800	18,856,100	3,614,744,300	99	20,017,954	49	39,920,210

from the Wisconsin Department of Revenue

Inspection Department. - from Building Permits issued

Table 7

CITY OF FRANKLIN, WISCONSIN
Direct and Overlapping Property Tax Rates
Last Ten Years
(rate per \$1,000 of assessed value)

f Franklin Direct Rates				Overlapping Rates									(**) Total Rate
				School Districts			School Credits	Milwaukee Area Technical College	Milwaukee County	Milwaukee Metropolitan Sewerage District	State		
Capital Outlay	Equipment Replacement	Street Improvement	Total	Franklin	Oak Creek	Whitnall							
\$ 0.12	\$ 0.10	\$ 0.20	\$ 5.69	\$ 12.03	\$ 9.38	\$10.08	\$ (1.97)	\$ 1.27	\$ 5.13	\$ 1.76	\$0.17	\$ 24.09	
0.13	0.10	0.21	6.26	13.29	10.57	10.88	(2.14)	1.35	5.52	1.87	0.18	26.33	
0.13	0.10	0.21	6.28	13.21	9.76	11.11	(1.88)	1.36	5.44	1.83	0.18	26.42	
0.13	0.10	0.21	6.29	13.26	9.10	10.67	(1.86)	2.16	5.21	1.73	0.17	26.97	
0.11	0.08	0.17	5.78	11.72	9.09	9.72	(1.69)	2.04	4.87	1.57	0.16	24.45	
0.11	0.08	0.17	5.79	11.62	8.83	9.56	(1.70)	1.96	4.76	1.52	0.17	24.12	
0.11	0.04	0.12	6.22	12.22	8.69	10.40	(1.72)	1.93	4.49	1.45	0.17	24.76	
0.14	0.08	0.23	5.93	11.33	8.86	10.11	(1.67)	1.98	4.31	1.38	0.18	23.44	
0.13	0.08	0.23	5.78	10.96	7.80	9.65	(1.68)	1.93	4.17	1.36	0.18	22.70	
0.14	0.10	0.28	5.79	10.98	7.85	9.40	(1.52)	1.82	4.01	1.32	0.18	22.58	

dependent upon a property's sewer status and the school district the property is located. The total is shown for only Franklin). See Table 5 for assessed values by School and Sewerage District.

following the fiscal year in which the taxes are levied.

nents

Table 8

CITY OF FRANKLIN, WISCONSIN

Principal Property Taxpayers
Current Year and Nine Years Ago

Type of Business	2016			2007		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Insurance Services	\$ 120,141,700	1	3.54%	\$ 79,933,200	1	2.23%
Packaging manufacturing	26,936,900	2	0.79%	19,430,600	4	0.54%
Retailer	26,299,800	3	0.77%	18,882,200	6	0.53%
Medical facilities	24,881,100	4	0.73%	20,465,300	2	0.57%
Apartments	21,429,000	5	0.63%	20,326,600	3	0.57%
Apartments	19,225,800	6	0.57%	19,314,800	5	0.54%
Manufacturing	15,891,000	7	0.47%			
Retail - Home Improvement	13,452,700	8	0.40%	15,013,000	7	0.42%
Land held for Development	12,878,400	9	0.38%			
Aquariums and fluorescent lights	12,577,900	10	0.37%	13,210,800	9	0.37%
Motorcycle manufacturing				14,673,300	8	0.41%
Landfill and refuse collection				13,181,300	10	0.37%
	<u>\$ 293,714,300</u>		<u>8.65%</u>	<u>\$ 234,431,100</u>		<u>6.55%</u>

sor's Office

CITY OF FRANKLIN, WISCONSIN
Property Tax Levies and Collections
Last Ten Years

Fiscal Year	City Tax levy			Total collections	% of levy collected	Outstanding combined delinquent PP taxes
	Tax increment financing	Local	Total			
2016	\$ 3,020,350	\$ 20,509,000	23,529,350	\$ 23,567,148	100.16%	\$ 2,603
2015	2,690,637	20,509,000	23,199,637	23,212,140	100.05%	57,995
2014	2,526,924	20,509,000	23,035,924	23,016,525	99.92%	52,069
2013	2,363,758	20,509,000	22,872,758	22,851,675	99.91%	52,481
2012	2,560,324	20,467,000	23,027,324	22,981,469	99.80%	75,184
2011	6,737,305	20,965,000	27,702,305	27,695,587	99.98%	53,589
2010	7,457,956	20,426,000	27,883,956	27,851,459	99.88%	39,718
2009	4,829,216	20,142,000	24,971,216	24,966,369	99.98%	36,945
2008	4,685,811	19,555,000	24,240,811	24,219,148	99.91%	45,243
2007	3,127,116	18,501,000	21,628,116	21,641,373	100.06%	27,424

Source: City of Franklin

Notes: Collections in subsequent years are not shown because Milwaukee County annually purchases all of the City's outstanding delinquent real estate taxes. Payment for the real estate taxes are received by the City every August pursuant to the County's settlement procedures. Outstanding delinquent taxes represent personal property taxes which the City attempts further collection until March of the following year. At that time the balances are charged back to each of the taxing jurisdictions in proportion to the amounts levied. Subsequent collections are insignificant and refunded to all taxing jurisdictions in relation to the amounts originally levied.

Total collections may be greater than or less than the total levy in any year due to changes in outstanding delinquent taxes, collection of prior year omitted taxes and Wisconsin Section 70.43 corrections.

CITY OF FRANKLIN, WISCONSIN
Property Tax Levies by Tax Jurisdiction
Last Ten Years

School Districts					City of Franklin			Total
Franklin	Whitnall	Oak Creek-Franklin	MATC	MMSD	Local	Tax Increment	Special Charges	
\$ 33,404,863	\$ 2,224,862	\$ 5,748,697	\$ 4,571,805	\$ 6,354,128	\$ 20,509,000	\$ 2,267,467	\$ 1,758,435	\$ 95,969,042
33,404,871	2,223,327	5,928,300	4,428,322	6,145,125	20,509,000	3,020,350	1,727,974	96,089,767
32,782,988	2,285,650	5,557,471	4,411,951	5,955,818	20,509,000	2,690,638	1,767,143	94,283,685
32,784,606	2,174,991	5,254,726	7,043,487	5,638,269	20,509,000	2,526,924	1,796,214	95,294,310
31,787,042	2,237,434	5,553,401	7,258,001	5,582,906	20,509,000	2,363,758	1,799,510	94,976,255
31,435,718	2,208,503	5,268,377	6,934,559	5,188,886	20,467,000	2,560,324	1,900,389	93,400,157
31,535,755	2,404,637	4,816,333	6,512,551	4,718,481	20,965,000	6,737,305	758,894	94,184,693
30,632,223	2,424,105	4,403,920	6,842,077	4,574,057	20,426,000	7,457,956	818,455	93,096,906
29,476,874	2,312,202	4,264,165	6,742,019	4,575,710	20,142,000	4,829,216	738,020	88,290,778
28,554,442	2,249,175	4,192,123	6,161,570	4,299,178	19,555,000	4,685,811	669,010	84,514,771

t of Revenue Statement of Taxes.

ubmits to the City of Franklin their approved tax levy in November of the levy year for use in the following year.
vy requests, produces tax bills for all taxable properties, collects amounts billed and remits collections to the tax jurisdictions
Statutes.

Table 11

CITY OF FRANKLIN, WISCONSIN
Ratios of Net General Bonded Debt Outstanding
Last Ten Years

General Bonded Debt								(1)			
Business-type								Percent of			
Lease Revenue Bonds	General Obligation Notes	Water General Obligation Bonds	(Discount) Premium	Total General Bonded Debt	Less Debt Service Fund Balances	Less Amounts due from Tax Incremental Financing Districts	Less Amounts due from Other Taxing Districts	Net General Bonded Debt	Estimated Actual Property Value	(2) Percent of Personal Income	(2) Per Capita
-	\$ 21,200,228	\$ 1,180,000	\$ 248,869	\$32,874,097	\$ (651,298)	\$ (2,660,000)	\$ (21,200,228)	\$ 8,362,571	0.90%	N/A	920
-	22,357,276	1,235,000	191,221	36,103,497	(507,283)	(3,310,000)	(22,357,276)	9,928,938	1.01%	2.81%	1,013
-	23,486,522	1,290,000	252,273	37,963,795	424,721	(3,330,000)	(23,486,522)	11,571,994	1.09%	3.03%	1,063
-	24,565,423		21,387	42,466,810	1,491,385	(9,695,000)	(24,565,423)	9,697,772	1.28%	3.54%	1,186
-	22,064,833			43,734,833	2,553,267	(12,865,000)	(22,064,833)	11,358,267	1.27%	3.59%	1,231
-	-	-	-	32,495,000	(4,094,755)	(15,520,000)	-	12,880,245	0.91%	2.96%	915
-	-	-	-	39,890,000	(3,021,278)	(21,860,000)	-	15,008,722	1.12%	3.67%	1,125
-	-	-	-	45,165,000	(2,078,900)	(26,285,000)	-	16,801,100	1.18%	4.34%	1,340
-	-	-	-	56,080,000	(8,339,240)	(29,400,000)	-	18,340,760	1.47%	5.08%	1,672
375,000	-	-	-	52,080,000	(12,240,785)	(22,375,000)	-	17,464,215	1.44%	4.66%	1,560

are found in Table 6
 can be found in Table 14

sent amounts received that are restricted to future payments of outstanding debt.
 financing districts represent future receipt of non repealable property tax levys restricted to the payment of debt service.
 nent represent future impact fees collected under a 2002 ordinance from residents and restricted for the purpose of retiring debt
 ire station, library and a eligible road project.
 0. Proceeds were used to refinance existing general obligation bonds issued in 2007.
 ,290,000 of 20 Year bonds. Proceeds were used to finance the Water Building.
). Proceed were used to provide funding for TID projects and Capital Improvement projects
 54. Proceeds were used to provide funding for Ryan Creek Sewer extension with repayment scheduled to be completed in 2031.
 10. Proceeds were used to provide funding for TIF Districts with repayment scheduled to be completed in 2014.
). Proceeds were used to refinance existing general obligation bonds issued in 2001.
 10. Proceeds were used for TIF Districts needs with repayment scheduled to be completed in 2014.
 10. Proceeds were used to refinance existing lease revenue bonds with repayment completed in 2011.

Table 12

CITY OF FRANKLIN, WISCONSIN

Schedule of Direct and Overlapping Debt - Governmental Activities
December 31, 2016

	Net general obligation bonded debt outstanding	Percentage applicable to City	Amount applicable to City
	\$ 648,079,858	6.3363%	\$ 41,064,057
	555,000	13.8210%	76,706
st	95,215,000	17.5988%	16,756,664
	29,120,000	100.0000%	29,120,000
	104,295,000	5.0713%	5,289,102
District	881,224,397	6.4588%	56,916,164
	1,758,489,255		149,222,693
	10,505,403	100.0000%	10,505,403
	<u>\$ 1,768,994,658</u>		<u>\$ 159,728,096</u>

	School Districts				Overlapping Debt Total	City of Franklin	Total
Franklin	Whitnall	Oak Creek/Franklin	MATC	MMSD			
20,000	\$ 76,706	\$ 16,756,664	\$ 5,289,102	\$ 56,916,164	\$ 149,222,693	\$ 10,505,403	\$ 159,728,096
30,000	31,330	17,132,063	7,686,624	61,464,077	159,290,730	12,523,902	171,814,632
40,000	39,011	7,614,274	5,531,580	58,752,848	148,628,155	13,187,273	161,815,428
55,000	46,013	7,680,950	5,659,039	59,969,813	153,388,635	17,901,387	171,290,022
65,000	56,142	8,444,593	5,929,102	63,513,083	129,071,665	21,670,000	150,741,665
75,000	1,175,097	8,483,031	5,266,621	58,187,207	129,683,004	32,495,000	162,178,004
80,000	366,516	8,804,319	4,624,047	53,906,419	125,776,973	39,890,000	165,666,973
90,000	398,980	9,860,000	2,930,822	49,520,701	121,255,661	45,165,000	166,420,661
95,000	498,112	8,825,309	2,930,822	50,315,201	100,719,139	56,080,000	156,799,139
105,000	584,345	9,317,100	2,693,188	40,872,492	94,499,871	49,705,000	144,204,871

d by each taxing jurisdiction and applicable percentages from the State Department of Revenue.

ed by each governmental unit and percentage determined by the Department of Revenue. Overlapping governments at least in part, with the geographic boundaries of the City. This process recognizes that, when considering the City's / long-term debt, the entire debt burden borne by the resident and businesses should be taken into account. However, every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping district.

ity issued \$400,000,000 in pension obligation debt.

Schools issued \$33,000,000 of Debt to renovate the high school.

Table 13

CITY OF FRANKLIN, WISCONSIN
 Computation of Legal Debt Margin
 Last Ten Years

	5% of Equalized Value	Total Debt Applicable to Limit	Legal Debt Margin	Percent Used	City Policy**		
					2% of Equalized Value	Debt Margin	Percent Used
100	\$ 186,450,155	\$ 32,625,228	\$ 153,824,927	17.50%	\$74,580,062	\$41,954,834	43.75%
900	182,459,295	35,912,276	146,547,019	19.68%	72,983,718	37,071,442	49.21%
100	179,484,705	37,711,522	141,773,183	21.01%	71,793,882	34,082,360	52.53%
300	170,713,830	42,445,423	128,268,407	24.86%	68,285,532	25,840,109	62.16%
900	176,205,295	43,734,833	132,470,462	24.82%	70,482,118	26,747,285	62.05%
700	183,818,985	32,495,000	151,323,985	17.68%	73,527,594	41,032,594	44.19%
700	183,525,435	39,890,000	143,635,435	21.74%	73,410,174	33,520,174	54.34%
300	195,632,130	45,165,000	150,467,130	23.09%	78,252,852	33,087,852	57.72%
300	194,919,365	56,080,000	138,839,365	28.77%	77,967,746	21,887,746	71.93%
400	184,452,720	49,705,000	134,747,720	26.95%	**		

the City's outstanding general obligation debt may not exceed
 equalized property value.
 debt to 40% of Legal Limit - adopted by Resolution 2008-6481

Table 14

CITY OF FRANKLIN, WISCONSIN
Demographic and Economic Statistics
Last Ten Years

Population	(2) Personal Income	(2) Per capita adjusted gross income			(3) Unemployment rates		
		City of Franklin	Milwaukee County	State of Wisconsin	City of Franklin	Milwaukee County	State of Wisconsin
1,741	N/A	N/A	N/A	N/A	3.4	3.9	4.1
1,655	\$1,286,727,609	36,088	23,939	29,145	4.0%	5.2%	4.3%
1,702	1,252,194,890	35,074	22,507	27,671	4.2%	6.0%	5.2%
1,810	1,199,623,750	33,500	22,411	26,963	4.8%	7.2%	6.3%
1,520	1,218,584,060	34,307	21,433	26,271	5.6%	8.0%	6.9%
1,504	1,098,257,160	30,933	20,681	24,942	5.4%	8.0%	7.0%
1,451	1,085,585,506	30,622	20,486	24,218	6.2%	8.1%	7.8%
1,700	1,039,533,497	30,847	20,195	23,211	7.2%	9.7%	9.1%
1,550	1,103,807,365	32,900	21,233	24,329	4.5%	6.5%	6.5%
1,380	1,117,587,480	33,481	21,603	24,374	3.5%	5.0%	4.5%

census, State of Wisconsin
Department of Revenue, Division of Research and Analysis
of Labor Statistics
e

Table 15

CITY OF FRANKLIN, WISCONSIN

Principal Employers

Current Year and Nine Years Ago

Type of Business	2016			2007		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Insurance/Investment Services	3,107	1	17.40%	1,100	1	6.08%
Medical & surgical hospital	853	2	4.78%			
High speed labeling/filler machines	577	3	3.23%	390	5	2.16%
Commercial Bakery	559	4	3.13%			
K-12 Education	554	5	3.10%	580	2	3.21%
Government	525	6	2.94%	465	3	2.57%
Retailer	332	7	1.86%	250	9	1.38%
Wire harnesses	303	8	1.70%			
Trucking				300	7	1.66%
Off-road engine components mfg.	255	9	1.43%	400	4	2.21%
Animal Processing	270	10	1.51%			
Distribution Center				200	10	1.11%
Government				257	8	1.42%
Landfill and refuse collection				340	6	1.88%
	<u>7,335</u>		<u>41.09%</u>	<u>4,282</u>		<u>23.68%</u>

Statements and employer surveys

Table 16

CITY OF FRANKLIN, WISCONSIN
Full-time Equivalent City Government Employees by Function
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
			-	-	-	-	-	-	0.48	0.48
	2.50	2.50	2.50	2.50	2.50	2.00	2.00	2.00	2.00	2.00
	4.12	4.12	4.14	4.14	4.14	4.00	4.00	4.00	3.53	3.53
	1.00	-	-	-	-	-	-	-	-	-
	3.00	3.00	4.00	3.00	3.00	3.60	3.60	3.60	3.80	3.80
	6.60	6.60	6.60	7.10	7.10	7.03	7.10	7.10	7.10	7.30
	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	4.03	4.03	2.78	3.74	3.74	3.92	4.74	4.74	4.83	4.83
	<u>21.25</u>	<u>21.25</u>	<u>21.02</u>	<u>21.48</u>	<u>21.48</u>	<u>21.55</u>	<u>22.44</u>	<u>22.44</u>	<u>22.74</u>	<u>22.94</u>
	76.75	76.75	75.75	75.75	76.75	77.25	77.25	77.25	77.25	77.25
	46.50	46.50	46.50	46.50	46.45	46.48	46.45	46.45	46.45	45.45
	8.00	8.00	7.00	7.00	7.00	8.00	8.00	8.00	10.00	10.00
	<u>131.25</u>	<u>131.25</u>	<u>129.25</u>	<u>129.25</u>	<u>130.20</u>	<u>131.73</u>	<u>131.70</u>	<u>131.70</u>	<u>133.70</u>	<u>132.70</u>
	8.25	8.25	8.25	8.25	8.25	8.25	8.80	8.80	9.80	9.80
	22.00	22.00	22.48	22.00	22.00	22.00	22.00	22.00	22.00	22.00
	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.27	1.79
	<u>32.25</u>	<u>32.25</u>	<u>32.73</u>	<u>32.25</u>	<u>32.25</u>	<u>32.25</u>	<u>32.80</u>	<u>32.80</u>	<u>34.07</u>	<u>33.59</u>
	6.75	6.75	6.75	6.15	6.25	6.25	6.15	6.15	6.50	6.63
	4.00	4.00	4.00	4.00	4.60	5.60	5.60	5.60	7.60	7.60
	1.00	1.00	0.58	-	-	-	-	-	-	-
	<u>196.50</u>	<u>196.50</u>	<u>194.33</u>	<u>193.13</u>	<u>194.78</u>	<u>197.38</u>	<u>198.69</u>	<u>198.69</u>	<u>204.61</u>	<u>203.46</u>
	-	-	-	-	-	-	-	-	-	-
	16.94	16.94	17.19	17.70	16.82	17.12	17.11	17.11	17.20	17.22
	10.80	11.50	11.55	11.55	11.53	11.53	12.55	12.55	12.85	12.85
	<u>224.24</u>	<u>224.94</u>	<u>223.07</u>	<u>222.38</u>	<u>223.13</u>	<u>226.03</u>	<u>228.35</u>	<u>228.35</u>	<u>234.66</u>	<u>233.53</u>

CITY OF FRANKLIN, WISCONSIN
Operating Indicators by Function/Program
Last Ten Years

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
722	844	859	873	852	689	629	804	994	1,066
1,096	1,206	1,160	1,012	1,799	1,554	1,606	1,235	1,467	1,492
7,392	6,908	7,349	6,524	9,449	11,093	9,125	7,793	6,880	8,449
32,110	30,259	30,040	28,093	29,542	28,847	37,273	28,267	27,107	28,169
60	60	59	58	58	58	58	58	59	59
625	689	621	679	594	540	574	496	704	573
3270	2976	2,863	2754	2,688	2,605	2,546	2,515	2,790	2,767
2500	2509	2,480	2436	2,485	2,765	2,463	2,611	2,578	2,364
45	45	45	45	45	45	45	46	46	46
1050	1059	1,055	1162	1,137	1,099	1,141			
1225	1212	1,091	977	910	863	823			
31	26	38	28	32	30	28	31	34	31
1000	1500	679	704	1,053	1,427	2,176	927	378	558
170	168	167	167	167	165	165	165	165	159
8100	8259	7,923	7972	8,205	8,353	8,320	7,762	8,519	8,381
3200	2975	3,479	3114	2,737	2,813	2,693	2,676	2,825	3,008
300	332	221	322	335	274	295	375	214	205
1200	951	1,180	1,276	1,435	1,213	1,383	1,616	1,280	1,401
2200	2032	2,130	1,825	2,488	2,653	3,660	8,658	3,407	3,015
380	340	429	383	438	298	366	380	274	196
115	116	122	104	92	120	167	126	165	223
460,000	477,658	465,656	477,991	502,989	514,163	519,580	519,054	490,843	471,442
140,000	132,330	139,772	140,000	144,000	142,000	140,000	135,688	130,000	127,000
26,000	28,239	30,970	33,507	39,976	49,638	50,369	50,222	55,000	54,000
10,231	10,198	10,090	10,060	10,010	9,970	9,775	9,883	9,853	9,779
255,000	260,000	255,000	250,000	250,000	217,000	218,000	250,000	264,000	92,010
8,220	8,172	7,978	7,930	7,931	7,850	7,807	7,756	7,683	7,561
2,800,000	2,800,000	2,800,000	2,400,000	2,615,000	2,370,000	2,298,000	2,461,276	2,474,000	2,521,000
1,788,000	4,888,200	4,969,000	6,770,000	6,770,000	5,604,000	4,212,000	4,803,000	5,681,000	6,097,420

** in 2013 Internet session length increased to 2 hours from one.

Table 18

CITY OF FRANKLIN, WISCONSIN
 Capital Asset Statistics by Function/Program
 Last Ten Years

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
14,967	14,984	15,038	14,889	14,804	15,474	15,550	15,549	15,550	15,634	15,642
		9,694	9,540	9,410	11,336	11,329	11,287	11,233	10,878	10,210
		5,167	4,928	4,854	3,873	3,873	3,873	3,873	3,851	3,684
16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85
21.24	23.24	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74
169.25	167.05	166.32	166.07	166.51	165.97	165.97	165.97	166.51	165.31	164.74
3	3	3	3	3	3	3	3	3	3	3
1	1	1	1	1	1	1	1	1	1	1
1	1	1	1	1	1	1	1	1	1	1
194	193	191	185	185	185	185	185	182	181	180
170	169	168	167	167	167	166	166	164	163	157
2565	2155	2,145	2,130	2,120	2,115	2,111	2,106	2,081	2,058	1,956
11	11	11	10	10	7	7	4	4	4	3
12	12	12	12	12	12	12	12	12	12	11
8	8	8	8	8	8	8	8	8	8	8
1	1	1	1	1	1	1	1	1	1	1
47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206
68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300
37,750	37,750	37,750	37,750	37,750	37,750	37,750	32,392	26,480	26,480	26,480
40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450
23,215	23,215	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620