

# **Comprehensive Annual Financial Report**

City of Franklin, Wisconsin

For the Year Ended December 31, 2010



# **Franklin**



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF FRANKLIN**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

**PREPARED BY THE  
DEPARTMENT OF FINANCE**

**DIRECTOR OF FINANCE & TREASURER  
CALVIN A. PATTERSON**

# **CITY OF FRANKLIN**

## **TABLE OF CONTENTS** **December 31, 2010**

---

### **INTRODUCTORY SECTION**

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

### **FINANCIAL SECTION**

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

**CITY OF FRANKLIN**  
**TABLE OF CONTENTS**  
**December 31, 2010**

---

**FINANCIAL SECTION (CONTINUED)**

Combining and Individual Fund Financial Statements and Schedules:

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

**CITY OF FRANKLIN**

**TABLE OF CONTENTS**  
**December 31, 2010**

---

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

## **INTRODUCTORY SECTION**





April 15, 2011

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

### **Introduction**

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2010, is hereby submitted. State law requires that all general purpose local governments with a population over 25,000 publish, within six months of the end of the fiscal year, a complete set of financial statements be 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 Clifton Gunderson LLP, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2010, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2010, 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 35,451. Over the last ten years the City has experienced an average annual population increase of 1.9% per year. The city is a residential community (72.2%) with a growing commercial and industrial base (27.8%). 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 and fire protection, emergency medical/paramedic, maintenance of streets and other infrastructure, library, public health services, recreational and cultural activities, building inspection and zoning control, refuse and recycling collection, sanitary sewer, storm sewer and water services including construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries to support the services provided.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of a mayor and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring a city attorney. The City's Mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. The Council is elected, by district, on a non-partisan basis. The Mayor and Council members serve staggered three-year terms. The City is organized into departments, headed by fourteen officials appointed by the Mayor or Director of Administration and confirmed by the Common Council. Numerous boards, commissions and committees allow for citizen involvement in government by providing a forum for policy input to the Council and guidance to the departments. Library service is provided through a separate Library Board that functions like a department of the City and engages the Library Director. Water service is provided through a separate Water Utility that functions like a department of the City. These two areas therefore have been included as an integral part of the City's financial statements. The City also is financially accountable for a legally separate Community Development Authority (Authority). The Authority was established to finance and construct a City Business Park located within the City of Franklin Tax Incremental Financing District No. 2. The Authority's activities are reported within the City's financial statements. Additional information on the Authority can be found in Note 1 in the notes to the financial statements.

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

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

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

### **Economic Condition and Outlook**

The economic activity in Franklin stabilized in 2010 in both the residential and the non-residential sectors. The 27 units of new residential construction was up 8.0% from 2009 but 90.6% below the 288 units per year averaged during the previous ten years. The value of non-residential construction increased 58.8% from 2009 but was 49.1% below the average value realized per year during the previous ten years. Prospects in 2011 for residential, commercial and industrial development are anticipated to exceed 2010 levels.

Estimated actual property values have grown at an average annual rate of 7.0% since 2000. The new growth net of TIF Districts was \$21.4 million in 2010, \$38.2 million in 2009 and \$49.8 million in 2008. The growth in 2011 is expected to be in the \$10 million dollar range reflecting the slowdowns during the last three years. Growth after 2011 is expected to trend to levels higher than the past few years. The history of higher growth has allowed the City to maintain a relatively low municipal tax rate while still funding the increased cost of services required as a result of the City's growth.

### **Residential Growth**

Over the past ten years, residential valuation has grown at an average annual rate of 6.8%. In 2010, permits for 27 new equivalent residential units were issued. The increase from the prior year reflects the continued slow housing market in residential construction. Lingering effects of the slowdown will keep growth from new construction in 2011 at about the same level as 2010. Longer range the City remains attractive to builders and potential residents.

### **Commercial and Industrial Growth**

Over the past ten years, commercial and industrial valuation has increased at an average annual rate of 7.9%. In 2010, 40 building permits were issued for commercial and industrial projects. The value of those projects increased by 58.8% from the 2009 level.

TIF District #2, the City's Business Park, will be complete in 2011, closed and the \$167.5 million in assessed value at January 1, 2010 will be returned to the tax rolls. During its final year, the remaining debt will be paid off and the final projects completed.

In 2005, two new TIF Districts (#3 & #4) were established on the eastern side of the City. The two districts have equalized value tax increments of \$61 and \$36 Million, respectively.

Anticipated residential growth will continue to place demands on the commercial sector for goods and services that, in turn, is expected to continue the trend of commercial growth. Expansion of the commercial and industrial tax base is a goal of the City with respect to the overall tax rate, as 72.2% of the City's property value is currently residential down from

73.8% the prior year. Future tax relief will need to come from industrial and commercial tax base expansion.

### **Organizational and Service Growth**

The 2010 year was a year where overall revenue stabilized for the City. Some revenue sources remained at the same level as 2009, others actually increased. The one notable exception was investment earnings which continued to be adversely affected by the exceptionally low available interest rates. The growth in fund balance was achieved due to the underspending in approved budgets by departments.

2010 was a City-wide property re-assessment year with overall assessments declining by 3.5%. The last reassessment was done in 2006. Performing revaluations on a regular basis is in line with the Common Council policy to schedule a revaluation every three years to keep property values in line with current market values. The State determined that the local assessments after reassessments were 99.0% of fair value. The estimated actual value of City properties was approximately \$3.6 billion.

The challenge for the operating departments in 2010 was to maintain the service levels at a time of flat revenues to the City and a growth of 0.6% in new properties. Limited tax growth did provide resources to maintain existing service levels.

### **Internal Controls**

The City's internal control structure is subject to ongoing evaluation by management. The City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with laws, regulations and good financial policies. The results of the City's audit for the fiscal year ended December 31, 2010 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws or regulations. As a recipient of federal and state financial assistance, if the level of grant expenditures exceeds an established level, currently \$500,000, a single audit of grants is required. The City was not required to have a single audit of grants for 2010 although the State required limited audit review of their grants received.

### **Financial Planning**

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

### **Financial Policies**

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

Mayor, Common Council and Citizens  
April 15, 2011

### **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, 2009. 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 17<sup>th</sup> consecutive year that the City has received this award.

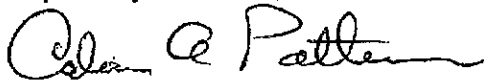
In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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 2010 Certificate.

### **Acknowledgments**

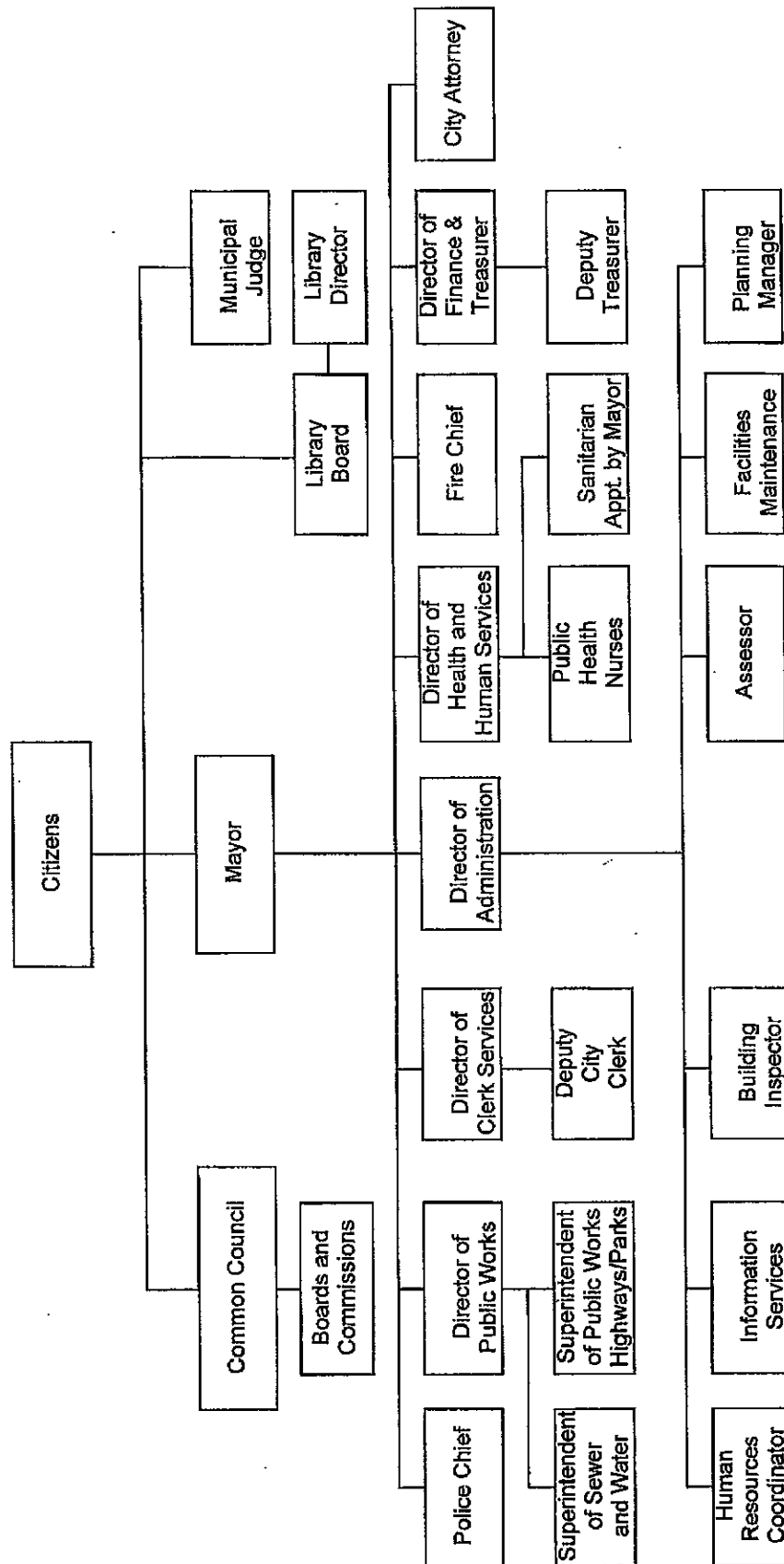
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Calvin A. Patterson". The signature is fluid and cursive, with the first name "Calvin" and last name "Patterson" clearly distinguishable.

Calvin A. Patterson  
Director of Finance & Treasurer

City of Franklin  
Organization Chart  
Chart 1



**CITY OF FRANKLIN  
LIST OF PRINCIPAL OFFICIALS**

**Elected Officials**

<u>Title</u>	<u>Name</u>
Mayor	Tom Taylor
Aldermen:	
District No. 1	Steve Olson
District No. 2	Tim Solomon
District No. 3	Kristen Wilhelm
District No. 4	Steve F. Taylor
District No. 5	Doug Schmidt
District No. 6	Ken Skowronski
Municipal Judge	Fred Klimetz

**Non-elected Officials**

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Franklin  
Wisconsin

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

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



President

Executive Director



## **FINANCIAL SECTION**



## Independent Auditor's Report

Common Council  
City of Franklin  
Franklin, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Franklin as of and for the year ended December 31, 2010, and the respective budgetary comparison for the General Fund for the year then ended, which collectively comprise City of Franklin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Franklin's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information for the enterprise funds has been derived from the City of Franklin's 2009 financial statements and, in our report dated April 16, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Franklin as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2011 on our consideration of City of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The combining and individual fund financial statements and schedules 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Clifton Gunderson LLP*

Milwaukee, Wisconsin  
April 15, 2011

## Management's Discussion and Analysis (Unaudited)

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2010, by \$193,508,767 (**net assets**). Of this amount, \$7,665,103 (**unrestricted net assets**) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by a net amount of \$9,804,559. Investment in capital assets, net of related debt increased by \$3,510,007, while unrestricted net assets increased by \$2,764,705 and restricted net assets increased by \$3,529,847. The reduction in debt was the primary reason that the investment in capital assets, net of related debt increased. The unrestricted increase was due to TIF District revenues exceeding expenses and an increase in the General fund. The restricted increase was due to an increase in development receipts.
- The City's governmental funds reported, as of December 31, 2010, combined ending fund balances of \$22,129,948, an increase of \$5,248,006 from the prior year. The increase was primarily due to the receipt of revenue in the TIF Districts and debt service funds which was applied to the repayment of debt. There was an (**unreserved fund balance**) in total of \$5,858,789 made up of a \$2,251,592 deficit in the TIF Districts fund and unreserved fund balances in other funds amounting to \$8,110,381 or approximately 37 percent of the total fund balance that is available for spending at the government's discretion.
- The unreserved fund balance as of December 31, 2010 for the general fund was \$5,381,412 or approximately 22 percent of total anticipated 2011 general fund expenditures.
- The City's Governmental activities debt decreased by \$5,275,000 during 2010 from scheduled repayments. The total general obligation debt that has to be repaid by the general taxpayer is less than one quarter of one percent of the City's equalized valuation. See table 11 for complete details.

### Overview of the Financial Statements

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

## **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

## **Fund financial statements**

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

### **Governmental funds**

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

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

balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

### **Proprietary funds**

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

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

### **Fiduciary funds**

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

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

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements is found on pages 38 – 73 of this report.

## Other information

In addition to the basic financial statements, notes and accompanying notes, this report also presents certain **required supplementary information** concerning the City of Franklin's progress in funding its pension obligations to its public works employees and its retiree health obligations to eligible full time employees. Required supplementary information can be found on page 74 of this report.

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 11.2 can be found on pages 75 – 91 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$193,508,767 and \$183,704,208 at the end of 2010 and 2009, respectively.

### CITY OF FRANKLIN NET ASSETS December 31, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 56,800,283	\$ 52,453,291	\$ 4,328,009	\$ 4,261,888	\$ 61,128,292	\$ 56,715,179
Capital assets	115,673,509	115,276,159	90,202,124	90,828,559	205,875,633	206,104,718
Total assets	172,473,792	167,729,450	94,530,133	95,090,447	267,003,925	262,819,897
Current liabilities	38,811,740	37,222,328	1,225,744	1,078,700	40,037,484	38,301,028
Long-term liabilities	33,380,871	40,734,583	76,803	80,078	33,457,674	40,814,661
Total liabilities	72,192,611	77,956,911	1,302,547	1,158,778	73,495,158	79,115,689
Net assets:						
Invested in capital assets, net of related debt	90,592,480	86,456,038	90,202,124	90,828,559	180,794,604	177,284,597
Restricted	4,787,208	1,291,825	261,852	227,388	5,049,060	1,519,213
Unrestricted	4,901,493	2,024,676	2,763,610	2,875,722	7,665,103	4,900,398
Total net assets	\$ 100,281,181	\$ 89,772,539	\$ 93,227,586	\$ 93,931,669	\$ 193,508,767	\$ 183,704,208



The largest portion of the City's net assets (approximately 93 and 96 percent, in 2010 and 2009, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these net assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$180,794,604 and \$177,284,597 in 2010 and 2009, respectively of the year end net assets. The changes in capital assets were as follows:

	Net Capital Asset		Change in Capital	Net
	Additions	Depreciation	Related Debt	Increase
2010	\$ 4,298,852	\$ (4,527,937)	\$ 3,739,092	\$ 3,510,007
2009	\$ 6,515,153	\$ (4,242,863)	\$ 10,160,146	\$ 12,432,436

The major City project contributing to this increase was the reconstruction of 51<sup>st</sup> Street from Drexel to Puetz Road. This project was accomplished through a State stimulus project. In 2009 the reconstruction of Drexel Avenue from 27<sup>th</sup> Street to 31<sup>st</sup> Street, the reconstruction of Fire Station #3 and increased road resurfacing due to the low price of asphalt. In addition the debt repayments resulted in a significant decrease in capital related debt.

Infrastructure contributed by developers and others contributed to the capitalized infrastructure through; capital grants and contributions of governmental activities of approximately \$1,455,000 in 2010 and \$351,000 in 2009 and through capital grants and contributions for business-type activities of \$211,000 in 2010 and \$568,000 in 2009.

An additional portion of the City's net assets (2.6 percent and 0.8 percent in 2010 and 2009, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$5,049,060 and \$1,519,213, respectively in those net assets that were restricted to specific purposes with the remaining balance in unrestricted net assets of \$7,665,103 and \$4,900,398, in 2010 and 2009 respectively that may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years the City was able to report positive balances in the unrestricted net assets of the government as a whole as well as for its separate business-type activities.

There was a 2010 increase of \$3,529,847 in restricted net assets reported in connection with government-wide activities. The increase was primarily due to the increase in available Development funds.

There was a 2009 decrease of \$4,444,255 in restricted net assets reported in connection with government-wide activities. The decrease was primarily due to the reduction in available debt service funds (\$1,915,000), additional interfund advances (\$2,645,000), and lesser changes in other restricted funds.

There was a 2010 increase of \$2,764,705 in unrestricted net assets reported in government-wide activities. The major reasons for the increase were the approximate net increases in TIF Districts funds of \$3,500,000 and in the general fund of \$400,000.

There was a 2009 decrease of \$2,317,663 in unrestricted net assets reported in connection with government-wide activities. The major reasons for the decrease was the use of funds for debt service purposes (\$2,645,000) and the reduction in the general fund (\$440,403) due to using net assets to ease the transition to fully funding the OPEB obligations and in encountering the shortfall in budgetary revenue of about \$1,000,000.

### Government-wide activities

The details of changes in net assets follow:

#### City of Franklin Changes in Net Assets For the Years Ending December 31, 2010 and 2009

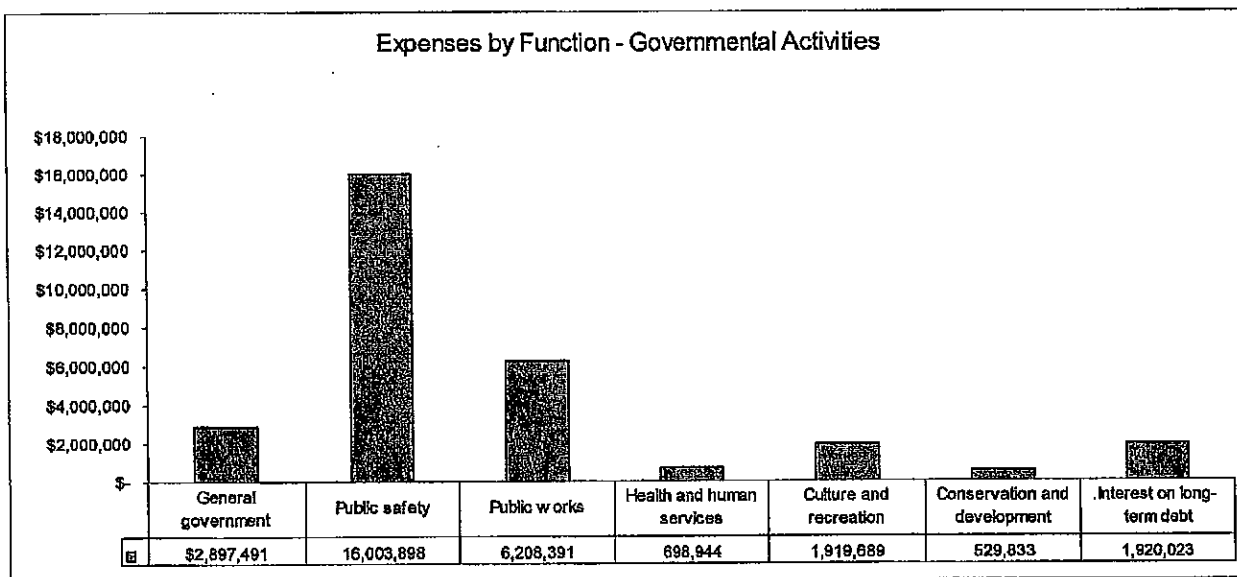
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for services	\$ 4,149,847	\$ 3,317,477	\$ 7,457,755	\$ 7,448,519	\$ 11,607,602	\$ 10,765,996
Operating grants & contributions	1,921,805	2,080,213	-	-	1,921,805	2,080,213
Capital grants & contributions	2,570,564	1,190,090	210,668	337,667	2,781,232	1,527,757
General revenue:						
Property taxes	27,881,525	24,966,591	-	-	27,881,525	24,966,591
Other taxes	699,431	666,767	-	-	699,431	666,767
Intergovernmental	1,485,982	1,380,418	-	-	1,485,982	1,380,418
Investment earnings	907,723	1,401,560	41,393	46,738	949,116	1,448,298
Other	58,885	43,566	50,164	57,627	109,049	101,193
Total revenue	<u>39,675,762</u>	<u>35,046,682</u>	<u>7,759,980</u>	<u>7,890,551</u>	<u>47,435,742</u>	<u>42,937,233</u>
Expenses:						
General government	2,897,491	2,948,713	-	-	2,897,491	2,948,713
Public safety	16,003,898	15,526,031	-	-	16,003,898	15,526,031
Public works	6,208,391	6,034,720	-	-	6,208,391	6,034,720
Health & human services	698,944	708,084	-	-	698,944	708,084
Culture & recreation	1,919,689	1,780,896	-	-	1,919,689	1,780,896
Conservation & development	529,833	572,342	-	-	529,833	572,342
Interest on long-term debt	1,920,023	2,253,215	-	-	1,920,023	2,253,215
Water	-	-	4,076,409	4,216,453	4,076,409	4,216,453
Sewer	-	-	3,376,505	3,226,261	3,376,505	3,226,261
Total expenses	<u>30,178,269</u>	<u>29,824,001</u>	<u>7,452,914</u>	<u>7,442,714</u>	<u>37,631,183</u>	<u>37,266,715</u>
Increase in net assets before transfers	9,497,493	5,222,681	307,066	447,837	9,804,559	5,670,518
Transfers	<u>1,011,149</u>	<u>(100,726)</u>	<u>(1,011,149)</u>	<u>100,726</u>	<u>-</u>	<u>-</u>
Increase in net assets	10,508,642	5,121,955	(704,083)	548,563	9,804,559	5,670,518
Net assets - beginning	<u>89,772,539</u>	<u>84,650,584</u>	<u>93,931,669</u>	<u>93,383,106</u>	<u>183,704,208</u>	<u>178,033,690</u>
Net assets - ending	<u>\$ 100,281,181</u>	<u>\$ 89,772,539</u>	<u>\$ 93,227,586</u>	<u>\$ 93,931,669</u>	<u>\$ 193,508,767</u>	<u>\$ 183,704,208</u>

Governmental activities in 2010 increased the City's net assets by \$10,508,642 accounting for 89 percent of the total growth in the net assets of the City. Elements of this increase follow:

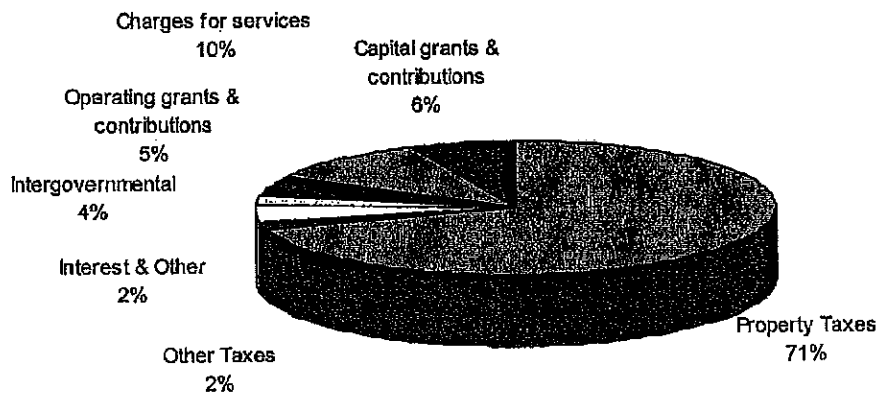
- Increase due to General Fund activity of \$397,984
- Net increase in Debt service activities of \$1,753,805
- Increase in governmental activities capital assets net of depreciation of \$397,350
- Net decrease from internal service activities of \$99,635
- Net decrease from special assessment activities of \$353,793
- Net increase from TIF Districts activities of \$7,017,398
- Increase due to Development activities of \$569,264
- Increase due to Utility Improvement activities of \$209,481
- Increase due to Capital Improvement activities of \$343,455
- Increase due to Street Improvement activities of \$200,234
- Net increase from other funds activities of \$73,099

Governmental activities in 2009 increased the City's net assets by \$5,121,955 accounting for 91 percent of the total growth in the net assets of the City. Elements of this increase follow:

- Decrease due to General Fund activity of \$457,019
- Increase due to the decrease in Long term Debt of \$1,737,327
- Increase in governmental activities capital assets net of depreciation of \$2,286,217
- Increase due to the increase from TIF District activities of \$2,744,498
- Net increase from internal service activities of \$678,445
- Net increase from special assessment activities of \$21,409
- Decrease due to Capital Improvement activities of \$991,330
- Decrease due to Street Improvement activities of \$704,633
- Net decrease from other funds activities of \$192,959



### Revenue by Source - Governmental Activities



#### Business-type activities

In 2010, business-type activities decreased the City's net assets by \$704,083 or .7 percent from the prior year. The key elements of this decrease follow:

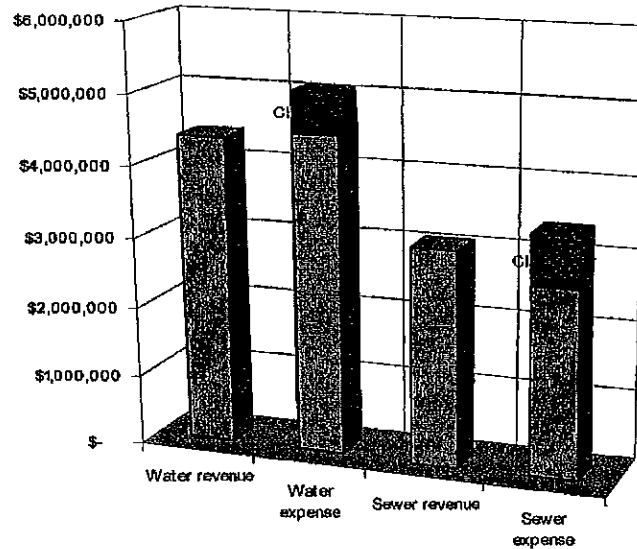
- The increase from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$380,183. The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. Both the water and sewer activities are currently meeting this goal.
- Contributions of water infrastructure - \$133,576 consisting of four developer projects and one City project
- Contributions of sewer infrastructure - \$79,309 consisting of two developer projects
- Depreciation expense related to contributed assets - \$1,297,151

In 2009, business-type activities increased the City's net assets by \$548,563 or .6 percent from the prior year. The key elements of this increase follow:

- The increase from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$298,673. The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The sewer revenue remains below the level necessary to meet this goal.
- Contributions of water infrastructure - \$1,336,229 consisting of three developer projects and three City projects
- Contributions of sewer infrastructure - \$25,444 consisting of one developer projects
- Depreciation expense related to contributed assets - \$1,111,783

The following graph compares the 2010 charges for services to the operating expenses for water and sewer activities.

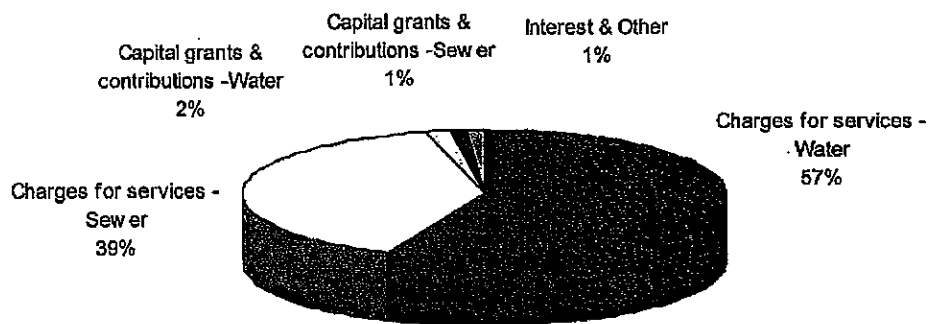
### Operating Revenue and Expense - Business-type Activities



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

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

### Revenue by Source - Business-type Activities



## **Financial Analysis of the Government's Funds**

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

### **Governmental funds.**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,129,948, an increase of \$5,248,006 in comparison with the prior year. At year end there was unreserved fund balance in total of \$5,858,789. Of this total unreserved fund balance, the following amounts were committed to specific types of activities; i.e., \$5,381,412 for general fund activities, \$179,224 for special revenue fund activities, \$2,549,745 for capital project activities offset by a \$2,551,592 deficit in TIF Districts activities. The TIF Districts deficit is due to the favorable type of interim financing selected and will diminish as revenue is received and used to repay the financing.

The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$8,393,278), 2) for advances to other funds (\$4,263,000) 3) for development purposes (\$2,145,826), 4) for library purposes (\$488,302), 5) uncompleted contracts (\$155,000), 6) encumbrances (\$72,000) and 7) prepaid expenses, inventories, utility improvement, donations and grants (\$753,753).

The **General Fund** is the chief operating fund of the City. As of December 31, 2010, the total fund balance of the general fund was \$5,476,585 of which \$5,381,412 was unreserved. This unreserved fund balance represents approximately 22% of 2011 general fund expenditures.

The total fund balance of the general fund increased by \$371,947 in fiscal year 2010. The 2010 annual program budget for the City's general fund identified an appropriation of \$900,000 in fund balance to reduce the impact of taxes levied and to balance the budget. Actual expenses were less than budgeted expenses by 2.2 percent or \$534,235 and actual revenue was more than budget revenue in the general fund by \$90,212 or 0.4 percent. This resulted in the fund balance increasing by \$371,947. The underexpenditures were mainly from vacancy in authorized positions and unused contingency.

The **Debt Service Fund** has a total fund balance of \$3,021,278, \$233,278 is reserved for the payment of debt service and \$2,788,000 is reserved for advances made to the TIF Districts fund. The fund balance increase of \$942,378 was planned to allow the repayment of \$1.17 million in interfund advances in connection with the calling of 2010 and 2011 debt to better utilize available liquid assets.

The **TIF Districts Fund** has an unreserved fund deficit of \$2,251,592 and a reserved fund balance of \$8,207,000 for a net fund balance of \$5,955,408. The fund deficit is due to borrowing and investing those funds in infrastructure. The fund balance is due to an \$8.16 million note receivable issued under a development agreement and some contractual obligations.

The **Nonmajor Government Funds** have a total fund balance of \$7,676,677. The fund balance increase came mainly from increases in the Capital funds as resources were received and very few projects were undertaken resulting in the fund balances increasing.

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

Unrestricted net assets of the Water Utility at the end of the year amounted to \$1,988,848, an increase of \$231,855 from December 31, 2009. Total net assets declined due the low level of activity being less than the depreciation incurred.

Unrestricted net assets of the Sanitary Sewer Fund at the end of the year amounted to \$774,762, a decrease of \$343,967 from December 31, 2009. Total net assets declined due the low level of activity resulting in capital contributions being less than the depreciation on contributed assets.

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

### **General Fund Budgetary Highlights**

Budgetary revenues exceeded the budget with a small increase over budget in a number of issues offsetting a larger (\$168,794) decline in interest revenue due to low rates available.

Actual expenditures were less than budgeted expenditures by \$534,235. This amount was across all functions with, Administration, police, dispatch and highway departments accounted for the largest portion of the under expenditures. The unused contingency budget was \$49,042. There were overexpenditures in fire, street lighting, weed control, and insurance budgets.

Revenue was budgeted flat with the prior year and was realized. Expenditures came in below budget and below the underspending goal resulting in the general fund balance increasing by \$371,947.

### **Capital assets.**

The City's investment in capital assets for its governmental and business type activities as of December 31, 2010, amounts to \$205,875,633 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

### City's Investment in Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 24,895,045	\$ 24,664,244	\$ 521,225	\$ 429,884	\$ 25,216,270	\$ 25,094,128
Buildings and Improvements	23,997,831	23,924,476	2,322,250	2,322,250	26,320,081	26,246,726
Improvements other than buildings	87,929,115	85,791,859	106,835,026	106,500,217	194,764,141	192,292,076
Machinery and and equipment	15,702,981	14,934,355	2,563,445	2,535,712	18,266,426	17,470,067
Construction in process	<u>52,225</u>	<u>151,662</u>	<u>643,841</u>	<u>56,229</u>	<u>696,066</u>	<u>207,891</u>
Total capital assets	152,377,197	149,466,596	112,885,787	111,844,292	265,262,984	261,310,888
Less Accumulated depreciation	<u>(36,703,688)</u>	<u>(34,190,437)</u>	<u>(22,683,663)</u>	<u>(21,015,733)</u>	<u>(59,387,351)</u>	<u>(55,206,170)</u>
Capital assets net of depreciation	<u>\$ 115,673,509</u>	<u>\$ 115,276,159</u>	<u>\$ 90,202,124</u>	<u>\$ 90,828,559</u>	<u>\$ 205,875,633</u>	<u>\$ 206,104,718</u>

The total decline in the City's net investment in capital assets net of depreciation for the current fiscal year was \$229,085 or a 0.1 percent decrease due to the lower level of new additions.

For further details on capital asset activity, refer to Note 1(D)5 and Note 4(D) of the Notes to Financial Statements and Schedules 11 – 11.2.

#### Long-term debt

At December 31, 2010, the City had general obligation note and bond issues outstanding totaling \$39,890,000. State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. The current debt limitation for the City is \$183,525,435. The City's current outstanding general obligation debt is 22% of the statutory debt limit. In the last 15 years the City has not exceeded 34% of the statutory debt limit.

The City's present rating from Moody's for its general obligation debt is "Aa1".

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



### City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation						
Notes	\$ 30,160,000	\$ 35,285,000	\$ -	\$ -	\$ 30,160,000	\$ 35,285,000
Bonds	9,730,000	9,880,000	-	-	9,730,000	9,880,000
Total	<u>\$ 39,890,000</u>	<u>\$ 45,165,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,890,000</u>	<u>\$ 45,165,000</u>

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 10 – 13 in the statistical section of the report.

### Other Changes of Significance

#### New Landfill Siting Agreement

The City of Franklin entered into a new landfill siting agreement with Waste Management of Wisconsin, Inc. The agreement will allow the company to expand the existing landfill. When the landfill expansion begins to accept waste the City and other affected municipalities will begin to receive a siting payment. The company provided upfront payments in 2010 and 2011 of \$450,000. The actual payments will be made on a per ton basis when waste is accepted and the upfront payments will reduce the amounts received. The ultimate amount that may be received is dependent upon the a ruling that the company receives from the State DNR as to how much area can be incorporated in the landfill.

#### Post Employment Health Care Benefits

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

The Government Accounting Standards Board (GASB) issued Statement #45 effective for the City of Franklin on January 1, 2008 that said that the expense of these benefits has to be recognized over the working lives of the employees. The Common Council concluded that the City of Franklin should not only recognize the expense on its financial statements but should fund those amounts out of its general revenue starting in 2008 with the establishment of a section 115 trust. The actuarial computed annual required contribution under GASB #45 for 2010 was \$793,852 and for 2009 was \$591,351. The increase was due to enhanced benefits negotiated with the represented employees of the Police Department.

More detailed information can be found in footnote 5C.

### **Economic Factors, Tax Rates and Next Year's Budgets**

- The unemployment rate as of December 31, 2010 for the City was 5.8%, Milwaukee County which includes the City, is 8.1%. This compares with an unemployment rate of 7.5% for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were 0.3%, 1.50%, and 3.18%, respectively.
- The tax levy increase for the current and prior two years were, \$284,000, \$587,000 and \$1,054,000, respectively.
- The 2011 budgets require a local tax rate that increases 1.99% which together with growth will result in a tax levy increase of \$539,000 or 2.6%.

### **Requests for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**



**CITY OF FRANKLIN**  
**Statement of Net Assets**  
**December 31, 2010**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 17,202,704	\$ 1,859,110	\$ 19,061,814
Receivables			
Accounts receivable	762,074	1,948,675	2,710,749
Interest receivable	53,040	-	53,040
Taxes receivable	28,163,266	280,550	28,443,816
Note receivable	8,160,000	-	8,160,000
Special assessments receivable	1,923,984	-	1,923,984
Internal balances	22,178	(22,178)	-
Due from other governments	278,309	-	278,309
Prepaid items	57,134	-	57,134
Inventories	29,970	-	29,970
Restricted cash and investments	-	261,852	261,852
Capital assets (net of accumulated depreciation)			
Land	24,695,045	521,225	25,216,270
Buildings and improvements	17,072,816	1,446,848	18,519,664
Machinery and equipment	6,435,590	1,079,407	7,514,997
Improvements other than buildings	67,417,833	86,510,803	153,928,636
Construction in progress	52,225	643,841	696,066
Deferred charges	147,624	-	147,624
<b>Total assets</b>	<b>172,473,792</b>	<b>94,530,133</b>	<b>267,003,925</b>
<b>LIABILITIES</b>			
Accounts payable	1,117,616	1,163,466	2,281,082
Accrued liabilities	662,871	15,805	678,676
Due to other governments	74,012	-	74,012
Accrued interest	528,457	-	528,457
Special deposits	297,009	2,600	299,609
Unearned revenue	28,162,022	-	28,162,022
Noncurrent liabilities			
Due within one year	7,969,753	43,873	8,013,626
Due in more than one year	33,380,871	76,803	33,457,674
<b>Total liabilities</b>	<b>72,192,611</b>	<b>1,302,547</b>	<b>73,495,158</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	90,592,480	90,202,124	180,794,604
Restricted for			
Library	498,483	-	498,483
Utility improvements	356,798	-	356,798
Development	3,620,826	-	3,620,826
Donations & grants	311,101	-	311,101
Sewer equipment replacement	-	261,852	261,852
Unrestricted	4,901,493	2,763,610	7,665,103
<b>Total net assets</b>	<b>\$ 100,281,181</b>	<b>\$ 93,227,586</b>	<b>\$ 193,508,767</b>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Activities**  
**Year Ended December 31, 2010**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>Governmental activities:</b>						
General government	\$ 2,897,491	\$ 270,412	\$ -	\$ 104,523	\$ (2,522,556)	\$ -
Public safety	16,003,898	2,154,618	242,842	110,135	(13,496,303)	-
Public works	6,208,391	1,230,437	1,586,413	2,195,867	(1,195,674)	-
Health and human services	698,944	54,385	50,716	124,474	(469,369)	-
Culture and recreation	1,919,689	311,757	41,629	35,565	(1,530,738)	-
Conservation and development	529,833	64,168	205	-	(465,460)	-
Interest on long term debt	1,920,023	-	-	-	(1,920,023)	-
Total governmental activities	30,178,269	4,085,777	1,921,805	2,570,564	(21,600,123)	-
<b>Business-type activities:</b>						
Water	4,076,409	4,395,269	-	131,359	-	450,219
Sewer	3,376,505	3,062,486	-	79,309	-	(234,710)
Total business-type activities	7,452,914	7,457,755	-	210,668	-	215,509
Total primary government	\$ 37,631,183	\$ 11,543,532	\$ 1,921,805	\$ 2,781,232	(21,600,123)	(21,384,614)
<b>General revenue:</b>						
Property taxes levied for general purposes					18,523,570	18,523,570
Property taxes levied for debt service					1,900,000	1,900,000
Property taxes levied for TIF Districts					7,457,955	7,457,955
Other taxes					699,431	699,431
Intergovernmental revenue not restricted to specific programs					1,485,982	1,485,982
Investment earnings					907,723	41,393
Miscellaneous revenue					58,885	50,164
Gain on sale of capital assets					64,070	64,070
Transfers					1,011,149	(1,011,149)
Total general revenue and transfers					32,108,765	(919,592)
Change in net assets					10,508,642	(704,083)
Net assets - beginning					89,772,539	93,931,669
Net assets - ending					\$ 100,281,181	\$ 93,227,586

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 6,144,074	\$ 233,278	\$ 1,964,575	\$ 6,341,056	\$ 14,682,983
Receivables					
Accounts receivable	568,166	-	7,094	126,106	701,366
Interest receivable	-	-	53,040	-	53,040
Taxes receivable	17,004,057	2,165,647	6,737,305	2,256,257	28,163,266
Note receivable	-	-	8,160,000	-	8,160,000
Special assessments receivable	-	557,649	-	1,366,335	1,923,984
Due from other funds	22,178	-	-	-	22,178
Due from other governments	12,288	-	127,173	138,848	278,309
Prepaid items	45,703	-	-	11,431	57,134
Inventories	29,970	-	-	-	29,970
Long term advances	-	2,788,000	-	1,475,000	4,263,000
<b>TOTAL ASSETS</b>	<b>\$ 23,826,436</b>	<b>\$ 5,744,574</b>	<b>\$ 17,049,187</b>	<b>\$ 11,715,033</b>	<b>\$ 58,335,230</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 651,062	\$ -	\$ 25,434	\$ 410,848	\$ 1,087,344
Accrued liabilities	324,955	-	15,000	4,916	344,871
Due to other governments	74,012	-	-	-	74,012
Special deposits	297,009	-	-	-	297,009
Deferred revenue	17,002,813	2,723,296	6,790,345	3,622,592	30,139,046
Long term advances	-	-	4,263,000	-	4,263,000
<b>Total Liabilities</b>	<b>18,349,851</b>	<b>2,723,296</b>	<b>11,093,779</b>	<b>4,038,356</b>	<b>36,205,282</b>
<b>FUND BALANCES</b>					
Reserved for:					
Inventories and prepaid items	75,673	-	-	10,181	85,854
Advances to other funds	-	2,788,000	-	1,475,000	4,263,000
Encumbrances	19,500	-	-	52,500	72,000
Contractual obligations	-	-	47,000	108,000	155,000
Debt service	-	233,278	8,160,000	-	8,393,278
Library services	-	-	-	488,302	488,302
Utility improvements	-	-	-	356,798	356,798
Development	-	-	-	2,145,826	2,145,826
Donations & grants	-	-	-	311,101	311,101
Unreserved balance (deficit) reported in:					
General Fund	5,381,412	-	-	-	5,381,412
Special Revenue Funds	-	-	-	179,224	179,224
Capital Project Funds	-	-	(2,261,592)	2,549,745	298,153
<b>Total fund balances</b>	<b>5,476,585</b>	<b>3,021,278</b>	<b>5,955,408</b>	<b>7,676,677</b>	<b>22,129,948</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 23,826,436</b>	<b>\$ 5,744,574</b>	<b>\$ 17,049,187</b>	<b>\$ 11,715,033</b>	<b>\$ 58,335,230</b>
Total fund balances of governmental funds					\$ 22,129,948
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in government funds are not financial resources and are not reported in the funds.					115,673,509
Internal service net assets					2,232,157
Other long-term assets that are not available to pay for current period expenditures and are deferred in the funds.					1,977,024
Long-term liabilities, including long-term debt, are not due and payable in the current period and are not reported in the funds.					(41,731,457)
<b>Net assets of governmental activities</b>					<b>\$ 100,281,181</b>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2010**

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUE</b>					
Taxes	\$ 16,742,784	\$ 1,900,000	\$ 7,536,172	\$ 2,402,000	\$ 28,580,956
Intergovernmental revenue	2,511,258	-	690,577	502,324	3,704,159
Licenses and permits	729,432	-	-	-	729,432
Fines, forfeitures and penalties	422,506	-	-	-	422,506
Public charges for services	1,838,076	-	-	373,043	2,211,119
Special assessments	-	227,560	-	891,670	1,119,230
Intergovernmental charges for services	237,319	-	-	-	237,319
Investment earnings	226,206	257,087	201,461	194,224	878,978
Miscellaneous revenue	185,265	-	-	412,346	597,611
Total revenue	<u>22,892,846</u>	<u>2,384,647</u>	<u>8,428,210</u>	<u>4,775,607</u>	<u>38,481,310</u>
<b>EXPENDITURES</b>					
Current					
General government	2,694,374	-	-	-	2,694,374
Public safety	15,142,907	-	-	63,410	15,206,317
Public works	4,521,991	-	-	-	4,521,991
Health and human services	628,052	-	-	1,447	629,499
Culture, recreation and education	136,758	-	-	1,428,335	1,565,093
Conservation and development	386,183	-	27,502	111,020	524,705
Capital outlay	-	-	209,713	1,744,286	1,953,999
Debt service					
Principal	-	850,000	4,425,000	-	5,275,000
Interest	-	757,023	1,182,739	-	1,939,762
Total expenditures	<u>23,510,265</u>	<u>1,607,023</u>	<u>5,844,954</u>	<u>3,348,498</u>	<u>34,310,740</u>
Excess (deficiency) of revenue over expenditures	(617,419)	777,624	2,583,256	1,427,109	4,170,570
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	64,070	64,070
Transfers in	1,013,366	164,754	-	211,534	1,389,654
Transfers out	(24,000)	-	(45,108)	(307,180)	(376,288)
Net change in fund balances	371,947	942,378	2,538,148	1,395,533	5,248,006
Fund balances - beginning	<u>5,104,638</u>	<u>2,078,900</u>	<u>3,417,260</u>	<u>6,281,144</u>	<u>16,881,942</u>
Fund balances - ending	<u>\$ 5,476,585</u>	<u>\$ 3,021,278</u>	<u>\$ 5,955,408</u>	<u>\$ 7,676,677</u>	<u>\$ 22,129,948</u>

See accompanying notes to the financial statements.



**CITY OF FRANKLIN**  
**Reconciliation of the Statement of Revenue**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**Year Ended December 31, 2010**

---

Net change in fund balances - total governmental funds	\$ 5,248,006
Amounts reported for governmental activities in the statement of activities (page 26) are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,779,422) was exceeded by depreciation (\$2,837,502) in the current period.	(1,058,080)
Contributed capital assets are reported as revenues in the statement of activities.	1,455,430
The issuance of long-term debt ( e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of differences in the treatment of long term debt.	5,275,000
Government funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	(49,340)
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	95,116
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	(357,855)
Internal service fund change in net assets	(99,635)
<b>Net change in net assets of governmental activities</b>	<b><u>\$ 10,508,642</u></b>

**CITY OF FRANKLIN**  
**General Fund**  
**Statement of Revenue, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (on a Budgetary basis)**  
**Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>REVENUE</b>				
Taxes	\$ 17,684,000	\$ 17,684,000	\$ 17,756,150	\$ 72,150
Intergovernmental revenue	2,463,000	2,472,000	2,511,258	39,258
Licenses and permits	678,650	678,650	729,432	50,782
Fines, forfeitures and penalties	400,000	400,000	422,506	22,506
Public charges for services	1,834,450	1,834,450	1,838,076	3,626
Intergovernmental charges for services	250,000	250,000	237,319	(12,681)
Investment earnings	395,000	395,000	226,206	(168,794)
Miscellaneous revenue	101,900	101,900	185,265	83,365
Total revenue	<u>23,807,000</u>	<u>23,816,000</u>	<u>23,906,212</u>	<u>90,212</u>
<b>EXPENDITURES</b>				
Current				
General government	3,401,561	2,887,061	2,694,374	192,687
Public safety	15,381,927	15,304,927	15,146,407	158,520
Public works	4,655,547	4,643,547	4,536,991	106,556
Health and human services	638,283	638,283	628,052	10,231
Culture and recreation	176,175	176,175	160,758	15,417
Conservation and development	453,507	437,007	386,183	50,824
Total expenditures	<u>24,707,000</u>	<u>24,087,000</u>	<u>23,552,765</u>	<u>534,235</u>
Excess (deficiency) of revenue over (under) expenditures	(900,000)	(271,000)	353,447	624,447
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balance - budgetary basis	(900,000)	(271,000)	353,447	624,447
Adjustments to generally accepted accounting principles basis				
2010 encumbrances	19,500	19,500	19,500	-
2009 encumbrances	(1,000)	(1,000)	(1,000)	-
Net change in fund balance - generally accepted accounting principles basis	(881,500)	(252,500)	371,947	624,447
Fund Balances - beginning	<u>5,104,638</u>	<u>5,104,638</u>	<u>5,104,638</u>	<u>-</u>
<b>Fund Balances - ending</b>	<u>\$ 4,223,138</u>	<u>\$ 4,852,138</u>	<u>\$ 5,476,585</u>	<u>\$ 624,447</u>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2010**

(with comparative information for December 31, 2009)

	Business-type Activities - Enterprise Funds				Governmental Activities -	
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	Internal Service Funds
<b>ASSETS</b>						
Current assets						
Cash and investments	\$ 1,360,929	\$ 1,254,300	\$ 498,181	\$ 652,395	\$ 1,859,110	\$ 2,519,721
Receivables						
Accounts receivable	1,092,518	1,080,661	856,157	813,835	1,948,675	60,708
Taxes receivable	162,187	152,597	118,363	146,263	280,550	-
Due from other funds	-	-	23,954	45,183	23,954	-
Total current assets	2,615,634	2,487,558	1,496,655	1,657,676	4,112,289	2,580,429
Noncurrent assets						
Restricted cash and investments	-	-	261,852	227,388	261,852	-
Total restricted assets	-	-	261,852	227,388	261,852	-
Capital assets						
Land	162,885	117,215	358,340	312,669	521,225	-
Buildings and improvements	730,075	730,075	1,592,175	1,592,175	2,322,250	-
Improvements other than buildings	53,579,157	53,324,210	53,255,869	53,176,007	106,835,026	-
Machinery and equipment	1,901,243	1,901,710	662,202	634,002	2,563,445	-
Construction in progress	43,818	29,029	600,023	27,200	643,841	-
Less accumulated depreciation	(11,648,343)	(10,611,680)	(11,035,320)	(10,404,053)	(22,683,663)	-
Total capital assets (net of accumulated depreciation)	44,768,835	45,490,559	45,433,289	45,338,000	90,202,124	-
Total noncurrent assets	44,768,835	45,490,559	45,695,141	45,565,388	90,463,976	-
Total assets	47,384,469	47,978,117	47,191,796	47,223,064	94,576,265	2,580,429

Continued

**CITY OF FRANKLIN**  
Statement of Net Assets  
Proprietary Funds  
December 31, 2010

(with comparative information for December 31, 2009)

	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		
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	515,872	554,650	647,594	469,154	1,163,466	30,272	
Accrued liabilities	1,844	3,004	13,961	9,616	15,805	318,000	
Due to other funds	46,132	110,734	-	-	46,132	-	
Special deposits	2,600	2,000	-	-	2,600	-	
Current portion of compensated absences	20,138	20,138	23,735	20,138	43,873	-	
Total current liabilities	586,586	690,526	685,290	498,908	1,271,876	348,272	
Noncurrent liabilities							
Accrued compensated absences	40,200	40,039	36,603	40,039	76,803	-	
Total noncurrent liabilities	40,200	40,039	36,603	40,039	76,803	-	
Total liabilities	626,786	730,565	721,893	538,947	1,348,679	348,272	
<b>NET ASSETS</b>							
Invested in capital assets	44,768,835	45,490,559	45,433,289	45,338,000	90,202,124	-	
Restricted for							
Sewer equipment replacement	-	-	261,852	227,388	261,852	-	
Unrestricted	1,988,848	1,756,993	774,762	1,118,729	2,763,610	2,232,157	
Total net assets	\$ 46,757,683	\$ 47,247,552	\$ 46,469,903	\$ 46,684,117	\$ 93,227,586	\$ 2,232,157	

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Revenue, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2010**  
**(with comparative information for the year ended December 31, 2009)**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year		
<b>OPERATING REVENUE</b>						
Metered sales	\$ 2,077,215	\$ 2,118,410	\$ 1,753,761	\$ 1,663,438	\$ 3,830,976	\$ -
Residential	1,135,521	1,108,264	811,369	819,430	1,946,890	-
Commercial	207,205	189,916	262,407	246,502	469,612	-
Industrial	268,773	304,113	194,086	225,314	462,859	-
Public authority	3,688,714	3,720,703	3,021,623	2,954,684	6,710,337	-
Total metered sales	-	-	-	-	-	3,567,946
Group health & dental charges	1,330	(5,192)	-	-	1,330	-
Unmetered sales	536,543	579,230	-	-	536,543	-
Public fire protection service	115,530	114,745	-	-	115,530	-
Private fire protection service	53,152	45,009	40,863	39,340	94,015	-
Forfeited discounts, penalties and other	4,395,269	4,454,495	3,062,486	2,994,024	7,457,755	3,567,946
Total operating revenue	2,584,294	2,802,961	2,486,338	2,337,337	5,070,632	3,700,388
<b>OPERATING EXPENSES</b>						
Cost of sales and services	1,041,386	833,300	649,049	643,700	1,690,435	-
Depreciation	450,729	482,321	241,118	245,224	691,847	-
Administration	4,076,409	4,118,582	3,376,505	3,226,261	7,452,914	3,700,388
Total operating expenses	318,860	335,913	(314,019)	(232,237)	4,841	(132,442)
Operating income (loss)	23,368	22,697	18,025	24,041	41,393	32,807
<b>NON-OPERATING REVENUE (EXPENSES)</b>						
Investment earnings	44,786	40,082	5,378	17,545	50,164	-
Sundry	-	(97,871)	-	-	-	-
Loss on property abandoned	68,154	(35,092)	23,403	41,586	91,557	32,807
Total non-operating revenue (expenses)	387,014	300,821	(290,616)	(190,651)	96,398	(99,635)
Income (loss) before capital contributions and transfers	133,576	1,336,229	79,309	25,444	212,885	-
Capital contributions	-	-	-	-	-	-
Transfers in	(1,010,459)	(920,666)	(2,907)	(2,614)	(1,013,366)	-
Transfers out	(489,869)	716,384	(214,214)	(167,821)	(704,083)	(99,635)
Change in net assets	47,247,552	46,531,168	46,684,117	46,851,938	93,931,669	2,331,792
Net assets - beginning	\$ 46,757,683	\$ 47,247,552	\$ 46,469,903	\$ 46,684,117	\$ 93,227,586	\$ 2,232,157
<b>Net assets - ending</b>						

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2010**  
**(with comparative information for the year ended December 31, 2009)**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year		
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 318,860	\$ 335,913	\$ (314,019)	\$ (232,237)	\$ 4,841	\$ (132,442)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities						
Depreciation	1,041,386	833,300	649,049	643,700	1,690,435	-
Depreciation allocated to other funds	9,838	9,496	(9,838)	(9,496)	-	-
Other nonoperating income	44,786	40,082	5,378	17,545	50,164	-
(Increase) decrease in assets						
Accounts receivable	(11,857)	(114,057)	(42,322)	(100,575)	(54,179)	42,923
Taxes receivable	(9,590)	(37,066)	27,900	(42,953)	18,310	-
Prepaid expense	-	-	-	-	-	42,404
Due from other funds	-	-	21,229	1,073	21,229	-
Increase (decrease) in liabilities						
Accounts payable	(38,778)	(6,099)	178,440	59,030	139,662	(12,975)
Accrued liabilities	(1,160)	3,004	4,345	(26,729)	3,185	130,000
Due to other governments	(64,602)	-	-	-	(64,602)	-
Due to other funds	600	(252)	-	-	600	-
Customer deposits	161	(895)	161	(895)	322	-
Compensated absences						
Total Adjustments	970,784	775,617	834,342	540,700	1,805,126	202,352
<b>Net cash flows provided by operating activities</b>	<b>\$ 1,289,644</b>	<b>\$ 1,111,530</b>	<b>\$ 520,323</b>	<b>\$ 308,463</b>	<b>\$ 1,809,967</b>	<b>\$ 69,910</b>
<b>Noncash Capital Activities</b>						
Cost of Utility plant installed and/or financed by external parties	\$ 133,576	\$ 1,336,229	\$ 79,309	\$ 25,444	\$ 212,885	\$ -

**CITY OF FRANKLIN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2010**  
**(with comparative information for the year ended December 31, 2009)**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	
	Current Year	Prior Year	Current Year	Prior Year	Current Year Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 4,147,418	\$ 4,105,422	\$ 3,050,301	\$ 2,865,132	\$ 7,197,719
Receipts for interfund services provided	281,028	247,528	3,140	2,910	284,168
Payments to suppliers	(2,580,046)	(2,629,967)	(1,932,146)	(1,961,350)	(4,512,192)
Payments to employees	(465,556)	(511,553)	(507,772)	(498,329)	(973,328)
Payments for interfund services used	(93,200)	(99,900)	(93,200)	(99,900)	(186,400)
Net cash flows provided by operating activities	1,289,644	1,111,530	520,323	308,463	1,809,967
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer out - paid for tax equivalent	(1,010,459)	(920,666)	(2,907)	(2,614)	(1,013,366)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(195,924)	(138,278)	(655,191)	(60,993)	(851,115)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Advances to other funds repayment	23,368	22,697	18,025	24,041	41,393
Investment earnings					
Net increase (decrease) in cash and cash equivalents	106,629	75,283	(119,750)	268,897	(13,121)
Cash and cash equivalents - Beginning	1,254,300	1,179,017	879,783	610,886	2,134,083
<b>Cash and cash equivalents - Ending</b>	<b>\$ 1,360,929</b>	<b>\$ 1,254,300</b>	<b>\$ 760,033</b>	<b>\$ 879,783</b>	<b>\$ 2,120,962</b>
Cash and Investments - Unrestricted	\$ 1,360,929	\$ 1,254,300	\$ 498,181	\$ 652,395	\$ 1,859,110
Cash and Investments - Restricted			261,852	227,388	261,852
	<b>\$ 1,360,929</b>	<b>\$ 1,254,300</b>	<b>\$ 760,033</b>	<b>\$ 879,783</b>	<b>\$ 2,120,962</b>

Continued

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2010**

	<b>Agency Funds</b>	<b>City of Franklin Post Employment Benefits Trust</b>
<b>ASSETS</b>		
Cash and investments	\$ 48,017,500	\$ 2,121,195
Accounts receivable	10,252	1,791
Taxes receivable	<u>18,093,331</u>	<u>-</u>
<b>Total assets</b>	<u><b>\$ 66,121,083</b></u>	<u><b>2,122,986</b></u>
<b>LIABILITIES</b>		
Accounts payable	360,790	6,730
Accrued liabilities	-	12,000
Due to other governments	65,743,528	-
Special deposits	<u>16,765</u>	<u>-</u>
<b>Total liabilities</b>	<u><b>\$ 66,121,083</b></u>	<u><b>18,730</b></u>
<b>Total net assets</b>		
held in trust for post employment benefits		<u><b>\$ 2,104,256</b></u>

See accompanying notes to the financial statements.



**CITY OF FRANKLIN**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended December 31, 2010**

	<b>City of Franklin Post Employment Benefits Trust</b>
<b>ADDITIONS</b>	
Contributions	
City of Franklin	\$ 793,852
Retirees	137,774
Investment earnings & appreciation	<u>224,126</u>
<b>Total additions</b>	<u>1,155,752</u>
 <b>DEDUCTIONS</b>	
Incurred claims	122,973
Prescription drug claims	126,510
Claims fees	8,312
Stop loss premiums less claims received	<u>48,459</u>
<b>Total deductions</b>	<u>306,254</u>
 <b>Change in net assets</b>	 849,498
 <b>NET ASSETS HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:</b>	
<b>Beginning of year</b>	<u>1,254,758</u>
 <b>End of year</b>	 <u>\$ 2,104,256</u>

See accompanying notes to the financial statements.

**This page intentionally blank**

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

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

#### **A. REPORTING ENTITY**

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

#### **Blended Component Unit**

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for a certain Tax Incremental Financing (TIF) development within the City. The Authority is governed by a seven member board appointed by the Mayor and confirmed by the Common Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and manage certain TIF development projects for the benefit of the City. The Authority's operations are included in the governmental activities of the government-wide financial statements and in a TIF District capital projects fund. The Authority follows accounting policies of the City. Financial information on the Authority (TIF District #2) are contained in Schedules 9 & 10 of this report.

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### **Government-Wide Financial Statements**

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

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

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

##### **Fund Financial Statements**

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

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

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

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

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

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

**Major Governmental Funds**

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

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

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

**Major Enterprise Funds**

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

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

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

## **CITY OF FRANKLIN**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

In addition the City reports:

##### **NonMajor Governmental Funds**

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

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

##### **Other Fund Types**

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

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

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

##### **Government-Wide Financial Statements**

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

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **Government-Wide Financial Statements (Continued)**

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

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

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

##### **Fund Financial Statements**

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

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

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

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **Fund Financial Statements (continued)**

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

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

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

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

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

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



# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **All Financial Statements**

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

#### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

##### **1. Cash and Investments**

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

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

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

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

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

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **1. Cash and Investments (continued)**

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

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

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

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

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

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

**1. Cash and Investments (continued)**

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2010, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

**2. Receivables**

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

Property tax calendar – 2010 tax roll:

Lien date and levy date	December 2010
Tax bills mailed	December 2010
Payment in full, or	January 31, 2011
First installment due	January 31, 2011
Second installment due	March 31, 2011
Third installment due	May 31, 2011
Personal property taxes in full	January 31, 2011
Final tax settlement with County	August 20, 2011
Tax deed by County – 2010	
Delinquent real estate taxes	October 2013

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

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **2. Receivables (continued)**

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

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

##### **3. Inventories and Prepaid Items**

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

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

##### **4. Restricted Assets**

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

##### **5. Capital Assets**

###### **Government-Wide Statements**

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

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **5. Capital Assets (continued)**

###### **Government-Wide Statements (continued)**

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

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

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

###### **Fund Financial Statements**

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

##### **6. Other Assets**

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

##### **7. Compensated Absences**

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

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **7. Compensated Absences (continued)**

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

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

##### **8. Long-term Obligations/Conduit Debt**

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

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

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

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

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **9. Claims and Judgments**

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

##### **10. Equity Classifications**

###### **Government-Wide Statements**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding any unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

###### **Fund Statements**

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

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

##### **11. Comparative data**

The basic financial statements include comparative data for the prior year for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. This comparative data is not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2009 from which the data was derived.

---

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

---

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

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

Special assessments	\$1,923,984
Accrued interest receivable	<u>53,040</u>
	<u>\$1,977,024</u>

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

Land	\$24,695,045
Buildings	23,997,831
Machinery and equipment	15,702,981
Infrastructure	87,929,115
Construction in progress	52,225
Less: Accumulated depreciation	<u>(36,703,688)</u>
Adjustment for capital assets	<u>\$115,673,509</u>



# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

---

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

---

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

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

General obligation debt	\$39,890,000
Deferred amounts for premiums	190,475
Unamortized debt issue costs	(147,624)
Unamortized deferred refunding amounts	(375,613)
Compensated absences	1,537,987
Net pension obligation	107,775
Accrued interest	528,457
Combined adjustment for long-term liabilities	<u>\$41,731,457</u>

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

The governmental fund statement of revenue, expenditures and changes in fund balances include a reconciliation between the net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

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

Amortization of issuance costs	\$(34,345)
Amortization of deferred refunding amounts	(83,529)
Amortization of premium	<u>68,534</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(49,340)</u>

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

---

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

---

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

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

Compensated absences	\$23,630
Net pension obligations	2,407
Accrued interest payable	<u>69,079</u>
Net adjustments to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$95,116</u>

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

Special assessment collections	\$353,793
Change in accrued interest receivables	<u>4,062</u>
Net adjustments to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$357,855</u>

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

---

#### **A. BUDGETARY INFORMATION**

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

A budget has been adopted for the General, Debt Service, Library, Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Sanitary Sewer and Water Utility funds. Budgets have not been formally adopted for other funds.

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

#### **B. LIMITATIONS ON THE CITY'S TAX LEVY**

As part of Wisconsin's Act 28 (2009), legislation was passed that continued the limitation of the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction, or 3.0% for the 2010 levy collected in 2011. Unused tax levy may be carried forward into the following year. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit proposed in the State budget would continue levy limits in some form for two more years.

---

### **NOTE 4 - DETAILED NOTES ON ALL FUNDS**

---

#### **A. CASH AND INVESTMENTS**

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for non or low interest bearing accounts.

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 4 - 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. However, although the fund had reserves available at December 31, 2010, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 35 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished.

The City maintains a collateral arrangement with its main bank to provide collateralization in excess (about 20%) of deposits maintained at the bank. The collateral is maintained at the Federal Reserve and the City receives monthly reports of the collateral in place. The collateral balance at December 31, 2010 was \$12,175,755. Cash and investments as shown on the December 31, 2010 City of Franklin Statement of Net Assets are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 8,113,008	\$ 8,113,008	Credit and interest rate
Money market funds	327,214	327,214	Credit and interest rate
U.S. treasuries and agencies	2,609,427	2,609,427	Credit, interest rate and concentration of credit
SBA repurchase agreements	2,700,000	2,700,000	Credit, interest rate and Custodial
Corporate notes	2,584,260	2,584,260	Credit, interest rate and concentration of credit
Asset backed securities	186,736	186,736	Credit and interest rate
Total Fixed income investments	16,520,645	16,520,645	
Equity funds	1,644,945	1,644,945	Custodial
Fixed income funds	98,130	98,130	Credit, interest rate and Custodial
Cash and demand deposits	51,198,641	34,689,018	Custodial
Total	<u>\$ 69,462,361</u>	<u>\$ 52,952,738</u>	

Reconciliation to the financial statements is shown below:

Per Statement of Net Assets

Primary Government:

Unrestricted cash and investments \$ 19,061,814  
Restricted cash and investments 261,852

Per Statement of Fiduciary Net Assets - Agency Funds 48,017,500  
- Post Employment Benefits Trust 2,121,195

\$ 69,462,361

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

---

### NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

---

#### A. CASH AND INVESTMENTS (continued)

**Custodial Credit Risk** For deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2010 of the City's total bank balances of \$34,689,018 with none of the balances uninsured and uncollateralized and therefore exposed to custodial credit risk. For Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the City's investments except the Local Government Investment Pool have a tri-party relationship with the investments held by a party independent of the party managing the investment.

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

As of December 31, 2010, 46.0% of the investments were in rated fixed income investments and subject to credit risk. The ratings were as follows: AAA at 69.3%, AA2 at 8.4%, AA3 at 8.1%, A2 at 2.1% and A3 at 12.1%. The portfolio makeup of fixed income investments was corporate securities including asset backed securities at 15.2%, treasury and agency securities at 14.3%, repurchase agreements at 14.8% and money market funds at 1.8%. The Local Government Investment Pool was 44.4% of the investments and is not rated but is subject to credit risk and equities and fixed income mutual funds held in trust at 9.5% make up the remainder of the investments.

**Concentration of Credit Risk** Concentration of credit risk is the risk of loss attributed to a large investment position in a single issuer. As of the December 31, 2010 no issue other than the Local Government Investment Pool had a position of greater than five percent of the portfolio.

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

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

#### A. CASH AND INVESTMENTS (continued)

As of December 31, 2010 the City's fixed income investments were as follows:

Investment type ( in thousands)	Fair Value	Investment Maturity in years		
		Less than 1	1 - 5	Over 5
Money market funds	\$ 327,214	\$ 327,214	\$ -	\$ -
SBA repurchase agreements	2,700,000	2,700,000	-	-
U.S. treasuries and agencies	2,609,427	-	2,609,427	-
Asset backed securities	186,736	8,686	178,050	-
Corporate notes	2,584,260	1,370,043	1,214,217	-
Local government investment pool	8,113,008	8,113,008	-	-
Total	<u>\$ 16,520,645</u>	<u>\$ 12,518,951</u>	<u>\$ 4,001,694</u>	<u>\$ -</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 \$27,662 at December 31, 2010. Other than the note receivable and special assessment receivables, all other receivables are expected to be collected within one year.

The City has a note receivable with a local business in the amount of \$8,160,000. Terms of the note call for semi-annual payments of interest at 1.95% and annual principal ranging from \$625,000 to \$670,000 until maturity on February 28, 2014, at that time the remaining balance will be due.

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

	Unavailable	Unearned	Total
Governmental funds:			
Property taxes receivable	\$ -	\$ 28,162,022	\$ 28,162,022
Interest receivable	53,040	-	53,040
Special assessments not yet due	<u>1,923,984</u>	<u>-</u>	<u>1,923,984</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 1,977,024</u>	<u>\$ 28,162,022</u>	<u>\$ 30,139,046</u>

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

#### C. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2010 is \$261,852.

#### D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 24,664,244	\$ 53,784	\$ 22,983	\$ 24,695,045
Construction in progress	151,662	44,889	144,326	52,225
Total capital assets not depreciated	24,815,906	98,673	167,309	24,747,270
Capital assets depreciated:				
Buildings & improvements	23,924,476	73,355	-	23,997,831
Machinery & equipment	14,934,355	1,092,877	324,251	15,702,981
Infrastructure	85,791,859	2,137,256	-	87,929,115
Total capital assets depreciated	124,650,690	3,303,488	324,251	127,629,927
Less: Accumulated depreciation for:				
Buildings & improvements	6,375,424	549,591	-	6,925,015
Machinery & equipment	8,755,598	836,044	324,251	9,267,391
Infrastructure	19,059,415	1,451,867	-	20,511,282
Total accumulated depreciation	34,190,437	2,837,502	324,251	36,703,688
Net capital assets depreciated	90,460,253	465,986	-	90,926,239
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 115,276,159</b>	<b>\$ 564,659</b>	<b>\$ 167,309</b>	<b>\$ 115,673,509</b>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 141,937
Public safety	599,844
Public works	1,747,680
Health & human services	13,886
Culture & recreation	331,956
Conservation & development	2,199
Total governmental activities depreciation expense	<u>\$ 2,837,502</u>

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

#### D. CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Dispositions	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not depreciated:				
Land	\$ 429,884	\$ 91,341	\$ -	\$ 521,225
Construction in progress	56,229	587,612	-	643,841
Total capital assets not depreciated	486,113	678,953	-	1,165,066
Capital assets depreciated:				
Buildings & improvements	2,322,250	-	-	2,322,250
Machinery & equipment	2,535,712	47,756	20,023	2,563,445
Infrastructure	106,500,217	337,291	2,482	106,835,026
Total capital assets depreciated	111,358,179	385,047	22,505	111,720,721
Less: Accumulated depreciation for:				
Buildings & improvements	800,970	74,432	-	875,402
Machinery & equipment	1,371,282	132,779	20,023	1,484,038
Infrastructure	18,843,481	1,483,224	2,482	20,324,223
Total accumulated depreciation	21,015,733	1,690,435	22,505	22,683,663
Net capital assets depreciated	90,342,446	(1,305,388)	-	89,037,058
Business-type Activities Capital Assets, Net of Accumulated Depreciation	\$ 90,828,559	\$ (626,435)	\$ -	\$ 90,202,124

Depreciation expense was charged to functions as follows.

#### Business-Type Activities:

Water	\$ 1,041,386
Sewer	649,049
	<u>\$ 1,690,435</u>



# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

#### E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables at December 31, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental funds:		
General	Water Utility	\$ 22,178
Water Utility	Sanitary Sewer	-
		<u>22,178</u>
Enterprise funds:		
Sanitary Sewer	Water Utility	<u>23,954</u>
Subtotal - Fund Financial Statements		46,132
Less: Fund eliminations		<u>23,954</u>
Total internal balances - Government-Wide Statement of Net Assets		<u>\$ 22,178</u>

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

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

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

Receivable Fund	Payable Fund	Amount	Amounts not due within one year
Governmental funds:			
Debt Service	TIF Districts	\$ 2,788,000	\$ 2,263,000
Capital Projects-Development	TIF Districts	1,475,000	-
Less: Fund eliminations		<u>(4,263,000)</u>	
Total long-term advances - Government-Wide Statement of Net Assets		<u>\$ -</u>	

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

---

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

---

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)**

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

Transfers during the year ended December 31, 2010 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Enterprise - Water Utility	\$ 1,010,459
	Enterprise - Sanitary Sewer	2,907
Total General		<u>1,013,366</u>
Debt Service	Capital Projects - Development	164,754
Nonmajor funds:		
Special Revenue:		
St Martins Fair	General	11,000
Civic Celebrations	General	13,000
Capital Projects Funds:		
Capital Improvements	Capital Projects - Street Improvement	142,379
	Capital Projects - Development	47
	TIF Districts	<u>45,108</u>
Total nonmajor funds		<u>211,534</u>
Subtotal - Fund financial statements		1,389,654
Less: Fund eliminations		(376,288)
Less: Government-wide eliminations		<u>(2,217)</u>
Total transfers - Government-wide Statement of Activities		<u>\$ 1,011,149</u>

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM OBLIGATIONS**

**General Obligation Debt**

Long-term liabilities for the year ended December 31, 2010 were as follows:

	Balance 12/31/09	Additions	Deletions	Balance 12/31/10	Amounts due within one year
<b>Governmental Activities</b>					
General obligation debt	\$ 45,165,000	\$ -	\$ 5,275,000	\$ 39,890,000	\$ 7,395,000
Unamortized premium	259,009	-	68,534	190,475	68,534
Net pension obligation	110,182	-	2,407	107,775	11,222
Deferred refunding amounts	(459,142)	-	(83,529)	(375,613)	(65,524)
Sub-total	<u>45,075,049</u>	<u>-</u>	<u>5,262,412</u>	<u>39,812,637</u>	<u>7,409,232</u>
<b>Compensated absences</b>					
Accrued vacation pay	381,571	833,233	844,077	370,727	370,727
Accrued severance pay	1,029,722	12,366	27,622	1,014,466	37,000
Accrued compensatory time	150,324	200,523	198,053	152,794	152,794
Total compensated absences	<u>1,561,617</u>	<u>1,046,122</u>	<u>1,069,752</u>	<u>1,537,987</u>	<u>560,521</u>
<b>Government activities</b>					
Long-term liabilities	<u>\$ 46,636,666</u>	<u>\$ 1,046,122</u>	<u>\$ 6,332,164</u>	<u>\$ 41,350,624</u>	<u>\$ 7,969,753</u>

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

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

	Balance 12/31/09	Additions	Deletions	Balance 12/31/10	Amounts due within one year
<b>Business-type Activities</b>					
<b>Compensated absences:</b>					
Accrued vacation pay	\$ 37,158	\$ 42,070	\$ 44,765	\$ 34,463	\$ 37,158
Accrued severance pay	80,078	7,212	7,792	79,498	-
Accrued compensatory time	<u>3,118</u>	<u>10,383</u>	<u>6,786</u>	<u>6,715</u>	<u>6,715</u>
<b>Business-type activities</b>					
Long-term liabilities	<u>\$ 120,354</u>	<u>\$ 59,665</u>	<u>\$ 59,343</u>	<u>\$ 120,676</u>	<u>\$ 43,873</u>

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM OBLIGATIONS (continued)**

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

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance Outstanding 12/31
General obligation promissory notes						
	8/15/05	3.75-3.90	3/ 1/07-15	3/1& 9/1	\$ 10,000,000	\$ 8,300,000
	1/1/06	3.75-3.90	3/ 1/09-11	3/1& 9/1	10,000,000	4,700,000
	1/3/07	4.95	3/ 1/08-14	3/1& 9/1	10,000,000	8,160,000 <sup>1</sup>
	8/26/08	3.00-3.50	3/ 1/09-14	3/1& 9/1	10,000,000	9,000,000 <sup>2</sup>
General obligation bonds						
	4/15/01	4.3-5.40	3/ 1/02-21	3/1& 9/1	10,000,000	105,000
General obligation refunding bonds						
	1/3/07	3.80	3/ 1/08-21	3/1& 9/1	9,925,000	9,625,000
						<u>\$ 39,890,000</u>

<sup>1</sup> Issued for non capital TIF purposes      <sup>2</sup> Issued 50% for non capital TIF purposes

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

The City's statutory debt limit and margin of indebtedness at December 31, 2010 are \$183,525,435 and \$143,635,435, respectively.

Year	Principal	Interest	Total	Balance Outstanding 12/31
2010				\$ 39,890,000
2011	\$ 7,395,000	\$ 1,440,330	\$ 8,835,330	32,495,000
2012	4,675,000	1,208,524	5,883,524	27,820,000
2013	5,640,000	1,014,820	6,654,820	22,180,000
2014	12,365,000	641,526	13,006,526	9,815,000
2015	2,720,000	322,390	3,042,390	7,095,000
2016 - 2020	5,910,000	782,420	6,692,420	1,185,000
2021	1,185,000	22,515	1,207,515	-
	<u>\$ 39,890,000</u>	<u>\$ 5,432,525</u>	<u>\$ 45,322,525</u>	

# **CITY OF FRANKLIN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

---

#### **F. LONG TERM OBLIGATIONS (continued)**

In prior years the City defeased certain maturities of the April 15, 2001 general obligation bonds by placing the proceeds of new debt in irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, trust account assets and liability for the defeased debt is not included in the City's financial statements. At December 31, 2010 \$9,470,000 of debt outstanding has been defeased. The defeased debt is callable on March 1, 2011.

#### **Conduit Debt Obligations**

Eleven series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$121,935,000 are outstanding with a December 31, 2010 balance of \$114,878,237.

#### **G. NET ASSETS/FUND BALANCES**

##### **Governmental Activities**

Government activities net assets reported on the government-wide statement of net assets at December 31, 2010 include the following:

##### **Invested in capital assets, net of related debt**

Land	\$ 24,695,045
Construction in process	52,225
Other capital assets, net of accumulated depreciation	90,926,239
Less: related long term debt outstanding	<u>(25,081,029)</u>
Total invested in capital assets	<u>90,592,480</u>

##### **Restricted for:**

Library	498,483
Utility improvement	356,798
Development	3,620,826
Donations	118,969
Grants	<u>192,132</u>
Total restricted	<u>4,787,208</u>

##### **Unrestricted**

	<u>4,901,493</u>
Total governmental activities net assets	<u>\$ 100,281,181</u>

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

---

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

---

**G. NET ASSETS/FUND BALANCES (continued)**

**Governmental Fund Balances**

Reported on the fund financial statements at December 31, 2010 include the following:

Reserved - Major Funds:

Reserved - Major funds:

General Fund - Inventories, prepaid items and encumbrances	\$ 95,173
Debt Service Fund - subsequent year debt service	233,278
Debt Service Fund - advances to other funds	2,788,000
TIF Districts Fund - contractual obligations and debt service	8,207,000

Reserved - Non Major funds:

Special Revenue Funds:

Library services including prepaid expenses	498,483
Donations and grants	311,101

Capital Projects Funds:

Equipment replacement & Development - Advances to other funds	1,475,000
Capital Outlay and Equipment replacement - encumbrances	51,500
Capital Improvement - contractual obligations & encumbrances	109,000
Development	2,145,826
Utility Improvement	356,798
Total reserved	<u>\$ 16,271,159</u>

Unreserved Major Fund - General Fund

Designated for working capital	\$ 3,740,000
Designated for subsequent year expenditures	661,000
Undesignated	980,412
Total General Fund	<u>5,381,412</u>

Unreserved Major Fund - TIF Districts Fund

Undesignated (Deficit)	<u>(2,251,592)</u>
------------------------	--------------------

Unreserved Non Major Funds:

Special Revenue funds:

Designated for master plan activities	109,020
Designated for civic celebration & St Martin's fair activities	70,204
Total Special Revenue funds	<u>179,224</u>

Capital Projects funds:

Designated for Capital Outlay	401,791
Designated for Equipment Replacement	1,448,732
Undesignated for Capital Improvement	282,301
Designated for Street Improvement	416,921
Total Capital Projects funds	<u>2,549,745</u>
Total Unreserved funds	<u>\$ 5,858,789</u>

## **CITY OF FRANKLIN**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

#### **NOTE 5 – OTHER INFORMATION**

---

##### **A. DEFINED BENEFIT PENSION PLANS**

###### **Wisconsin Retirement System**

All eligible protective City of Franklin employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All such permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the general category are required by statute to contribute 6.2% of their salary (5.0% for protective occupations with social security, and 3.9% for protective occupations without social security) to the plan.

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

The payroll for employees covered by the System for the year ended December 31, 2010 was \$7,122,613 and the employer's total payroll was \$12,618,031. The total required contribution paid entirely by the employer for the year ended December 31, 2010 was \$1,388,909, or 19.5% of covered payroll. Of the total required contribution, 100% was contributed for the current year. Total contributions for the years ended December 31, 2009 and 2008 were \$1,495,458 and \$1,404,643, respectively which equal the required contributions for each year.

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

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

## **CITY OF FRANKLIN**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

#### **NOTE 5 – OTHER INFORMATION (continued)**

---

##### **A. DEFINED BENEFIT PENSION PLANS (continued)**

###### **Public Works Employees Pension Plan**

###### **Plan Description**

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

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

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

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

Employees do not make pension contributions. The City contributes all amounts necessary to fund the pension plan. Starting in 2010, the City uses the entry age normal actuarial cost method.

###### **Funding Policy**

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



# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

---

### NOTE 5 – OTHER INFORMATION (continued)

---

#### A. DEFINED BENEFIT PENSION PLANS (continued)

##### Public Works Employees Pension Plan (continued)

##### Annual Pension Cost

For 2010, the City's required contribution of \$232,250 was determined during a January 1, 2010 actuarial valuation using the entry age normal cost method. As a result during the year ended December 31, 2010, contributions totaling \$232,250 were accrued. This resulted in the net pension obligation being reduced by \$2,407. The accrued employer contribution amount represented 14.8% of current year payroll compared to the 13.7% anticipated in the 2009 actuarial report. The primary reason for the increase was the 2008 negative investment return.

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

##### Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 232,250	100%	\$ 107,775
12/31/2009	207,962	100%	110,182
12/31/2008	99,781	111%	116,311

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

Annual required contribution	\$ 232,250
Interest on net pension obligation	8,815
Adjustment to annual required contribution	(11,222)
Annual pension expense	229,843
Contributions made	(232,250)
Decrease in net pension obligation	(2,407)
Net pension obligation - beginning of year	110,182
Net pension obligation - end of year	<u>\$ 107,775</u>

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

**NOTE 5 – OTHER INFORMATION (continued)**

**A. DEFINED BENEFIT PENSION PLANS (continued)**

**Public Works Employees Pension Plan (continued)**

**Annual Pension Cost**

	(A)	(B)	Funding progress		(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Liability (AAL) - Aggregate	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2010	\$ 4,664,099	\$ 5,096,256	\$ 432,157	92%	\$ 1,574,282	27%

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

**B. DEFINED CONTRIBUTION PLAN**

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

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees may but are not required to make contributions. A participant's accrued benefit for City contributions is 100% vested and non forfeitable upon death, normal retirement, early retirement or permanent and total disability as defined in the Plan. If employment is terminated for any other reason, each participant's accrued benefit vests at various percentages, based on years of service. During 2010, the City made the required contribution amounting to \$399,446, or 10% of covered payroll and employees made \$5,787 in additional voluntary contributions to the plan. The City may make amendments to the Plan.

**C. POST EMPLOYMENT HEALTH CARE BENEFITS**

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

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

---

### NOTE 5 – 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 an other post employment benefit (OPEB) obligation for those groups. These groups commonly have higher medical costs than anticipated in the blended premium rates. That differential is referred to as an implicit rate subsidy.

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

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

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	\$ 793,852
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB expense	793,852
Contributions made	(793,852)
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ -

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 5 – 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:

Year Ended	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
12/31/2010	\$ 793,852	100.0%	\$ -
12/31/2009	591,351	100.0%	-
12/31/2008	703,713	100.0%	-

#### Funding progress:

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

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

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

### **NOTE 5 – 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, 2010 was 27 years.

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

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

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

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. A rate of 0% for year one, 9.7% for year two, reduced to an ultimate rate of 5.2% after nineteen years, was used.

The expected long term payroll growth rate was assumed to be 3%.

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

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

#### **D. CONTINGENCIES AND COMMITMENTS**

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

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

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2010

---

**NOTE 5 – OTHER INFORMATION (continued)**

---

**D. CONTINGENCIES AND COMMITMENTS (continued)**

The City has no material outstanding contractual commitments other than disclosed in these financial statements relating to various Public Works projects and equipment purchases at December 31, 2010.

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. The State of Wisconsin is currently experiencing budget problems and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

**E. RISK MANAGEMENT**

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

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

Changes in the balance of claims payable for the two years ended December 31, 2010 are as follows:

	Balance Beginning of Year	Current Claims and Changes in Estimates	Claims Payments	Balance End of Year
2010	\$ 188,000	\$ 3,189,733	\$ 3,059,733	\$ 318,000
2009	250,000	2,627,082	2,689,082	188,000

# CITY OF FRANKLIN

## REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)  
December 31, 2010

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

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Liability (AAL) - Aggregate	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2010	\$ 4,664,099	\$ 5,096,256	\$ 432,157	92%	\$ 1,574,282	27%
1/1/2009	4,358,231	4,468,413	110,182	98%	1,521,581	7%
1/1/2008	3,829,158	3,945,469	116,311	97%	1,358,310	9%

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

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Liability (AAL) Projected unit credit	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2010	\$1,254,758	\$ 6,016,221	\$ 4,761,463	21%	\$ 11,523,032	41%
1/1/2009	580,028	5,989,535	5,409,507	10%	12,137,498	45%
1/1/2008	-	7,972,327	7,972,327	0%	11,725,456	68%

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

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

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

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

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

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

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

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

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

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

### **Capital Projects Funds**

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

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

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

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

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

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

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



**CITY OF FRANKLIN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2010**

	Special Revenue Funds						Total
	Library Operating Fund	Library Auxiliary Fund	Master Plan Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	
<b>ASSETS</b>							
Cash and investments	\$ 313,797	\$ 98,088	\$ 109,020	\$ 5,190	\$ 112,240	\$ 65,014	\$ 885,190
Receivables							
Accounts receivable	122,021	-	-	-	-	-	123,093
Taxes receivable	1,175,000	-	-	-	-	-	1,175,000
Special assessments receivable	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	6,729	-	117,213
Prepaid items	-	10,181	-	-	-	-	11,431
Long-term advances	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,610,818</b>	<b>\$ 108,269</b>	<b>\$ 109,020</b>	<b>\$ 5,190</b>	<b>\$ 118,969</b>	<b>\$ 65,014</b>	<b>\$ 2,311,927</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 40,219	\$ 469	\$ -	\$ -	\$ -	\$ -	\$ 143,203
Accrued liabilities	4,916	-	-	-	-	-	4,916
Deferred revenue	1,175,000	-	-	-	-	-	1,175,000
<b>Total liabilities</b>	<b>1,220,135</b>	<b>469</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,323,119</b>
<b>FUND BALANCES</b>							
Reserved for							
Prepaid items	-	10,181	-	-	-	-	10,181
Advances to other funds	-	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-	-
Contractual obligations	-	-	-	-	-	-	-
Library services	390,683	97,619	-	-	-	-	488,302
Utility improvements	-	-	-	-	-	-	-
Donations & grants	-	-	-	-	118,969	-	311,101
Unreserved reported in	-	-	-	-	-	-	-
Special Revenue Funds	-	-	109,020	5,190	-	65,014	179,224
Capital Projects Funds	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>390,683</b>	<b>107,800</b>	<b>109,020</b>	<b>5,190</b>	<b>118,969</b>	<b>65,014</b>	<b>988,808</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,610,818</b>	<b>\$ 108,269</b>	<b>\$ 109,020</b>	<b>\$ 5,190</b>	<b>\$ 118,969</b>	<b>\$ 65,014</b>	<b>\$ 2,311,927</b>

(Continued)

## CITY OF FRANKLIN

## Combining Balance Sheet

## Nonmajor Governmental Funds

December 31, 2010

	Capital Projects Funds						Total
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	
<b>ASSETS</b>							
Cash and investments	\$ 414,363	\$ 1,480,732	\$ 458,064	\$ 563,743	\$ 361,540	\$ 2,177,424	\$ 5,455,866
Receivables							
Accounts receivable	-	-	3,013	-	-	-	3,013
Taxes receivable	380,000	130,000	-	400,000	171,257	-	1,081,257
Special assessments receivable	-	-	-	-	1,366,335	-	1,366,335
Due from other governments	21,635	-	-	-	-	-	21,635
Prepaid items	-	-	-	-	-	-	-
Long-term advances	-	-	-	-	-	1,475,000	1,475,000
<b>Total assets</b>	<b>\$ 815,998</b>	<b>\$ 1,610,732</b>	<b>\$ 461,077</b>	<b>\$ 963,743</b>	<b>\$ 1,899,132</b>	<b>\$ 3,652,424</b>	<b>\$ 9,403,106</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 14,707	\$ -	\$ 69,776	\$ 146,822	\$ 4,742	\$ 31,598	\$ 267,645
Accrued liabilities	-	-	-	-	-	-	-
Deferred revenue	380,000	130,000	-	400,000	1,537,592	-	2,447,592
<b>Total liabilities</b>	<b>394,707</b>	<b>130,000</b>	<b>69,776</b>	<b>546,822</b>	<b>1,542,334</b>	<b>31,598</b>	<b>2,715,237</b>
<b>FUND BALANCES</b>							
Reserved for:							
Prepaid items	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	1,475,000	1,475,000
Encumbrances	19,500	32,000	1,000	-	-	-	52,500
Contractual obligations	-	-	108,000	-	-	-	108,000
Library services	-	-	-	-	-	-	-
Utility improvements	-	-	-	-	356,798	-	356,798
Development	-	-	-	-	-	2,145,826	2,145,826
Donations & grants	-	-	-	-	-	-	-
Unreserved reported in							
Special Revenue Funds	401,791	1,448,732	-	416,921	-	-	2,549,745
Capital Projects Funds	421,291	1,480,732	282,301	416,921	356,798	3,620,826	7,676,677
<b>Total fund balances</b>	<b>\$ 815,998</b>	<b>\$ 1,610,732</b>	<b>\$ 461,077</b>	<b>\$ 963,743</b>	<b>\$ 1,899,132</b>	<b>\$ 3,652,424</b>	<b>\$ 9,403,106</b>
<b>Total liabilities and fund balances</b>							<b>\$ 11,715,033</b>

**CITY OF FRANKLIN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2010**

	Special Revenue Funds						Total
	Library Operating Fund	Library Auxiliary Fund	Master Plan Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	
<b>REVENUE</b>							
Taxes	\$ 1,150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,150,000
Intergovernmental revenue	122,021	-	-	-	-	-	590,440
Public charges for services	-	-	-	36,890	-	-	36,890
Special assessments	-	-	-	-	-	-	-
Investment earnings	10,329	235	1,433	29	1,521	-	13,781
Miscellaneous revenue	749	62,679	-	2,890	30,798	105,484	209,188
Total revenue	1,283,099	62,914	1,433	39,809	32,319	105,484	2,000,299
<b>EXPENDITURES</b>							
Current:							
Public safety	-	-	-	-	16,974	-	63,410
Health and human services	-	-	-	-	1,447	-	1,447
Culture and recreation	1,164,562	25,839	-	46,851	-	111,040	1,428,335
Conservation and development	-	-	191	-	205	-	21,863
Capital outlay	81,697	33,648	-	-	25,728	-	423,730
Total expenditures	1,246,259	59,487	191	46,851	44,354	111,040	1,938,785
Excess (deficiency) of revenue over expenditures	36,840	3,427	1,242	(7,042)	(12,035)	(5,556)	61,514
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	12,232	(1,232)	13,000	24,000
Transfers out	-	-	-	-	-	-	-
Net change in fund balances	36,840	3,427	1,242	5,190	(13,267)	7,444	85,514
Fund balances - beginning	353,843	104,373	107,778	-	132,236	57,570	903,294
Fund balances - ending	\$ 390,683	\$ 107,800	\$ 109,020	\$ 5,190	\$ 118,969	\$ 65,014	\$ 988,808

(Continued)

**CITY OF FRANKLIN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2010**

	Capital Projects Funds						Total
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Nonmajor Governmental Funds
<b>REVENUE</b>							
Taxes	\$ 475,000	\$ 277,000	\$ -	\$ 500,000	\$ -	\$ -	\$ 1,252,000
Intergovernmental revenue	33,905	-	-	-	-	-	33,905
Public charges for services	-	-	336,153	-	-	-	336,153
Special assessments	-	-	-	-	166,541	725,129	891,670
Investment earnings	7,168	22,030	1,697	8,515	68,142	72,891	180,443
Miscellaneous revenue	-	2,000	79,137	-	-	-	81,137
Total revenue	516,073	301,030	416,987	508,515	234,883	798,020	2,775,308
							\$ 2,402,000
							624,345
							373,043
							891,670
							194,224
							290,325
							4,775,607
<b>EXPENDITURES</b>							
Current:							
Public safety	-	-	-	-	-	-	63,410
Health and human services	-	-	-	-	-	-	1,447
Culture and recreation	-	-	-	-	-	-	1,428,335
Conservation and development	-	-	-	-	25,202	63,955	89,157
Capital outlay	460,857	432,731	261,066	165,902	-	-	1,320,556
Total expenditures	460,857	432,731	261,066	165,902	25,202	63,955	1,409,713
							3,348,498
							1,427,109
Excess (deficiency) of revenue over expenditures	55,216	(131,701)	155,921	342,613	209,481	734,065	1,365,595
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of capital assets	26,258	37,812	-	-	-	-	64,070
Transfers in	-	-	187,534	(142,379)	-	(164,801)	187,534
Transfers out	-	-	-	-	-	-	(307,180)
							64,070
							211,534
							(307,180)
Net change in fund balances	81,474	(93,889)	343,455	200,234	209,481	569,264	1,310,019
							1,395,533
Fund balances - beginning	339,817	1,574,621	47,846	216,687	147,317	3,051,562	5,377,850
							6,281,144
Fund balances - ending	\$ 421,291	\$ 1,480,732	\$ 391,301	\$ 416,921	\$ 356,798	\$ 3,620,826	\$ 6,687,869
							\$ 7,676,677

**CITY OF FRANKLIN**  
**General Fund**  
**Schedule of Revenue - Budget and Actual (on a Budgetary Basis)**  
**Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
<b>TAXES</b>				
General property taxes	\$ 16,124,000	\$ 16,124,000	\$ 16,121,570	\$ (2,430)
Water Utility - tax equivalent	920,000	920,000	1,013,366	93,366
Cable TV franchise fees	410,000	410,000	442,810	32,810
Mobile home assessments	30,000	30,000	26,510	(3,490)
Motel room tax	200,000	200,000	151,894	(48,106)
	<u>17,684,000</u>	<u>17,684,000</u>	<u>17,756,150</u>	<u>72,150</u>
<b>INTERGOVERNMENTAL REVENUE</b>				
State shared revenue	550,000	550,000	549,147	(853)
State expenditure restraint revenue	211,000	211,000	208,715	(2,285)
Fire insurance - dues	110,000	110,000	115,148	5,148
Local, state and federal grants and aids				
Computer Aid	43,000	43,000	37,543	(5,457)
Transportation aids	1,458,000	1,458,000	1,458,603	603
Recycling	88,000	88,000	92,521	4,521
Other	3,000	12,000	49,581	37,581
	<u>2,463,000</u>	<u>2,472,000</u>	<u>2,511,258</u>	<u>39,258</u>
<b>LICENSES, FEES AND PERMITS</b>				
Licenses:				
Beer and Liquor	41,100	41,100	31,237	(9,863)
Bartenders	14,500	14,500	17,674	3,174
Amusement and related	10,000	10,000	11,140	1,140
Peddlers	-	-	1,831	1,831
Food and related	60,600	60,600	61,704	1,104
Electrical contractors	13,000	13,000	14,627	1,627
Dog and cat	10,000	10,000	9,782	(218)
Other	4,450	4,450	11,025	6,575
Permits:				
Building	338,000	338,000	395,776	57,776
Electrical	83,000	83,000	69,638	(13,362)
Plumbing	65,000	65,000	60,643	(4,357)
Sign	10,000	10,000	7,126	(2,874)
Park	10,500	10,500	12,394	1,894
Fire	6,000	6,000	5,935	(65)
Other	12,500	12,500	18,900	6,400
	<u>678,650</u>	<u>678,650</u>	<u>729,432</u>	<u>50,782</u>
<b>FINES, FORFEITURES AND PENALTIES</b>	<u>400,000</u>	<u>400,000</u>	<u>422,506</u>	<u>22,506</u>

(Continued)

**CITY OF FRANKLIN**  
General Fund  
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)  
Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>PUBLIC CHARGES FOR SERVICES</b>				
<b>General government</b>				
Property reports and document fees	\$ 12,100	\$ 12,100	\$ 6,847	\$ (5,253)
<b>Public safety</b>				
Police Department and related	6,000	6,000	13,103	7,103
Ambulance service	900,000	900,000	867,253	(32,747)
Fire Department and related	154,000	154,000	108,458	(45,542)
Weights and measures	6,800	6,800	-	(6,800)
<b>Public works</b>				
Weed cutting	10,050	10,050	15,885	5,835
Street lighting	3,000	3,000	2,000	(1,000)
Engineering and DPW fees	45,000	45,000	38,605	(6,395)
Landfill siting fees	20,000	20,000	167,807	147,807
Landfill tippage fees	505,000	505,000	516,882	11,882
<b>Health and human services</b>				
Health clinics and other health fees	75,000	75,000	44,194	(30,806)
<b>Conservation and development</b>				
Zoning, subdivision and other filing fees	97,500	97,500	57,042	(40,458)
	<u>1,834,450</u>	<u>1,834,450</u>	<u>1,838,076</u>	<u>3,626</u>
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>	<u>250,000</u>	<u>250,000</u>	<u>237,319</u>	<u>(12,681)</u>
<b>INVESTMENT EARNINGS</b>	<u>395,000</u>	<u>395,000</u>	<u>226,206</u>	<u>(168,794)</u>
<b>MISCELLANEOUS REVENUE</b>				
Municipal property rental	34,000	34,000	38,500	4,500
Property sales	3,000	3,000	969	(2,031)
Refunds and reimbursements	34,000	34,000	28,778	(5,222)
Insurance dividend	15,000	15,000	15,253	253
Other revenue	15,900	15,900	101,765	85,865
	<u>101,900</u>	<u>101,900</u>	<u>185,265</u>	<u>83,365</u>
<b>TOTAL REVENUE</b>	<u>\$ 23,807,000</u>	<u>\$ 23,816,000</u>	<u>\$ 23,906,212</u>	<u>\$ 90,212</u>

**CITY OF FRANKLIN**  
**General Fund**

**Schedule of Expenditures - Budget and Actual (on a Budgetary Basis)**  
**Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>CURRENT</b>				
<b>General Government</b>				
Common council	\$ 98,240	\$ 105,440	\$ 99,186	\$ 6,254
Municipal court	177,117	177,117	171,870	5,247
City clerk	305,441	305,441	297,486	7,955
Elections	42,996	42,996	30,518	12,478
Information services	404,900	355,400	351,920	3,480
Administraton	467,292	467,292	405,006	52,286
Finance	529,424	529,424	514,610	14,814
Audit	26,000	26,000	25,535	465
Assessor	237,786	237,786	237,817	(31)
Legal counsel	276,100	300,900	282,570	18,330
Municipal buildings	220,623	220,623	205,742	14,881
Property and liability insurance	67,100	67,100	70,477	(3,377)
Other	12,500	12,500	1,637	10,863
Contingency	536,042	49,042	-	49,042
Total General Government	3,401,561	2,887,061	2,694,374	192,687
<b>Public Safety</b>				
Police:				
Police	7,653,656	7,610,656	7,506,188	104,468
Dispatchers	992,539	992,539	935,994	56,545
Fire	5,668,812	5,639,812	5,698,370	(58,558)
Fire protection service charge	295,900	295,900	269,925	25,975
Building inspection	764,220	759,220	729,130	30,090
Sealer of weights and measures	6,800	6,800	6,800	-
Total Public Safety	15,381,927	15,304,927	15,146,407	158,520
<b>Public Works</b>				
Engineering	569,514	569,514	558,996	10,518
Highway	2,384,362	2,372,362	2,263,938	108,424
Refuse collection	1,387,921	1,387,921	1,387,687	234
Street lighting	303,700	303,700	311,326	(7,626)
Weed control	10,050	10,050	15,044	(4,994)
Total Public Works	4,655,547	4,643,547	4,536,991	106,556
<b>Health and Human Services</b>				
Public health	590,983	590,983	582,046	8,937
Animal control	47,300	47,300	48,006	1,294
Total Health and Human Services	638,283	638,283	628,052	10,231
<b>Culture and Recreation</b>				
St. Martin's fair	11,000	11,000	11,000	-
Civic celebrations	13,000	13,000	13,000	-
Senior activities and travel program	15,000	15,000	12,654	2,346
Parks	137,175	137,175	124,104	13,071
Total Culture and Recreation	176,175	176,175	160,758	15,417
<b>Conservation and Development</b>				
Planning	425,307	408,807	379,130	29,677
Economic development	28,200	28,200	7,053	21,147
Total Conservation and Development	453,507	437,007	386,183	50,824
<b>TOTAL EXPENDITURES</b>	<b>\$ 24,707,000</b>	<b>\$ 24,087,000</b>	<b>\$ 23,552,765</b>	<b>\$ 534,235</b>

**CITY OF FRANKLIN**  
**Debt Service Fund**  
**Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
<b>REVENUE</b>				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000	\$ -
Special assessments	-	-	227,560	227,560
Investment earnings	197,117	197,117	257,087	59,970
Total revenue	<u>2,097,117</u>	<u>2,097,117</u>	<u>2,384,647</u>	<u>287,530</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	850,000	850,000	850,000	-
Interest	758,101	758,101	757,023	1,078
Total expenditures	<u>1,608,101</u>	<u>1,608,101</u>	<u>1,607,023</u>	<u>1,078</u>
Excess (deficiency) of revenue over expenditures	489,016	489,016	777,624	288,608
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	343,000	280,984	164,754	(116,230)
Transfers out	-	-	-	-
Net change in fund balances	832,016	770,000	942,378	172,378
Fund balances - beginning	<u>2,078,900</u>	<u>2,078,900</u>	<u>2,078,900</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,910,916</u>	<u>\$ 2,848,900</u>	<u>\$ 3,021,278</u>	<u>\$ 172,378</u>



**CITY OF FRANKLIN**  
**Library Operating Fund**  
**Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2010**

	<b>Original and final Budget</b>	<b>Actual</b>	<b>Variance with final budget - Favorable (Unfavorable)</b>
<b>REVENUE</b>			
Taxes	\$ 1,150,000	\$ 1,150,000	\$ -
Intergovernmental revenue	\$ 50,000	122,021	72,021
Investment earnings	24,000	10,329	(13,671)
Miscellaneous revenue	-	749	749
Total revenue	<u>1,224,000</u>	<u>1,283,099</u>	<u>59,099</u>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	1,186,676	1,164,562	22,114
Capital outlay	86,500	81,697	4,803
Total expenditures	<u>1,273,176</u>	<u>1,246,259</u>	<u>26,917</u>
Net change in fund balances	(49,176)	36,840	86,016
Fund balances - beginning	<u>353,843</u>	<u>353,843</u>	<u>-</u>
Fund balances - ending	<u>\$ 304,667</u>	<u>\$ 390,683</u>	<u>\$ 86,016</u>

## CITY OF FRANKLIN

## Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -  
Budget and Actual (on a Budgetary Basis)  
Year Ended December 31, 2010

	Capital Outlay Fund				Equipment Replacement Fund			
	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>REVENUE</b>								
Taxes	\$ 475,000	\$ 475,000	\$ 475,000	\$ -	\$ 277,000	\$ 277,000	\$ 277,000	\$ -
Intergovernmental revenue	-	-	33,905	33,905	-	-	-	-
Investment earnings	10,000	10,000	7,168	(2,832)	51,000	51,000	22,030	(28,970)
Miscellaneous revenue	30,000	30,000	-	(30,000)	10,000	10,000	2,000	(8,000)
Total revenue	515,000	515,000	516,073	1,073	338,000	338,000	301,030	(36,970)
<b>EXPENDITURES</b>								
Capital outlay	543,129	667,829	479,357	188,472	510,000	463,000	464,731	(1,731)
Total expenditures	543,129	667,829	479,357	188,472	510,000	463,000	464,731	(1,731)
Excess (deficiency) of revenue over expenditures	(28,129)	(152,829)	36,716	189,545	(172,000)	(125,000)	(163,701)	(38,701)
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of capital assets	-	-	26,258	26,258	-	-	37,812	37,812
Transfers in	54,970	110,970	-	(54,970)	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Net changes in fund balances	\$ 26,841	\$ (41,859)	62,974	\$ 160,833	\$ (172,000)	\$ (125,000)	(125,889)	\$ (889)
Adjustments to generally accepted accounting principles basis								
2010 encumbrances			19,500				32,000	
2009 encumbrances			(1,000)				-	
Fund balances - beginning			339,817				1,574,621	
Fund balances - ending			\$ 421,291				\$ 1,480,732	

Continued

## CITY OF FRANKLIN

## Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -  
Budget and Actual (on a Budgetary Basis)  
Year Ended December 31, 2010

	Capital Improvement Fund			Street Improvement Fund		
	Original Budget	Final Budget	Actual	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>REVENUE</b>						
Taxes	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ -
Intergovernmental revenue	-	-	-	-	-	-
Public charges for services - Landfill siting	35,000	35,000	336,153	-	-	-
Investment earnings	12,500	12,500	1,697	20,000	8,515	(11,485)
Miscellaneous revenue	-	-	79,137	-	-	-
Total revenue	<u>47,500</u>	<u>47,500</u>	<u>416,987</u>	<u>520,000</u>	<u>508,515</u>	<u>(11,485)</u>
<b>EXPENDITURES</b>						
Capital outlay	1,750,000	1,849,100	261,066	380,000	165,902	214,098
Total expenditures	<u>1,750,000</u>	<u>1,849,100</u>	<u>261,066</u>	<u>380,000</u>	<u>165,902</u>	<u>214,098</u>
Excess (deficiency) of revenue over expenditures	(1,702,500)	(1,801,600)	155,921	140,000	342,613	202,613
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,705,000	1,766,000	187,534	(205,000)	(142,379)	62,621
Transfers out	-	-	-	\$ (65,000)	200,234	\$ 265,234
Net changes in fund balances	<u>2,500</u>	<u>(35,600)</u>	<u>343,455</u>			
Adjustments to generally accepted accounting principles basis			1,000			-
2010 encumbrances			(1,000)			-
2009 encumbrances			<u>47,846</u>		<u>216,687</u>	
Fund balances - beginning			<u>\$ 391,301</u>		<u>\$ 416,921</u>	
Fund balances - ending						

**CITY OF FRANKLIN**  
**Fiduciary Funds**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
**Year Ended December 31, 2010**

	12/31/09	Additions	Deductions	12/31/10
<b>PROPERTY TAX AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and investments	\$ 46,966,851	\$ 94,284,036	\$ 93,245,257	\$ 48,005,630
Receivables	17,548,193	65,743,528	65,198,390	18,093,331
Taxes receivable				
<b>Total assets</b>	<u>\$ 64,515,044</u>	<u>\$ 160,027,564</u>	<u>\$ 158,443,647</u>	<u>\$ 66,098,961</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 73,911	\$ 355,433	\$ 73,911	\$ 355,433
Due to other governments	64,441,133	65,743,528	64,441,133	65,743,528
<b>Total liabilities</b>	<u>\$ 64,515,044</u>	<u>\$ 66,098,961</u>	<u>\$ 64,515,044</u>	<u>\$ 66,098,961</u>
<b>OTHER AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and investments	\$ 14,783	\$ 25,529	\$ 28,442	\$ 11,870
Accounts receivable	-	10,252	-	10,252
<b>Total assets</b>	<u>\$ 14,783</u>	<u>\$ 35,781</u>	<u>\$ 28,442</u>	<u>\$ 22,122</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,297	\$ 5,357	\$ 1,297	\$ 5,357
Special deposits	13,486	39,213	35,934	16,765
<b>Total liabilities</b>	<u>\$ 14,783</u>	<u>\$ 44,570</u>	<u>\$ 37,231</u>	<u>\$ 22,122</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments	\$ 46,981,634	\$ 94,309,565	\$ 93,273,699	\$ 48,017,500
Receivables	17,548,193	65,743,528	65,198,390	18,093,331
Taxes receivable	-	10,252	-	10,252
Accounts receivable				
<b>Total assets</b>	<u>\$ 64,529,827</u>	<u>\$ 160,063,345</u>	<u>\$ 158,472,089</u>	<u>\$ 66,121,083</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 75,208	\$ 360,790	\$ 75,208	\$ 360,790
Due to other governments	64,441,133	65,743,528	64,441,133	65,743,528
Special deposits	13,486	39,213	35,934	16,765
<b>Total liabilities</b>	<u>\$ 64,529,827</u>	<u>\$ 66,143,531</u>	<u>\$ 64,552,275</u>	<u>\$ 66,121,083</u>

**CITY OF FRANKLIN**  
**TIF Districts Fund**  
**Combining Balance Sheet**  
**December 31, 2010**

	<u>District #2</u>	<u>District #3</u>	<u>District #4</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 1,356,789	\$ 359,808	\$ 247,978	\$ 1,964,575
Accounts receivable	-	-	7,094	7,094
Interest receivable	-	53,040	-	53,040
Taxes receivable	4,493,995	1,407,207	836,103	6,737,305
Note receivable	-	8,160,000	-	8,160,000
Due from other governments	<u>125,671</u>	<u>-</u>	<u>1,502</u>	<u>127,173</u>
<b>Total assets</b>	<b>\$ 5,976,455</b>	<b>\$ 9,980,055</b>	<b>\$ 1,092,677</b>	<b>\$ 17,049,187</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 5,919	\$ 16,511	\$ 3,004	\$ 25,434
Accrued liabilities	15,000	-	-	15,000
Deferred revenue	4,493,995	1,460,247	836,103	6,790,345
Long term advances	-	-	<u>4,263,000</u>	<u>4,263,000</u>
<b>Total liabilities</b>	<b><u>4,514,914</u></b>	<b><u>1,476,758</u></b>	<b><u>5,102,107</u></b>	<b><u>11,093,779</u></b>
<b>FUND BALANCES (DEFICIT)</b>				
Reserved for contractual obligations	44,000	3,000	-	47,000
Reserved for note receivable	-	8,160,000	-	8,160,000
Unreserved				
TIF #2	1,417,541	-	-	1,417,541
TIF #3	-	340,297	-	340,297
TIF #4	<u>-</u>	<u>-</u>	<u>(4,009,430)</u>	<u>(4,009,430)</u>
<b>Total fund balances (deficit)</b>	<b><u>1,461,541</u></b>	<b><u>8,503,297</u></b>	<b><u>(4,009,430)</u></b>	<b><u>5,955,408</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 5,976,455</u></b>	<b><u>\$ 9,980,055</u></b>	<b><u>\$ 1,092,677</u></b>	<b><u>\$ 17,049,187</u></b>

**CITY OF FRANKLIN**  
**TIF Districts Fund**  
**Schedule of TIF Districts Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Year Ended December 31, 2010**

	<u>District #2</u>	<u>District #3</u>	<u>District #4</u>	<u>Total</u>
<b>REVENUE</b>				
Taxes	\$ 3,894,359	\$ 2,295,166	\$ 1,346,647	\$ 7,536,172
Intergovernmental revenue	360,558	326,765	3,254	690,577
Investment earnings	23,027	173,314	5,120	201,461
Total revenue	<u>4,277,944</u>	<u>2,795,245</u>	<u>1,355,021</u>	<u>8,428,210</u>
<b>EXPENDITURES</b>				
Current:				
Conservation and development	2,363	11,564	13,575	27,502
Capital outlay	102,516	105,028	2,169	209,713
Debt service				
Principal	3,000,000	1,425,000	-	4,425,000
Interest and fiscal charges	248,000	736,093	198,646	1,182,739
Total expenditures	<u>3,352,879</u>	<u>2,277,685</u>	<u>214,390</u>	<u>5,844,954</u>
Excess of revenue over expenditures	925,065	517,560	1,140,631	2,583,256
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(45,108)	(45,108)
Net change in fund balances	925,065	517,560	1,095,523	2,538,148
Fund balances (deficit) - beginning	<u>536,476</u>	<u>7,985,737</u>	<u>(5,104,953)</u>	<u>3,417,260</u>
Fund balances (deficit) - ending	<u>\$ 1,461,541</u>	<u>\$ 8,503,297</u>	<u>\$ (4,009,430)</u>	<u>\$ 5,955,408</u>

**CITY OF FRANKLIN**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Source**  
**December 31, 2010**

---

**Governmental funds capital assets:**

Land	\$ 24,695,045
Buildings and improvements	23,997,831
Machinery and equipment	15,702,981
Infrastructure improvements	87,929,115
Construction in process	<u>52,225</u>

**Total governmental funds capital assets** \$ 152,377,197

**Investment in governmental capital assets by source:**

General Fund	\$ 2,482,272
Special Revenue Funds	2,564,338
Capital Projects Funds	78,117,787
Donations	<u>69,212,800</u>

**Total governmental funds capital assets** \$ 152,377,197

**CITY OF FRANKLIN**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**Year Ended December 31, 2010**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure Improvements</u>	<u>Construction In process</u>	<u>Total</u>
<b>General Government:</b>						
Mayor	\$ -	\$ -	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	-	-	9,584	-	-	9,584
Municipal court	-	-	7,446	-	-	7,446
City clerk	-	-	7,443	-	-	7,443
Elections	-	-	36,352	-	-	36,352
Information services	-	-	407,366	-	-	407,366
Administration	-	-	252,354	-	-	252,354
Human resources	-	-	1,295	-	-	1,295
Finance	-	-	60,167	-	-	60,167
Assessor	-	-	43,681	-	-	43,681
Attorney	-	-	906	-	-	906
Municipal buildings	628,238	3,044,309	527,768	-	-	4,200,315
Total General Government	628,238	3,044,309	1,356,564	-	-	5,029,111
<b>Public Safety:</b>						
Police	1,201,829	8,418,912	2,622,033	-	-	12,242,774
Fire	63,248	4,153,910	3,267,888	-	-	7,485,046
Building inspection	-	-	255,034	-	-	255,034
Total Public Safety	1,265,077	12,572,822	6,144,955	-	-	19,982,854
<b>Public Works:</b>						
Engineering	-	-	356,580	-	-	356,580
Highway	357,407	2,663,251	4,814,565	-	-	7,835,223
Street Lighting	-	-	1,097	-	-	1,097
Infrastructure	17,997,867	-	-	87,929,115	-	105,926,982
Construction in process	-	-	-	-	52,225	52,225
Total Public Works	18,355,274	2,663,251	5,172,242	87,929,115	52,225	114,172,107
<b>Health &amp; Human Services:</b>						
Health	-	-	130,949	-	-	130,949
<b>Culture and Recreation:</b>						
Library	16,769	4,905,110	2,534,648	-	-	7,456,527
Parks	4,429,687	812,339	280,355	-	-	5,522,381
Total Culture and Recreation	4,446,456	5,717,449	2,815,003	-	-	12,978,908
<b>Conservation and Development:</b>						
Community development	-	-	-	-	-	-
Planning	-	-	83,268	-	-	83,268
Total Conservation and Development	-	-	83,268	-	-	83,268
<b>Total governmental funds capital assets</b>	<b>\$ 24,695,045</b>	<b>\$ 23,997,831</b>	<b>\$ 15,702,981</b>	<b>\$ 87,929,115</b>	<b>\$ 52,225</b>	<b>\$ 152,377,197</b>



**CITY OF FRANKLIN**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**Year Ended December 31, 2010**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets</u>			
	<u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/10</u>
<b>General Government:</b>				
Mayor	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	4,769	4,815	-	9,584
Municipal court	7,446	-	-	7,446
City clerk	7,443	-	-	7,443
Elections	36,352	-	-	36,352
Information services	368,531	38,835	-	407,366
Administration	252,354	-	-	252,354
Human resources	1,295	-	-	1,295
Finance	52,167	8,000	-	60,167
Assessor	43,681	-	-	43,681
Attorney	906	-	-	906
Municipal buildings	4,164,854	58,444	22,983	4,200,315
Total General Government	4,942,000	110,094	22,983	5,029,111
<b>Public Safety:</b>				
Police	12,070,025	178,475	5,726	12,242,774
Fire	7,389,294	294,945	199,193	7,485,046
Building inspection	253,030	2,004	-	255,034
Total Public Safety	19,712,349	475,424	204,919	19,982,854
<b>Public Works:</b>				
Engineering	209,620	146,960	-	356,580
Highway	7,643,655	310,900	119,332	7,835,223
Street Lighting	1,097	-	-	1,097
Infrastructure	103,789,726	2,137,256	-	105,926,982
Construction in process	151,662	44,889	144,326	52,225
Total Public Works	111,795,760	2,640,005	263,658	114,172,107
<b>Health &amp; Human Services:</b>				
Health	126,576	4,373	-	130,949
<b>Culture and Recreation:</b>				
Library	7,323,932	132,595	-	7,456,527
Parks	5,484,871	37,510	-	5,522,381
Total Culture and Recreation	12,808,803	170,105	-	12,978,908
<b>Conservation and Development:</b>				
City development	81,108	2,160	-	83,268
Total Conservation and Development	81,108	2,160	-	83,268
<b>Total governmental funds capital assets</b>	<b>\$ 149,466,596</b>	<b>\$ 3,402,161</b>	<b>\$ 491,560</b>	<b>\$ 152,377,197</b>

This page intentionally blank

## **STATISTICAL SECTION**



## **Statistical Section**

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

### **Financial Trends**

**Table 1**

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

### **Revenue Capacity**

**Table 5**

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

### **Debt Capacity**

**Table 11**

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

### **Demographic and Economic Information**

**Table 14**

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

### **Operating Information**

**Table 17**

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

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

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

	Fiscal Year							
	2010	2009	2008	2007	2006 (Restated)	2005	2004	2003
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 90,592,480	\$ 86,456,038	\$ 74,009,675	\$ 75,855,538	\$ 61,597,340	\$ 1,634,674	\$ (5,824,448)	\$ (18,631,637)
Restricted								
Debt service	-	-	1,935,194	1,527,909	2,824,089	-	-	1,167,552
Library	498,483	458,216	414,428	357,875	263,924	248,174	235,895	140,576
Utility improvements	356,798	147,317	12,640	380,961	478,801	1,129,596	765,805	1,521,678
Development	3,620,826	406,562	3,083,708	2,643,952	3,484,891	2,853,329	2,743,066	977,495
Donations and grants	311,101	279,730	286,114	263,198	243,331	236,147	147,544	110,895
Unrestricted (deficit)	4,901,493	2,024,676	4,908,825	(1,099,755)	10,876,066	10,242,063	8,907,518	10,484,263
Total governmental activities net assets	\$ 100,281,181	\$ 89,772,539	\$ 84,650,584	\$ 79,929,678	\$ 79,768,442	\$ 16,343,983	\$ 6,975,380	\$ (4,229,168)
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 90,202,124	\$ 90,828,559	\$ 90,842,486	\$ 90,242,854	\$ 88,299,652	\$ 85,098,937	\$ 81,402,130	\$ 66,424,389
Restricted								
Sewer replacement	261,852	227,388	231,384	225,177	215,267	178,274	132,035	118,986
Unrestricted	2,763,610	2,875,722	2,309,236	2,342,349	2,255,577	2,380,429	2,020,798	2,253,221
Total business-type activities net assets	\$ 93,227,586	\$ 93,931,669	\$ 93,383,106	\$ 92,810,380	\$ 90,770,496	\$ 87,657,640	\$ 83,554,963	\$ 68,796,596
<b>Total</b>								
Invested in capital assets, net of related debt	\$ 180,794,604	\$ 177,284,597	\$ 164,852,161	\$ 166,098,392	\$ 149,896,982	\$ 86,733,611	\$ 75,577,682	\$ 47,792,752
Restricted								
Debt service	-	-	1,935,194	1,527,909	2,824,089	-	-	1,167,552
Library	498,483	458,216	414,428	357,875	263,924	248,174	235,895	140,576
Utility improvements	356,798	147,317	12,640	380,961	478,801	1,129,596	765,805	1,521,678
Development	3,620,826	406,562	3,083,708	2,643,952	3,484,891	2,853,329	2,743,066	977,495
Donations and grants	311,101	279,730	286,114	263,198	243,331	236,147	147,544	110,895
Sewer replacement	261,852	227,388	231,384	225,177	215,267	178,274	132,035	118,986
Unrestricted	7,665,103	4,900,398	7,218,061	1,242,594	13,131,643	12,622,492	10,928,316	12,737,484
Total net assets	\$ 193,508,767	\$ 183,704,208	\$ 178,033,690	\$ 172,740,058	\$ 170,538,938	\$ 104,001,623	\$ 90,530,343	\$ 64,567,428

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

Table 2

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

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>								
<b>Governmental activities:</b>								
General government	\$ 2,897,491	\$ 2,948,713	\$ 3,028,903	\$ 2,769,041	\$ 2,730,575	\$ 2,588,256	\$ 2,535,943	\$ 2,560,386
Public safety	16,003,898	15,526,031	15,598,642	14,387,891	13,987,313	13,533,975	13,054,488	12,344,323
Public works	6,208,391	6,034,720	6,900,408	6,800,767	4,709,613	4,673,482	4,152,452	3,581,846
Health and human services	698,944	708,084	663,262	630,002	572,091	510,520	538,850	574,163
Culture and recreation	1,919,689	1,753,139	1,803,155	1,766,274	1,873,815	1,561,056	1,428,499	1,290,360
Conservation and development	529,833	600,099	718,032	6,591,661	634,983	666,277	498,096	451,957
Interest on long term debt	1,920,023	2,253,215	2,654,989	2,705,294	2,574,761	2,204,881	2,345,610	2,600,130
Total governmental activities expenses	30,178,269	29,824,001	31,367,371	35,650,930	27,083,151	25,738,437	24,553,938	23,403,165
<b>Business-type activities</b>								
Water	4,076,409	4,216,453	3,928,578	3,620,524	3,342,925	3,307,057	2,572,320	2,528,709
Sewer	3,376,505	3,226,261	3,069,523	2,840,092	2,603,652	2,349,419	2,143,916	2,032,336
Total business-type activities expenses	7,452,914	7,442,714	6,998,101	6,260,616	5,946,577	5,656,476	4,716,236	4,561,045
Total expenses	\$ 37,631,183	\$ 37,266,715	\$ 38,365,472	\$ 41,911,546	\$ 33,029,728	\$ 31,394,913	\$ 29,270,174	\$ 27,964,210
<b>Program Revenue</b>								
<b>Governmental activities:</b>								
Charges for services:	\$ 270,412	\$ 305,232	\$ 210,433	\$ 226,496	\$ 145,072	\$ 148,803	\$ 195,401	\$ 199,732
General government	2,154,618	2,068,413	2,267,580	2,473,830	2,794,237	2,715,134	2,478,751	2,238,099
Public safety	1,230,437	660,670	739,948	1,071,513	1,497,290	1,543,476	1,473,029	1,344,447
Public works	54,385	69,855	86,439	89,853	62,339	91,767	61,273	46,549
Health and human services	311,757	146,256	143,787	138,793	237,278	212,301	201,129	229,366
Culture and recreation	64,168	67,051	305,299	127,711	138,411	72,884	116,390	114,278
Conservation and development	1,921,805	2,080,213	2,285,275	2,957,937	2,015,885	1,838,699	1,886,800	1,623,847
Operating grants and contributions	2,570,564	1,190,090	1,735,333	2,753,612	4,890,241	6,728,526	10,048,400	5,465,904
Capital grants and contributions	8,578,146	6,587,780	7,774,104	9,839,745	11,770,753	13,351,570	16,461,173	11,262,222
Total governmental activities program revenue								
<b>Business-type activities</b>								
Charges for services:								
Water	4,395,269	4,454,495	4,218,653	3,926,626	3,595,661	3,815,195	2,810,730	3,098,124
Sewer	3,062,486	2,994,024	2,706,583	2,029,447	1,866,703	1,732,737	1,515,084	1,508,987
Capital grants and contributions	210,688	337,667	734,367	1,629,536	1,477,041	3,181,334	13,431,131	3,292,803
Total business-type activities program revenue	7,668,423	7,786,186	7,659,603	7,586,609	6,929,405	8,729,266	17,756,945	7,899,914
Total program revenue	\$ 16,246,569	\$ 14,373,966	\$ 15,433,707	\$ 17,425,354	\$ 18,700,158	\$ 22,080,836	\$ 34,218,118	\$ 19,162,136

continued

Table 2  
(continued)

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

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Net (Expense)/Revenue</b>								
Governmental activities	\$ (21,600,123)	\$ (23,236,221)	\$ (23,593,267)	\$ (25,811,185)	\$ (15,312,398)	\$ (12,386,867)	\$ (8,092,765)	\$ (12,140,943)
Business-type activities	215,509	343,472	661,502	1,324,993	982,828	3,072,790	13,040,709	3,338,869
<b>Total net expense</b>	<u>\$ (21,384,614)</u>	<u>\$ (22,892,749)</u>	<u>\$ (22,931,765)</u>	<u>\$ (24,486,192)</u>	<u>\$ (14,329,570)</u>	<u>\$ (9,314,077)</u>	<u>\$ 4,947,944</u>	<u>\$ (8,802,074)</u>
<b>General Revenue and other Changes in Net Assets</b>								
<b>Governmental activities:</b>								
Property taxes levied for general purposes	18,523,570	18,237,375	17,534,150	16,404,257	15,350,390	14,576,053	13,397,596	12,873,459
Property taxes levied for debt service	1,900,000	1,900,000	2,000,000	2,110,000	2,210,000	2,310,000	2,410,211	2,610,624
Property taxes levied for TIF Districts	7,457,955	4,828,216	4,685,811	3,127,116	2,860,368	2,919,738	2,729,979	2,631,082
Other taxes	699,431	666,767	472,575	429,674	419,168	381,116	376,038	352,280
Intergovernmental revenue								
not restricted to specific programs	1,485,982	1,380,418	1,320,286	1,461,840	1,334,594	1,271,794	1,335,925	1,593,937
Investment earnings	907,723	1,401,560	1,862,688	2,547,179	2,531,912	1,111,774	516,683	573,903
Miscellaneous revenue	58,885	43,566	14,451	452,613	77,294	119,276	164,526	233,884
Gain on sale of capital assets	64,070	-	-	-	-	-	-	-
Transfers	1,011,149	(100,726)	424,212	(560,258)	(1,970,735)	(934,281)	(1,633,645)	(1,583,871)
<b>Total governmental activities</b>	<u>32,108,765</u>	<u>28,358,176</u>	<u>28,314,173</u>	<u>25,972,421</u>	<u>22,812,991</u>	<u>21,755,470</u>	<u>19,297,313</u>	<u>19,285,298</u>
<b>Business-type activities:</b>								
Investment earnings	41,393	46,738	67,617	113,197	112,453	44,096	18,455	18,399
Miscellaneous revenue	50,164	57,627	267,819	41,436	46,840	51,510	65,558	53,774
Transfers	(1,011,149)	100,726	(424,212)	560,258	1,970,735	934,281	1,633,645	1,583,871
<b>Total business-type activities</b>	<u>(919,592)</u>	<u>205,091</u>	<u>(88,776)</u>	<u>714,891</u>	<u>2,130,028</u>	<u>1,029,887</u>	<u>1,717,658</u>	<u>1,656,044</u>
<b>Total</b>	<u>\$ 31,189,173</u>	<u>\$ 28,563,267</u>	<u>\$ 28,225,397</u>	<u>\$ 26,687,312</u>	<u>\$ 24,943,019</u>	<u>\$ 22,785,357</u>	<u>\$ 21,014,971</u>	<u>\$ 20,941,342</u>
<b>Change in Net Assets</b>								
Governmental activities	\$ 10,508,642	\$ 5,121,955	\$ 4,720,906	\$ 161,236	\$ 7,500,593	\$ 9,368,603	\$ 11,204,548	\$ 7,144,355
Business-type activities:	(704,083)	548,563	572,726	2,039,884	3,112,856	4,102,677	14,758,367	4,994,913
<b>Total</b>	<u>\$ 9,804,559</u>	<u>\$ 5,670,518</u>	<u>\$ 5,293,632</u>	<u>\$ 2,201,120</u>	<u>\$ 10,613,449</u>	<u>\$ 13,471,280</u>	<u>\$ 25,962,915</u>	<u>\$ 12,139,268</u>



Table 3

## CITY OF FRANKLIN

Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>General Fund</b>										
Reserved for:										
Inventories and prepaid items	\$ 75,673	\$ 24,927	\$ 25,109	\$ 24,980	\$ 31,870	\$ 38,391	\$ 28,928	\$ 13,691	\$ 20,876	\$ 12,355
Encumbrances	19,500	1,000	-	21,000	10,000	19,000	103,000	-	90,000	102,000
Advances to other funds	-	-	-	1,000,000	700,000	-	-	-	1,200,000	-
Unreserved	5,381,412	5,078,711	5,519,932	4,889,492	6,279,964	6,411,669	6,150,910	6,092,549	4,236,941	4,624,529
Total general fund	5,476,585	5,104,638	5,545,041	5,935,482	7,021,834	6,469,060	6,282,838	6,105,240	5,547,817	4,738,884
<b>All other governmental funds</b>										
Reserved for:										
Encumbrances and prepaids	62,681	17,707	1,236,000	431,000	687,100	211,032	16,000	22,000	120,000	1,608,000
Advances to other funds	4,263,000	5,463,000	6,300,000	14,100,000	6,928,769	6,717,987	-	-	-	-
Contractual obligations	155,000	517,000	1,452,000	1,265,000	1,849,000	623,142	208,274	101,096	1,380,000	1,513,971
Debt service	8,393,278	8,845,900	12,091,680	12,240,785	3,486,738	2,001,554	126,566	1,572,038	2,177,942	1,397,696
Library services	488,302	442,509	414,428	357,875	259,824	-	-	-	-	-
Utility improvements	358,798	147,317	12,640	380,961	478,801	1,129,596	765,805	1,521,678	2,379,691	2,425,482
Development	2,145,826	406,552	3,083,708	-	3,484,891	2,853,329	2,743,066	977,495	706,055	346,290
Donations & grants	311,101	279,730	286,114	263,198	243,331	184,458	147,544	110,895	11,035	10,329
Unreserved, reported in:										
Special revenue funds	179,224	165,348	132,206	1,206,529	294,820	218,770	184,079	122,892	217,953	1,510,705
Capital projects funds	298,153	(4,507,759)	(4,754,586)	(14,569,830)	(979,643)	5,158,222	3,680,288	4,535,777	1,580,555	3,381,858
Total all other government funds	16,653,363	11,777,304	20,254,170	15,675,518	16,713,631	19,098,090	7,871,822	8,963,871	8,573,231	12,194,331
Total fund balances	\$ 22,129,948	\$ 16,881,942	\$ 25,799,211	\$ 21,611,000	\$ 23,735,465	\$ 25,567,150	\$ 14,154,460	\$ 15,070,111	\$ 14,121,048	\$ 16,933,215

\* Prior to 2002 the Sanitary Service Fund was accounted for as a Special Revenue Fund. In 2002 it was restated and reported as an Enterprise Fund.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenue</b>										
Taxes	\$ 28,580,956	\$ 25,633,358	\$ 24,692,536	\$ 22,071,047	\$ 20,839,926	\$ 20,186,907	\$ 16,183,845	\$ 15,836,363	\$ 15,363,328	\$ 14,063,238
Intergovernmental revenue	3,704,159	3,299,648	3,536,635	4,269,969	3,088,814	2,917,513	3,055,509	3,067,155	3,051,785	2,430,911
Licenses and permits	729,432	609,278	723,225	978,942	1,386,588	1,486,966	1,258,457	1,030,984	1,254,563	1,029,645
Fines, forfeitures and penalties	422,508	385,427	382,928	392,451	332,090	361,656	397,169	362,638	414,878	440,039
Public charges for services	2,211,119	1,600,313	1,908,473	1,998,696	2,160,144	2,087,870	2,063,984	1,883,878	1,642,046	2,980,283
Special assessments	1,119,230	817,736	1,114,498	1,581,962	3,688,746	3,620,814	3,787,927	3,213,453	2,230,968	2,068,979
Intergovernmental charges for services	237,319	291,584	206,156	426,387	574,835	591,834	575,009	628,953	607,395	592,155
Investment earnings	878,978	1,276,600	1,797,738	2,513,703	2,504,185	1,127,163	495,190	604,777	1,472,269	2,492,397
Miscellaneous revenue	597,611	635,424	723,724	934,141	732,207	806,105	447,992	531,152	5,094	237,862
Total revenue	38,481,310	34,549,368	35,065,913	35,167,298	35,327,535	33,186,828	28,275,082	27,159,353	26,042,326	26,335,509
<b>Expenditures</b>										
Current										
General government	2,694,374	2,780,444	2,825,836	2,609,731	2,487,071	2,314,862	2,262,025	2,293,969	2,069,034	2,442,096
Public safety	15,206,317	15,043,628	15,236,640	13,856,032	13,239,602	12,677,768	12,109,107	11,250,298	10,589,766	9,739,870
Public works	4,521,991	4,504,611	4,632,957	4,110,460	4,039,438	3,746,773	3,580,392	3,395,468	3,134,753	4,654,552
Health and human services	629,499	701,821	666,364	631,887	572,918	499,496	531,422	558,538	496,220	463,430
Culture, recreation and education	1,565,093	1,427,945	1,490,936	1,436,987	1,568,591	1,270,440	1,135,822	1,075,349	1,081,661	938,043
Conservation and development	524,705	603,961	729,274	6,587,035	628,634	654,928	378,216	434,087	382,853	519,149
Capital outlay	1,953,999	6,061,625	7,627,455	10,931,589	8,882,837	3,735,408	2,248,893	1,487,147	5,834,266	16,697,369
Debt service	5,275,000	10,915,000	6,000,000	5,170,000	4,060,000	4,215,000	4,000,000	2,660,000	2,050,000	2,800,000
Principal	1,939,762	2,350,882	2,543,194	2,584,080	2,838,291	2,123,340	1,311,211	1,461,563	1,519,296	1,648,888
Interest	-	-	65,650	130,602	35,700	46,250	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	34,310,740	44,389,917	41,818,305	48,048,403	38,343,082	31,284,265	27,557,088	24,626,419	27,157,849	39,903,397
Excess of revenue over (under) expenditures	4,170,570	(9,840,549)	(6,752,392)	(12,881,105)	(3,015,547)	1,902,563	717,994	2,532,934	(1,115,523)	(13,567,888)
<b>Other financing sources (uses)</b>										
Debt issued	-	-	10,000,000	10,000,000	10,000,000	10,000,000	-	-	-	20,000,000
Refunding debt issued	-	-	-	9,925,000	-	-	-	-	-	-
Premium on debt issued	-	-	83,583	34,970	176,524	204,561	-	-	-	-
Payment to refunding escrow agent	-	-	-	(10,040,675)	-	-	-	-	-	-
Principal payment on current refunding	-	-	-	-	(9,770,000)	-	-	-	-	(10,000,000)
Sale of capital assets	64,070	-	5,786,181	6,237,805	3,957,696	3,486,467	3,273,639	7,213,563	1,389,971	4,588,401
Transfers in	1,389,654	2,229,036	(4,929,161)	(5,400,460)	(3,180,358)	(4,420,748)	(4,907,284)	(8,797,434)	(1,389,971)	(4,588,401)
Transfers out	(376,288)	(1,305,756)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 5,248,006	\$ (8,917,269)	\$ 4,188,211	\$ (2,124,465)	\$ (1,831,885)	\$ 11,172,843	\$ (915,651)	\$ 949,063	\$ (1,115,523)	\$ (3,567,888)
Debt service as a percentage of non capital expenditures *	24.4%	33.4%	24.0%	19.7%	21.0%	22.6%	20.5%	17.8%	16.7%	19.2%

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

## CITY OF FRANKLIN

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Years

Value As of 1/1	Real property		Personal property		Total Assessed value	Total Direct Tax Rate	Total Estimated actual value	Ratio of Assessed to Estimated value
	Assessed value	Estimated actual value	Assessed value	Estimated actual value				
2010	\$ 3,550,822,488	\$ 3,573,233,300	\$ 93,921,500	\$ 97,275,400	\$ 3,644,743,988	\$ 6.22	3,670,508,700	99.30%
2009	3,671,323,540	3,820,400,500	90,861,600	92,242,100	3,762,185,140	5.93	3,912,642,600	96.15%
2008	3,621,224,940	3,821,063,800	75,804,600	77,323,500	3,697,029,540	5.78	3,898,387,300	94.83%
2007	3,510,260,140	3,614,744,300	71,027,000	74,310,100	3,581,287,140	5.79	3,689,054,400	97.08%
2006 *	3,384,763,640	3,406,252,800	75,577,300	75,506,900	3,460,340,940	5.58	3,481,759,700	99.38%
2005	2,617,341,900	2,955,304,500	64,650,760	75,511,400	2,681,992,660	6.83	3,030,815,900	88.49%
2004	2,490,166,000	2,631,564,000	50,652,170	50,381,500	2,540,818,170	6.95	2,681,945,500	94.74%
2003 *	2,372,417,000	2,341,523,800	55,465,640	59,241,700	2,427,882,640	6.80	2,400,765,500	101.13%
2002	1,941,915,300	2,163,203,000	53,763,740	59,807,500	1,995,679,040	8.17	2,223,010,500	89.77%
2001	1,879,099,900	1,972,111,000	51,974,570	54,560,300	1,931,074,470	8.06	2,026,671,300	95.28%

\* Reassessment year

## Assessed Valuation by School District - 2010

	Franklin School District	Oak Creek/ Franklin School District	Whitnall School District	Total
Within sewerage district	\$ 2,603,448,288	\$ 681,916,200	\$ 231,206,700	\$ 3,516,571,188
Outside sewerage district	103,899,100	24,273,700	-	128,172,800
<b>Total</b>	<b>\$ 2,707,347,388</b>	<b>\$ 706,189,900</b>	<b>\$ 231,206,700</b>	<b>\$ 3,644,743,988</b>

Note: Assessed values are determined by the City and the Wisconsin Department of Revenue. Estimated actual values were obtained from the Wisconsin Department of Revenue and include Wisconsin Section 70.57 adjustments. Taxes collected are used in the following year's City operations.

Table 6

## CITY OF FRANKLIN

Estimated Actual Property Value and Construction Data  
Last Ten Years

Fiscal year	(1)				(2)				
	Estimate Actual Property value				Residential Construction		Nonresidential Construction		
	Residential	% of Total	Commercial and Manufacturing	Agricultural, Swamp and Other	Total	# of Units	Value	# of Permits	Value
2010	\$ 2,637,514,100	73.8%	\$ 917,720,700	\$ 17,998,500	\$ 3,573,233,300	27	\$ 6,559,696	40	\$ 22,533,497
2009	2,774,343,200	72.6%	1,026,852,400	19,204,900	3,820,400,500	25	6,709,653	35	14,193,522
2008	2,862,287,800	74.9%	939,436,600	19,339,400	3,821,063,800	52	11,030,933	61	28,323,674
2007	2,751,324,400	76.1%	844,563,800	18,856,100	3,614,744,300	99	20,017,954	49	39,920,210
2006	2,611,111,600	76.7%	769,933,200	25,208,000	3,406,252,800	308	55,690,187	91	116,376,447
2005	2,236,076,000	75.7%	696,096,000	23,132,500	2,955,304,500	458	86,085,165	49	49,075,431
2004	2,012,614,000	76.5%	594,978,200	23,971,800	2,631,564,000	503	74,586,030	55	14,352,822
2003	1,787,275,700	76.3%	530,582,600	23,665,500	2,341,523,800	349	48,274,386	16	47,915,016
2002	1,670,088,100	77.2%	468,985,700	24,129,200	2,163,203,000	333	46,788,277	41	99,018,727
2001	1,512,872,800	76.7%	436,680,100	22,558,100	1,972,111,000	362	48,697,266	49	18,557,129

(1) Estimated actual values from the Wisconsin Department of Revenue

(2) Source: City's Building Inspection Department.

Table 7

## CITY OF FRANKLIN

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

Budget year	City of Franklin Direct Rates							Overlapping Rates					Total Rate	(**)			
	General	Library	Debt Service	Capital Outlay	Equipment Revolving	Street Improvement	Total	School Districts			Milwaukee Area				Milwaukee Metropolitan		
								Franklin	Oak Creek	Whitnall	School Credits	Technical College			Milwaukee County	Sewerage District	State
2011 *	\$ 5.04	\$ 0.35	\$ 0.56	\$ 0.11	\$ 0.04	\$ 0.12	\$ 6.22	\$ 12.22	\$ 8.69	\$ 10.40	\$ (1.72)	\$ 1.93	\$ 4.49	\$ 1.45	\$ 0.17	\$ 24.76	
2010	4.61	0.33	0.54	0.14	0.08	0.23	5.93	11.33	8.86	10.11	(1.67)	1.98	4.31	1.38	0.18	23.44	
2009	4.46	0.33	0.55	0.13	0.08	0.23	5.78	10.96	7.80	9.65	(1.68)	1.93	4.17	1.36	0.18	22.70	
2008	4.34	0.34	0.59	0.14	0.10	0.28	5.79	10.98	7.85	9.40	(1.52)	1.82	4.01	1.32	0.18	22.58	
2007 *	4.10	0.34	0.64	0.13	0.09	0.28	5.58	10.05	6.95	9.15	(1.38)	1.78	3.95	1.31	0.17	21.46	
2006	5.00	0.42	0.86	0.10	0.15	0.30	6.83	12.01	8.90	10.32	(1.40)	2.13	4.81	1.60	0.21	26.19	
2005	5.06	0.40	0.95	0.14	0.10	0.30	6.95	12.61	7.93	11.30	(1.50)	2.05	4.81	1.62	0.21	26.75	
2004 *	4.88	0.38	1.04	0.09	0.11	0.30	6.80	12.74	8.42	10.80	(1.55)	1.95	4.72	1.57	0.20	26.43	
2003	5.67	0.45	1.37	0.20	0.14	0.34	8.17	13.86	10.19	12.71	(1.92)	2.24	5.67	1.89	0.22	30.13	
2002	5.32	0.43	1.52	0.26	0.25	0.28	8.06	14.50	9.95	12.52	(1.99)	2.13	5.65	1.78	0.21	30.34	

Note: \* Reassessment impact

\*\* The City has five tax rates dependant upon a property's sewer status and the school district the property is located. The total is shown for only the largest school district (Franklin). See Table 5 for assessed values by School and Sewerage District.

The Budget year is the year following the fiscal year in which the taxes are levied.

Source: City of Franklin budget documents

Table 8

## CITY OF FRANKLIN

## Principal Property Taxpayers

Current year and Nine Years Ago

	2010				2001			
	Taxpayer	Type of Business	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
	Northwestern Mutual	Insurance Services	\$ 126,271,100	1	3.46%	\$ -	-	-
	Wal-Mart	Retailer	25,609,300	2	0.70%	13,969,740	4	0.72%
	Covenant Health Care System	Medical facilities	24,624,700	3	0.68%	8,510,450	10	0.44%
	VTLC Development	Packaging manufacturing	20,946,100	4	0.57%	-	-	-
	Whitnall Pointe Apartments	Apartments	20,535,000	5	0.56%	20,436,650	1	1.06%
	Manchester Oaks	Apartments	19,757,300	6	0.54%	16,219,450	2	0.84%
	Harley Davidson	Motorcycle manufacturing	18,570,200	7	0.51%	15,105,600	3	0.78%
	Menard Inc	Retail - Home Improvement	16,709,500	8	0.46%	-	-	-
	All Glass Aquarium	Aquariums and fluorescent lights	13,700,500	9	0.38%	12,311,900	5	0.64%
	Waste Management	Landfill and refuse collection	13,592,000	10	0.37%	11,901,050	6	0.62%
	Krones Inc	High speed labeling and filler machines	-	-	-	9,647,500	7	0.50%
	Home Depot	Retail - Home Improvement	-	-	-	9,331,310	8	0.48%
	Mission Hills Apts	Apartments	-	-	-	9,358,590	9	0.48%
			<u>\$ 300,315,700</u>		<u>8.23%</u>	<u>\$ 126,792,240</u>		<u>6.56%</u>

Source: City of Franklin Assessor's Office

Table 9

**CITY OF FRANKLIN**  
Property Tax Levies and Collections  
Last Ten Years

Fiscal year	City Tax levy			Total collections	% of levy collected	Outstanding combined delinquent PP taxes
	Tax increment financing	Local	Total			
2010	\$ 7,457,956	\$ 20,426,000	\$ 27,883,956	\$ 27,851,459	99.88%	\$ 34,778
2009	4,829,216	20,142,000	24,971,216	24,966,369	99.98%	36,945
2008	4,685,811	19,555,000	24,240,811	24,219,148	99.91%	45,243
2007	3,127,116	18,501,000	21,628,116	21,641,373	100.06%	27,424
2006	2,860,368	17,566,000	20,426,368	20,420,758	99.97%	42,150
2005	2,925,386	16,899,300	19,824,686	19,811,739	99.93%	52,998
2004	2,729,979	15,813,611	18,543,590	18,537,786	99.97%	65,425
2003	2,631,082	15,606,851	18,237,933	18,115,165	99.33%	57,488
2002	2,686,561	14,861,543	17,548,104	17,483,984	99.63%	83,606
2001	2,220,643	13,487,899	15,708,542	15,717,957	100.06%	51,020

Source: City of Franklin

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

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

**CITY OF FRANKLIN**  
Property Tax Levies by Tax Jurisdiction  
Last Ten Years

Levy Year	State of Wisconsin	Milwaukee County	School Districts			MATC	MMSD	City of Franklin			Total
			Franklin	Whitnall	Oak Creek-Franklin			Local	Tax increment	Special Charges	
2010	\$ 622,907	\$ 15,112,830	\$ 31,535,755	\$ 2,404,637	\$ 4,816,333	\$ 6,512,551	\$ 4,718,481	\$ 20,965,000	\$ 6,737,305	\$ 758,894	\$ 94,184,693
2009	684,000	14,854,113	30,632,223	2,424,105	4,403,920	6,842,077	4,574,057	20,426,000	7,457,956	818,455	93,096,906
2008	661,580	14,548,992	29,476,874	2,312,202	4,264,165	6,742,019	4,575,710	20,142,000	4,829,216	738,020	88,290,778
2007	626,055	13,522,407	28,554,442	2,249,175	4,192,123	6,161,570	4,299,178	19,555,000	4,685,811	669,010	84,514,771
2006	611,435	13,093,014	25,574,810	2,178,490	3,703,359	5,905,586	4,175,609	18,501,000	3,127,116	680,126	77,550,545
2005	568,521	12,370,412	23,516,671	1,986,396	3,765,902	5,474,766	3,974,373	17,566,000	2,860,368	636,113	72,719,522
2004	536,389	11,704,079	23,562,904	2,072,573	2,987,492	4,976,144	3,765,405	16,899,300	2,925,386	760,961	70,190,633
2003	480,153	10,982,099	23,147,556	1,945,269	2,748,924	4,538,616	3,478,005	15,813,611	2,729,979	629,490	66,493,702
2002	444,602	10,821,595	20,815,514	1,889,735	2,639,959	4,269,377	3,447,820	15,606,851	2,631,082	774,753	63,341,288
2001	405,334	10,408,902	20,926,137	1,844,422	2,509,659	3,919,511	3,126,200	14,861,543	2,686,561	828,290	61,516,559

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

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



## CITY OF FRANKLIN

Ratios of Net General Bonded Debt Outstanding  
Last Ten Years

Fiscal year	General Bonded Debt						(1)					
	Governmental			Business-type			Less Amounts due from Tax Incremental Financing Districts	Less Amounts due from Future Development	Net General Bonded Debt	Percent of Estimated Actual Property Value	Percent of Personal Income	Per Capita
	General Obligations Bonds	General Obligations Notes	Lease Revenue Bonds	Water								
				General Obligations Notes								
2010	\$ 9,730,000	\$ 30,160,000	\$ -	\$ -	\$ 39,890,000	\$ (3,021,278)	\$ (26,123,000)	\$ (4,920,150)	\$ 5,825,572	0.16%	N/A	\$ 164
2009	9,880,000	35,285,000	-	-	45,165,000	(2,078,900)	(30,948,000)	(5,112,686)	7,025,414	0.18%	0.68%	208
2008	\$ 10,030,000	46,050,000	-	-	56,080,000	(8,339,240)	(35,100,000)	(4,775,000)	7,865,760	0.21%	0.71%	234
2007	10,180,000	39,525,000	2,375,000	-	52,080,000	(12,240,785)	(30,875,000)	(4,294,700)	4,669,515	0.13%	0.42%	140
2006	9,775,000	31,825,000	5,195,000	-	46,795,000	(10,395,507)	(23,895,000)	(4,497,000)	8,207,493	0.24%	0.75%	249
2005	9,825,000	23,075,000	17,715,000	-	50,615,000	(8,719,542)	(24,715,000)	(4,754,000)	12,426,458	0.42%	1.31%	382
2004	10,725,000	14,075,000	20,030,000	-	44,830,000	(126,566)	(20,030,000)	(4,943,000)	19,730,434	0.75%	2.21%	620
2003	11,075,000	17,725,000	22,270,000	-	51,070,000	(1,572,038)	(22,270,000)	(5,028,767)	22,199,195	0.95%	2.58%	705
2002	11,425,000	20,035,000	23,570,000	940,000	55,970,000	(2,177,942)	(23,570,000)	(5,132,500)	25,089,558	1.16%	3.00%	816
2001	11,750,000	21,760,000	24,655,000	990,000	59,155,000	(1,397,696)	(24,655,000)	-	33,102,304	1.68%	4.15%	1,096

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

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

Notes: In 2008 the City issued \$10,000,000. Proceeds were used to provide funding for TIF Districts

In 2007 the City issued \$19,925,000. Proceeds of \$9.925M were used to refinance existing general obligation bonds and \$10M were used for TIF Districts

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

In 2005 the City issued \$10,000,000. Proceeds were used to provide funding for two new TIF Districts and public works projects

In 2002 the City established an impact fee ordinance that allows for new development to pay for a portion of the police station, fire station and library

In 2001 the City issued \$10,000,000. Proceeds were used for building a new library, fire station and public works projects

In 2000 the City issued \$10,000,000. Proceeds were used for building a new police station

**CITY OF FRANKLIN**  
Direct and Overlapping Debt  
December 31, 2010

Jurisdiction	Net general obligation bonded debt outstanding		Percentage applicable to City		Amount applicable to City	
	\$				\$	
Milwaukee County <sup>1</sup>	885,570,359		5.5880%		48,485,672	
Whitnall School District	2,515,000		14.5732%		366,516	
Oak Creek - Franklin School District	58,699,929		14.9989%		8,804,319	
Franklin School District	8,590,000		100.0000%		8,590,000	
Milwaukee Area Technical College	101,275,000		4.5658%		4,624,047	
Milwaukee Metropolitan Sewerage District	978,785,024		5.5075%		53,906,419	
<b>Total Overlapping Debt</b>	<b>2,035,435,312</b>				<b>125,776,973</b>	
City of Franklin	39,890,000		100.0000%		39,890,000	
<b>Total</b>	<b>\$ 2,075,325,312</b>				<b>\$ 165,666,973</b>	

History	Milwaukee County		School Districts		Overlapping Debt Total		City of Franklin		Total
			Franklin	Whitnall					
2010	\$ 49,485,672	\$ 8,590,000	\$ 366,516	\$ 8,804,319	\$ 4,624,047	\$ 53,906,419	\$ 125,776,973	\$ 39,890,000	\$ 165,666,973
2009	48,685,158	9,860,000	398,980	9,860,000	2,930,822	49,520,701	121,255,661	45,165,000	166,420,661
2008	24,814,695	13,335,000	498,112	8,825,309	2,930,822	50,315,201	100,719,139	56,080,000	156,799,139
2007	24,417,746	16,615,000	584,345	9,317,100	2,693,188	40,872,492	94,499,871	49,705,000	144,204,871
2006	25,056,911	19,545,000	997,479	5,652,024	2,894,865	39,475,550	93,621,829	41,600,000	135,221,829
2005	24,889,812	22,100,000	1,190,187	5,572,164	3,253,837	37,814,976	94,820,976	32,900,000	127,720,976
2004	24,242,972	24,505,000	984,609	4,397,036	3,067,016	34,910,053	92,106,686	24,800,000	116,906,686
2003	23,590,876	26,800,000	1,085,129	3,890,811	3,105,710	32,092,924	90,565,450	28,800,000	119,365,450
2002	24,017,363	28,970,000	1,217,714	4,182,879	3,138,871	26,420,585	87,947,412	32,400,000	120,347,412
2001	23,253,427	31,050,000	1,291,253	4,270,581	3,180,458	24,232,203	87,277,922	34,500,000	121,777,922

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

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

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

Table 13

## CITY OF FRANKLIN

Computation of Legal Debt Margin  
Last Ten Years

Fiscal year	(1) Equalized Valuation	5% of Equalized Value	Total Debt Applicable to Limit	Legal Debt Margin	Percent Used
2010	\$ 3,670,508,700	\$ 183,525,435	\$ 39,890,000	\$ 143,635,435	21.74%
2009	3,912,642,600	195,632,130	45,165,000	150,467,130	23.09%
2008	3,898,387,300	194,919,365	56,080,000	138,839,365	28.77%
2007	3,689,054,400	184,452,720	49,705,000	134,747,720	26.95%
2006	3,481,759,700	174,087,985	41,600,000	132,487,985	23.90%
2005	3,030,815,900	151,540,795	32,900,000	118,640,795	21.71%
2004	2,681,945,500	134,097,275	24,800,000	109,297,275	18.49%
2003	2,400,765,500	120,038,275	28,800,000	91,238,275	23.99%
2002	2,223,010,500	111,150,525	32,400,000	78,750,525	29.15%
2001	2,026,671,300	101,333,565	34,500,000	66,833,565	34.05%

(1) From Table 5

Note: Under state statutes the City's outstanding general obligation debt may not exceed five percent of total equalized property value.

Table 14

## CITY OF FRANKLIN

Demographic and Economic Statistics  
Last Ten Years

Fiscal year	(1) Population	(2) Personal Income		(2) Per capita adjusted gross income			(3) Unemployment rates		
		City of Franklin	City of Franklin	City of Franklin	City of Franklin	City of Franklin	City of Franklin	City of Franklin	City of Franklin
2010	35,451	N/A	N/A	N/A	N/A	N/A	5.8%	8.1%	7.5%
2009	33,700	\$ 1,039,533,497	\$ 30,847	\$ 20,195	\$ 23,211	\$ 23,211	6.9%	9.3%	8.3%
2008	33,550	1,103,807,365	32,900	21,233	24,329	24,329	4.4%	6.3%	5.9%
2007	33,380	1,117,587,480	33,481	21,603	24,374	24,374	3.4%	4.8%	4.3%
2006	33,000	1,091,761,153	33,084	20,782	23,845	23,845	3.0%	5.0%	4.5%
2005	32,548	951,934,636	29,247	19,372	22,214	22,214	3.4%	5.2%	4.5%
2004	31,804	893,501,576	28,094	18,240	21,055	21,055	3.3%	5.3%	4.4%
2003	31,467	859,395,237	27,311	17,900	20,606	20,606	4.1%	6.0%	4.9%
2002	30,749	836,126,808	27,192	17,492	19,809	19,809	4.3%	6.1%	5.0%
2001	30,199	796,951,610	26,390	18,082	20,091	20,091	4.0%	5.7%	4.8%

(1) Bureau of Census, State of Wisconsin

(2) Wisconsin Department of Revenue, Division of Research and Analysis

(3) US Bureau of Labor Statistics

N/A Not Available

Table 15

## CITY OF FRANKLIN

Principal Employers

Current Year and Nine Years Ago

Taxpayer	Type of Business	2010			2001		
		Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Northwestern Mutual	Insurance/Investment Services	2,100	1	11.67%	-	-	-
Franklin Public Schools	K-12 Education	570	2	3.17%	550	2	3.25%
Wheaton Franciscan Healthcare	Medical & surgical hospital	529	3	2.94%	-	-	-
Milwaukee County							
House of Correction	Government	381	4	2.12%	540	3	3.19%
Wal-Mart	Retailer	375	5	2.08%	417	4	2.46%
General Automotive Mfg LLC	Off-road engine components mfg.	350	6	1.94%	350	5	2.07%
Krones, Incorporated	High speed labeling/filler machines	342	7	1.90%	700	1	4.13%
Waste Management	Landfill and refuse collection	340	8	1.89%	-	-	-
Conway Transport	General Freight Trucking	300	9	1.67%	-	-	-
All Glass Aquarium	Aquariums and fluorescent lights	250	10	0.00%	300	6	1.77%
Electronic Cable Specialists	Wire harnesses	-	-	-	250	7	1.48%
City of Franklin	Government	-	-	-	224	8	1.32%
Vesta Inc	Silicone rubber molded products	-	-	-	200	9	1.18%
General Thermodynamics	Heat Exchangers	-	-	-	150	10	0.89%
		5,537		30.77%	3,681		21.72%

Source: Past Debt offering Official Statements and employer surveys

## CITY OF FRANKLIN

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

Department	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government										
Common council	0.00	0.00	0.00	0.48	0.48	0.48		0.45	0.45	0.45
Municipal buildings	2.00	2.00	2.00	2.00	2.00	2.00	0.50	0.45	0.45	0.45
Clerk	4.00	4.00	4.00	3.53	3.53	3.50	3.50	3.50	3.50	3.50
Information services	-	-	-	-	-	-	-	-	-	-
Administration	3.60	3.60	3.60	3.80	3.80	3.80	3.75	3.25	3.00	3.00
Finance	7.03	7.10	7.10	7.10	7.30	7.30	7.45	7.45	7.18	7.38
Assessor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
Municipal buildings	3.92	4.74	4.74	4.83	4.83	4.90	4.68	4.68	5.06	4.56
Total general government	21.55	22.44	22.44	22.74	22.94	22.98	20.88	21.33	21.19	20.89
Public safety										
Police	77.25	77.25	77.25	77.25	77.25	77.25	78.75	78.75	78.75	78.75
Fire	46.48	46.45	46.45	46.45	45.45	44.00	44.00	44.00	44.00	44.50
Paid on call fire	-	-	-	-	-	-	-	-	-	6.00
Building inspection	8.00	8.00	8.00	10.00	10.00	10.00	12.00	11.00	12.00	11.00
Total public safety	131.73	131.70	131.70	133.70	132.70	131.25	134.75	133.75	134.75	140.25
Public works										
Engineering	8.25	8.80	8.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80
Highway	22.00	22.00	22.00	22.00	22.00	22.00	22.00	21.00	22.00	21.00
Parks	2.00	2.00	2.00	2.27	1.79	1.25	1.25	1.25	1.25	1.25
Total public works	32.25	32.80	32.80	34.07	33.59	33.05	33.05	32.05	33.05	32.05
Public health	6.25	6.15	6.15	6.50	6.63	6.50	6.50	6.35	6.35	6.35
Planning	5.60	5.60	5.60	7.60	7.60	6.60	6.60	5.21	6.49	5.84
Total general fund	197.38	198.69	198.69	204.61	203.46	200.38	201.78	198.69	201.83	205.38
Public health - grant	-	-	-	-	-	-	0.25	0.60	0.60	0.60
Library	17.12	17.11	17.11	17.20	17.22	16.92	16.10	15.59	15.04	15.29
Sewer & water	11.53	12.55	12.55	12.85	12.85	12.85	11.10	10.80	9.80	10.75
Total (including paid on call)	226.03	228.35	228.35	234.66	233.53	230.15	229.23	225.68	227.27	232.02
Total FTE's	226.03	228.35	228.35	234.66	233.53	230.15	229.23	225.68	227.27	226.02

Source: City of Franklin Budget Document

Page 108

Table 17

## CITY OF FRANKLIN

Operating Indicators by Function/Program  
Last Ten Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Police</b>										
Part 1 Major crimes	910	804	994	1,066	764	775	765	822	681	754
Arrests	1,650	1,496	1,467	1,492	2,021	1,954	1,754	1,682	1,817	2,282
Traffic citations	6,930	6,303	5,549	7,001	5,191	5,945	6,740	5,403	6,460	6,882
Parking citations	1,640	1,490	1,331	1,448	1,539	2,076	1,892	1,732	1,899	1,919
Call for service	29,400	28,267	27,107	28,169	-	77,146	81,790	87,053	82,488	83,268
Call to dispatch	-	-	-	-	59	59	59	59	59	59
Number of sworn officers	59	59	59	59	59	59	59	59	59	59
<b>Fire</b>										
Fire responses	500	496	704	573	588	514	557	531	463	510
EMS responses	2,700	2,515	2,790	2,767	2,525	2,451	2,225	2,114	2,235	2,163
Fire inspections	2,600	2,611	2,578	2,364	2,267	2,056	1,800	1,770	1,610	1,593
Number of full-time firefighters	46	46	46	46	45	43	43	43	43	43
Number of paid on call firefighters	-	-	-	-	-	-	-	-	6	6
<b>Highway</b>										
Miles of crack sealing	32	32	34	31	21	19	17	21	15	19
Tress pruned	2,000	927	378	558	1,640	823	988	1,101	1,000	1,058
Vehicles maintained	165	165	165	159	150	150	150	149	147	145
<b>Solid waste</b>										
Non-recyclable refuse collected (tons)	8,500	7,792	8,519	8,381	8,366	8,296	8,372	5,722	6,669	6,992
Recyclables collected (tons)	3,050	2,676	2,825	3,008	3,108	3,132	3,097	2,617	2,810	2,451
Yard waste (tons)	400	375	214	205	208	193	246	277	282	84
<b>Health</b>										
Home visits	1,500	1,616	1,280	1,401	1,602	1,440	946	660	605	690
Immunization clinic visits	3,700	8,658	3,407	3,015	3,004	3,140	2,550	3,088	2,877	2,376
Sanitarian inspections	350	380	274	196	393	420	454	483	420	430
<b>Animal control</b>										
Animal control pickups	183	126	165	223	194	208	214	175	193	190
<b>Library</b>										
Circulation	520,000	519,054	490,843	471,442	465,468	452,382	434,568	400,986	350,000	269,549
Collection size	137,000	135,888	130,000	127,000	120,724	117,804	110,376	65,000	60,000	56,000
Internet use	50,400	50,222	55,000	54,000	51,167	46,364	39,059	35,050	21,145	8,133
<b>Sanitary sewer</b>										
Number of customers	9,780	9,775	9,853	9,779	9,567	9,216	8,769	8,580	8,380	8,075
Feet of sewer cleaned	250,000	250,000	264,000	92,010	119,200	317,042	222,461	247,681	217,000	230,000
<b>Water</b>										
Number of customers -average	7,775	7,756	7,683	7,561	7,288	6,930	5,311	4,695	4,670	4,572
Average daily consumption	2,700,000	2,461,276	2,474,000	2,521,000	2,269,000	2,519,000	1,929,000	1,864,000	1,875,000	1,815,000
Peak daily consumption	4,212,000	4,803,000	5,681,000	6,097,420	5,023,029	5,737,376	4,612,000	5,270,000	5,063,000	5,159,000

Source: City Budget Document

## CITY OF FRANKLIN

Capital Asset Statistics by Function/Program  
Last Ten Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Area in square miles	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Area in acres:										
Total acres	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180
Taxable acres (approximate)	15,550	15,549	15,550	15,634	15,642	17,700	17,700	17,700	17,700	17,300
Acres developed (approximate)	11,329	11,287	11,233	10,878	10,210	6,200	6,200	6,200	6,200	6,200
Acres in park and open space	3,873	3,873	3,873	3,851	3,684	3,500	3,500	3,500	3,500	3,500
Miles of road:										
State	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85
County	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74
Local	166.97	165.97	166.51	165.31	164.74	162.78	159.85	155.68	152.55	150.89
Fire protection and ambulance service:										
Number of manned fire stations	3	3	3	3	3	3	3	3	3	3
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of sub stations	1	1	1	1	1	1	1	1	1	1
Sewer and water service:										
Miles of sanitary sewer	185	185	182	181	180	176	163	154	147	144
Miles of watermain	166	166	164	163	157	154	124	98	95	89
Number of fire hydrants	2,098	2,097	2,081	2,058	1,956	1,890	1,726	1,362	1,295	1,242
Recreation and culture:										
Number of trails	4	4	4	4	3	3	2	2	2	2
Number of city parks	12	12	12	12	11	11	11	11	11	11
Number of county parks	8	8	8	8	8	8	8	8	8	8
Number of libraries	1	1	1	1	1	1	1	1	1	1
Municipal buildings (square footage):										
City hall	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206
Law enforcement building	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	-
Fire stations	37,750	32,392	26,480	26,480	26,480	26,480	26,480	26,480	26,480	21,060
Library	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	-
Public works building	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450
Sewer & water building	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620