

CITY OF FRANKLIN, WISCONSIN
Franklin, Wisconsin

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis-of-Matter – Implementation of New Standard

As discussed in Note 1 to the financial statements, effective January 1, 2022, the City adopted new accounting guidance for leases. The guidance requires lessors to recognize a lease receivable and a corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mayor and Common Council
City of Franklin, Wisconsin

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2023, on our consideration of the City's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
July 28, 2023

BASIC FINANCIAL STATEMENTS

**CITY OF FRANKLIN, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 65,941,406	\$ 7,470,839	\$ 73,412,245
Receivables, net			
Accounts receivable	1,565,043	2,623,298	4,188,341
Taxes receivable	13,702,674	-	13,702,674
Special assessments receivable	145,242	-	145,242
Leases	1,547,026	1,547,026	3,094,052
Interest	40,038	-	40,038
Due from other governments	118,268	1,371,802	1,490,070
Prepaid items	9,003	-	9,003
Inventories	46,704	-	46,704
Long term advances	71,450	(71,450)	-
Restricted cash and investments	-	482,900	482,900
Due from other governments - long term	-	12,262,757	12,262,757
Restricted pension assets	10,959,949	1,120,618	12,080,567
Capital assets (net of accumulated depreciation)			
Land	28,834,631	888,479	29,723,110
Buildings and improvements	16,061,675	3,985,485	20,047,160
Machinery and equipment	9,012,345	1,417,717	10,430,062
Infrastructure	91,905,465	101,844,600	193,750,065
Construction in progress	7,628,440	9,236,617	16,865,057
Total assets	247,589,359	144,180,688	391,770,047
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related	19,755,264	922,966	20,678,230
OPEB-related	1,640,432	82,106	1,722,538
Total deferred outflow of resources	21,395,696	1,005,072	22,400,768

Continued

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	4,534,031	2,167,931	6,701,962
Accrued liabilities	1,009,628	17,701	1,027,329
Due to other governments	133,620	-	133,620
Accrued interest	411,930	72,524	484,454
Unearned revenue	5,361,186	-	5,361,186
Special deposits	251,269	-	251,269
Noncurrent liabilities			
Due within one year	3,470,267	1,594,036	5,064,303
Due in more than one year	50,497,345	16,095,956	66,593,301
Total liabilities	<u>65,669,276</u>	<u>19,948,148</u>	<u>85,617,424</u>
DEFERRED INFLOWS OF RESOURCES			
Subsequent year property taxes	26,138,496	-	26,138,496
Leases	1,502,128	1,502,128	3,004,256
Pension-related	24,588,235	1,648,067	26,236,302
OPEB-related	1,165,909	57,578	1,223,487
Total deferred inflow of resources	<u>53,394,768</u>	<u>3,207,773</u>	<u>56,602,541</u>
NET POSITION			
Net Investment in capital assets	129,710,656	99,269,802	220,138,658
Restricted for			
Debt service	382,369	-	382,369
Utility improvements	2,649,144	-	2,649,144
Development	11,515,336	-	11,515,336
TIF Districts	9,400,464	-	9,400,464
Grants and Donations	250,914	-	250,914
Opioid Settlement	73,238	-	73,238
Health services	184,821	-	184,821
Library services	522,731	-	522,731
Solid waste	421,841	-	421,841
Recreational services	79,298	-	79,298
Tourist commission	394,123	-	394,123
Equipment replacement	-	482,900	482,900
Intergovernmental agreement	-	13,634,559	13,634,559
Pension assets	10,959,949	1,120,618	12,080,567
Unrestricted	(16,623,873)	7,521,960	(260,113)
Total net position	<u>\$ 149,921,011</u>	<u>\$ 122,029,839</u>	<u>\$ 271,950,850</u>

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 3,436,109	\$ 186,255	\$ -	\$ -	\$ (3,249,854)	\$ -	\$ (3,249,854)
Public safety	16,981,245	3,319,068	421,505	308,782	(12,931,890)	-	(12,931,890)
Public works	9,088,568	5,016,655	1,932,801	2,520,038	380,926	-	380,926
Health and human services	1,169,087	297,431	580,490	-	(291,166)	-	(291,166)
Culture and recreation	2,344,477	202,123	106,325	293,603	(1,742,426)	-	(1,742,426)
Conservation and development	3,877,875	4,321,206	-	-	443,331	-	443,331
Interest on long term debt	1,216,078	-	-	-	(1,216,078)	-	(1,216,078)
Total governmental activities	<u>38,113,439</u>	<u>13,342,738</u>	<u>3,041,121</u>	<u>3,122,423</u>	<u>(18,607,157)</u>	<u>-</u>	<u>(18,607,157)</u>
Business-type activities:							
Water	5,679,691	6,086,336	-	707,340	-	1,113,985	1,113,985
Sewer	6,339,394	4,395,181	-	125,494	-	(1,818,719)	(1,818,719)
Total business-type activities	<u>12,019,085</u>	<u>10,481,517</u>	<u>-</u>	<u>832,834</u>	<u>-</u>	<u>(704,734)</u>	<u>(704,734)</u>
Total primary government	<u>\$ 50,132,524</u>	<u>\$ 23,824,255</u>	<u>\$ 3,041,121</u>	<u>\$ 3,955,257</u>	<u>(18,607,157)</u>	<u>(704,734)</u>	<u>(19,311,891)</u>
General revenue:							
Property taxes levied for general purposes					21,359,649	-	21,359,649
Property taxes levied for debt service					1,100,000	-	1,100,000
Property taxes levied for TIF Districts					4,670,733	-	4,670,733
Other taxes					1,325,362	-	1,325,362
Intergovernmental revenue not restricted to specific programs					1,529,410	-	1,529,410
Investment earnings					926,300	495,308	1,421,608
Miscellaneous revenue					26,035	112,038	138,073
Transfers					834,604	(834,604)	-
Total general revenue and transfers					<u>31,772,093</u>	<u>(227,258)</u>	<u>31,544,835</u>
Change in net position					<u>13,164,936</u>	<u>(931,992)</u>	<u>12,232,944</u>
Net position - beginning					<u>136,756,075</u>	<u>122,961,831</u>	<u>259,717,906</u>
Net position - ending					<u>\$ 149,921,011</u>	<u>\$ 122,029,839</u>	<u>\$ 271,950,850</u>

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	<u>General</u>	<u>Debt Service</u>	<u>TIF Districts</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 16,882,574	\$ 1,894,299	\$ 16,074,595	\$ 27,599,164	\$ 62,450,632
Receivables					
Accounts receivable	1,188,582	-	-	376,137	1,564,719
Taxes receivable	13,702,674	-	-	-	13,702,674
Special assessments receivable	-	10,662	-	134,580	145,242
Leases	1,547,026	-	-	-	1,547,026
Interest	40,038	-	-	-	40,038
Due from other governments	60,210	-	-	58,058	118,268
Due from other funds	1,326,957	-	-	-	1,326,957
Prepaid items	5,717	-	-	3,286	9,003
Inventories	46,704	-	-	-	46,704
Advances to other funds	71,450	-	-	1,500,000	1,571,450
TOTAL ASSETS	<u>\$ 34,871,932</u>	<u>\$ 1,904,961</u>	<u>\$ 16,074,595</u>	<u>\$ 29,671,225</u>	<u>\$ 82,522,713</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 604,492	\$ -	\$ 2,146,697	\$ 1,779,655	\$ 4,530,844
Accrued liabilities	569,272	-	-	230,356	799,628
Due to other governments	133,620	-	-	-	133,620
Due to other funds	-	-	1,326,957	-	1,326,957
Unearned revenue	-	-	-	5,361,186	5,361,186
Special deposits	251,269	-	-	-	251,269
Advance from other funds	-	-	1,500,000	-	1,500,000
Total liabilities	<u>1,558,653</u>	<u>-</u>	<u>4,973,654</u>	<u>7,371,197</u>	<u>13,903,504</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	10,662	-	134,580	145,242
Leases	1,502,128	-	-	-	1,502,128
Subsequent Year Tax Levy	20,441,335	1,100,000	3,223,161	1,374,000	26,138,496
Total deferred inflows of resources	<u>21,943,463</u>	<u>1,110,662</u>	<u>3,223,161</u>	<u>1,508,580</u>	<u>27,785,866</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventories and prepaid items	52,421	-	-	3,286	55,707
Advances to other funds	71,450	-	-	-	71,450
Restricted:					
Debt service	-	794,299	-	-	794,299
Utility improvements	-	-	-	2,649,144	2,649,144
Development	-	-	-	11,515,336	11,515,336
TIF Districts	-	-	9,400,464	-	9,400,464
Grants and Donations	-	-	-	250,914	250,914
Opioid Settlement	-	-	-	73,238	73,238
Health services	-	-	-	184,821	184,821
Library services	-	-	-	522,731	522,731
Solid waste	-	-	-	421,841	421,841
Recreational services	-	-	-	79,298	79,298
Tourist commission	-	-	-	394,123	394,123
Assigned:					
Purchases on order	156,101	-	-	-	156,101
Capital projects	-	-	-	4,752,371	4,752,371
Unassigned (deficit)	11,089,844	-	(1,522,684)	(55,655)	9,511,505
Total fund balances (deficit)	<u>11,369,816</u>	<u>794,299</u>	<u>7,877,780</u>	<u>20,791,448</u>	<u>40,833,343</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)	<u>\$ 34,871,932</u>	<u>\$ 1,904,961</u>	<u>\$ 16,074,595</u>	<u>\$ 29,671,225</u>	<u>\$ 82,522,713</u>

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Fund balances - total governmental funds		\$ 40,833,343
Amounts reported for governmental activities in the statement of net position are different because:		
Certain assets used in government activities are not financial resources and are therefore are not reported in the funds		
Capital assets, net of depreciation		153,442,556
Restricted pension assets		10,959,949
Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenues when earned in the government-wide statements		
Unavailable revenue		145,242
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in fund statements		
Deferred outflows - pensions		19,755,264
Deferred outflows - OPEB		1,640,432
Deferred inflows - pensions		(24,588,235)
Deferred inflows - OPEB		(1,165,909)
Internal Service Fund net position		3,277,911
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due		
General obligation debt		(50,595,000)
OPEB liability		(810,655)
Compensated absences		(1,929,757)
Unamortized debt premiums		(632,200)
Accrued Interest		(411,930)
		(24,881,542)
Net position of governmental activities		<u>\$ 149,921,011</u>

See accompanying Notes to Financial Statements.

CITY OF FRANKLIN, WISCONSIN
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>TIF Districts</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Taxes	\$ 20,595,374	\$ 1,100,000	\$ 5,043,205	\$ 1,720,184	\$ 28,458,763
Intergovernmental revenue	1,762,854	-	576,668	2,018,296	4,357,818
Licenses and permits	1,482,305	-	-	40,814	1,523,119
Fines, forfeitures and penalties	413,096	-	-	-	413,096
Public charges for services	2,636,874	-	-	4,246,677	6,883,551
Special assessments	-	2,118	-	2,643,029	2,645,147
Intergovernmental charges for services	285,631	-	-	-	285,631
Investment earnings	362,900	7,479	137,496	302,772	810,647
Miscellaneous revenue	157,768	-	7,648,888	299,702	8,106,358
Total revenue	<u>27,696,802</u>	<u>1,109,597</u>	<u>13,406,257</u>	<u>11,271,474</u>	<u>53,484,130</u>
EXPENDITURES					
Current					
General government	3,201,398	-	115,121	7,410	3,323,929
Public safety	18,214,238	-	-	121,038	18,335,276
Public works	4,200,606	-	642,402	2,134,669	6,977,677
Health and human services	701,298	-	-	516,772	1,218,070
Culture, recreation and education	307,811	-	-	1,663,548	1,971,359
Conservation and development	512,606	-	3,236,416	162,579	3,911,601
Capital outlay	16	-	3,538,049	6,330,626	9,868,691
Debt service					
Principal	-	970,000	1,855,000	-	2,825,000
Interest	-	140,556	1,199,599	-	1,340,155
Total expenditures	<u>27,137,973</u>	<u>1,110,556</u>	<u>10,586,587</u>	<u>10,936,642</u>	<u>49,771,758</u>
Excess (deficiency) of revenue over expenditures	<u>558,829</u>	<u>(959)</u>	<u>2,819,670</u>	<u>334,832</u>	<u>3,712,372</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	6,750	-	-	24,583	31,333
Transfers in	952,207	288,578	-	42,000	1,282,785
Transfers out	(24,000)	-	-	(306,578)	(330,578)
Total other financing sources and uses	<u>934,957</u>	<u>288,578</u>	<u>-</u>	<u>(239,995)</u>	<u>983,540</u>
Net change in fund balances	1,493,786	287,619	2,819,670	94,837	4,695,912
Fund balances (deficit) - beginning	<u>9,876,030</u>	<u>506,680</u>	<u>5,058,110</u>	<u>20,696,611</u>	<u>36,137,431</u>
Fund balances (deficit) - ending	<u>\$ 11,369,816</u>	<u>\$ 794,299</u>	<u>\$ 7,877,780</u>	<u>\$ 20,791,448</u>	<u>\$ 40,833,343</u>

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net change in fund balances - total governmental funds \$ 4,695,912

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense or losses when disposed of.

Capital outlays	9,868,691
Capital outlay contributed to business-type units	(117,603)
Items capitalized from non-outlay accounts	33,709
Depreciation	(4,293,535)
Net book value of assets disposed	(8,436)

Contributed capital assets are reported as revenues in the statement of activities.

363,831

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net position.

Principal paid on long-term debt	2,825,000
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Government funds report the effects of premiums, discounts and refunding losses when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.

107,355

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the government funds

Compensated absences	236,176
Accrued interest payable	16,722
Pension activity	2,539,972
OPEB activity	243,951

Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities

Unavailable revenues	(3,427,087)
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Internal service fund change in net position

80,278

Net change in net position of governmental activities

\$ 13,164,936

See accompanying Notes to Financial Statements.

CITY OF FRANKLIN, WISCONSIN
GENERAL FUND – STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL (ON A BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2022

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget -
				Favorable
				(Unfavorable)
REVENUE				
Taxes	\$ 20,558,400	\$ 20,558,400	\$ 20,595,374	\$ 36,974
Intergovernmental revenue	1,758,500	1,758,500	1,762,854	4,354
Licenses and permits	1,202,275	1,202,275	1,482,305	280,030
Fines, forfeitures and penalties	450,000	450,000	413,096	(36,904)
Public charges for services	2,503,750	2,503,760	2,636,874	133,114
Intergovernmental charges for services	261,200	261,200	285,631	24,431
Investment earnings (loss)	196,138	196,138	362,900	166,762
Miscellaneous revenue	219,866	219,866	157,768	(62,098)
Total revenue	<u>27,150,129</u>	<u>27,150,139</u>	<u>27,696,802</u>	<u>546,663</u>
EXPENDITURES				
Current				
General government	5,630,979	5,673,303	3,201,398	2,471,905
Public safety	18,966,374	19,011,582	18,214,238	797,344
Public works	4,270,593	4,351,229	4,200,606	150,623
Health and human services	751,686	751,686	701,298	50,388
Culture and recreation	451,849	457,182	307,811	149,371
Conservation and development	618,248	624,159	512,606	111,553
Capital Outlay	<u>-</u>	<u>-</u>	<u>16</u>	<u>(16)</u>
Total expenditures	<u>30,689,729</u>	<u>30,869,141</u>	<u>27,137,973</u>	<u>3,731,168</u>
Excess (deficiency) of revenue over (under) expenditures	(3,539,600)	(3,719,002)	558,829	4,277,831
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	6,750	6,750
Transfers in	1,063,600	1,063,600	952,207	(111,393)
Transfers out	<u>(24,000)</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
Net change in fund balance	<u>(2,500,000)</u>	<u>(2,679,402)</u>	<u>1,493,786</u>	<u>4,173,188</u>
Fund Balances - beginning	<u>9,876,030</u>	<u>9,876,030</u>	<u>9,876,030</u>	<u>-</u>
Fund Balances - ending	<u>\$ 7,376,030</u>	<u>\$ 7,196,628</u>	<u>\$ 11,369,816</u>	<u>\$ 4,173,188</u>
Outstanding encumbrances at December 31, 2022			<u>\$ 156,101</u>	

See accompanying Notes to Financial Statements.

CITY OF FRANKLIN, WISCONSIN
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2022

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Sanitary</u>	<u>Totals</u>	<u>Activities -</u> <u>Internal</u> <u>Service Funds</u>
	<u>Utility</u>	<u>Sewer</u>		
ASSETS				
Current assets				
Cash and investments	\$ 4,280,813	\$ 3,190,026	\$ 7,470,839	\$ 3,490,774
Receivables				
Accounts receivable	1,418,228	1,205,070	2,623,298	324
Leases receivable	42,714	-	42,714	-
Due from other governments	-	1,371,802	1,371,802	-
Total current assets	<u>5,741,755</u>	<u>5,766,898</u>	<u>11,508,653</u>	<u>3,491,098</u>
Noncurrent assets				
Restricted cash and investments	-	482,900	482,900	-
Restricted pension asset	554,688	565,930	1,120,618	-
Leases receivable	1,504,312	-	1,504,312	-
Due from other governments	-	12,262,757	12,262,757	-
Capital assets				
Land	162,885	725,594	888,479	-
Buildings and improvements	3,414,033	3,325,768	6,739,801	-
Improvements other than buildings	65,478,069	85,417,761	150,895,830	-
Machinery and equipment	4,666,963	1,179,626	5,846,589	-
Construction in progress	2,320,826	6,915,791	9,236,617	-
Less accumulated depreciation	<u>(25,213,640)</u>	<u>(31,020,778)</u>	<u>(56,234,418)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>50,829,136</u>	<u>66,543,762</u>	<u>117,372,898</u>	<u>-</u>
Total noncurrent assets	<u>52,888,136</u>	<u>79,855,349</u>	<u>132,743,485</u>	<u>-</u>
Total assets	<u>58,629,891</u>	<u>85,622,247</u>	<u>144,252,138</u>	<u>3,491,098</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related	453,179	469,787	922,966	-
OPEB-related	41,053	41,053	82,106	-
Total deferred outflows of resources	<u>494,232</u>	<u>510,840</u>	<u>1,005,072</u>	<u>-</u>

Continued

See accompanying Notes to Financial Statements.

CITY OF FRANKLIN, WISCONSIN
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2022

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Water Utility</u>	<u>Sanitary Sewer</u>	<u>Totals</u>	Activities - Internal Service Funds
LIABILITIES				
Current liabilities				
Accounts payable	\$ 839,369	\$ 1,328,562	\$ 2,167,931	\$ 3,187
Accrued liabilities	689	17,012	17,701	210,000
Accrued interest payable	10,829	61,695	72,524	-
Current portion of accrued compensated absences	31,117	31,117	62,234	-
Current portion of long-term advances	18,200	-	18,200	-
Current portion of long-term obligations	60,000	1,471,802	1,531,802	-
Total current liabilities	<u>960,204</u>	<u>2,910,188</u>	<u>3,870,392</u>	<u>213,187</u>
Noncurrent liabilities				
Net OPEB liability	18,920	18,920	37,840	-
Accrued compensated absences	53,535	53,535	107,070	-
Long-term advances	53,250	-	53,250	-
General obligation notes payable	774,518	15,176,528	15,951,046	-
Total noncurrent liabilities	<u>900,223</u>	<u>15,248,983</u>	<u>16,149,206</u>	<u>-</u>
Total liabilities	<u>1,860,427</u>	<u>18,159,171</u>	<u>20,019,598</u>	<u>213,187</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related	813,484	834,583	1,648,067	-
OPEB-related	28,789	28,789	57,578	-
Leases	1,502,128	-	1,502,128	-
Total deferred inflows of resources	<u>2,344,401</u>	<u>863,372</u>	<u>3,207,773</u>	<u>-</u>
NET POSITION				
Net Investment in capital assets	49,994,618	49,275,184	99,269,802	-
Restricted for				
Sewer equipment replacement	-	482,900	482,900	-
Pension asset	554,688	565,930	1,120,618	-
Intergovernmental agreement	-	13,634,559	13,634,559	-
Unrestricted	4,369,989	3,151,971	7,521,960	3,277,911
Total net position	<u>\$ 54,919,295</u>	<u>\$ 67,110,544</u>	<u>\$ 122,029,839</u>	<u>\$ 3,277,911</u>

Concluded

See accompanying Notes to Financial Statements.

CITY OF FRANKLIN, WISCONSIN
STATEMENT OF CHANGES IN NET POSITION – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sanitary Sewer</u>	<u>Totals</u>	
OPERATING REVENUE				
Metered sales				
Residential	\$ 3,127,485	\$ 2,504,902	\$ 5,632,387	\$ -
Multi-family	782,317	621,109	1,403,426	-
Commercial	663,076	676,558	1,339,634	-
Irrigation	145,548	-	145,548	-
Industrial	399,184	408,877	808,061	-
Public authority	209,425	154,940	364,365	-
Total metered sales	<u>5,327,035</u>	<u>4,366,386</u>	<u>9,693,421</u>	-
Group health & dental charges	-	-	-	3,034,856
Unmetered sales	36,072	1,590	37,662	-
Public fire protection service	555,304	-	555,304	-
Private fire protection service	131,227	-	131,227	-
Forfeited discounts, penalties and other	36,698	27,205	63,903	-
Total operating revenue	<u>6,086,336</u>	<u>4,395,181</u>	<u>10,481,517</u>	<u>3,034,856</u>
OPERATING EXPENSES				
Cost of sales and services	3,893,686	2,713,873	6,607,559	2,992,465
Depreciation and amortization	1,380,217	2,238,673	3,618,890	-
Administration	376,390	991,727	1,368,117	-
Total operating expenses	<u>5,650,293</u>	<u>5,944,273</u>	<u>11,594,566</u>	<u>2,992,465</u>
Operating income (loss)	<u>436,043</u>	<u>(1,549,092)</u>	<u>(1,113,049)</u>	<u>42,391</u>
NONOPERATING REVENUE (EXPENSES)				
Investment earnings (loss)	88,358	406,950	495,308	37,887
Sundry	112,038	-	112,038	-
Sale of capital assets	-	-	-	-
Interest expense	(29,398)	(395,121)	(424,519)	-
Total non-operating revenue (expenses)	<u>170,998</u>	<u>11,829</u>	<u>182,827</u>	<u>37,887</u>
Income (loss) before capital contributions and transfers	607,041	(1,537,263)	(930,222)	80,278
Capital contributions - Developers	707,340	125,494	832,834	-
Capital contributions - Governmental Activities	117,603	-	117,603	-
Transfers out	(949,526)	(2,681)	(952,207)	-
Change in net position	<u>482,458</u>	<u>(1,414,450)</u>	<u>(931,992)</u>	<u>80,278</u>
Net position - beginning	<u>54,436,837</u>	<u>68,524,994</u>	<u>122,961,831</u>	<u>3,197,633</u>
Net position - ending	<u>\$ 54,919,295</u>	<u>\$ 67,110,544</u>	<u>\$ 122,029,839</u>	<u>\$ 3,277,911</u>

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Water Utility</u>	<u>Sanitary Sewer</u>	<u>Totals</u>	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 6,165,171	\$ 4,344,657	\$ 10,509,828	\$ 3,034,532
Payments to suppliers	(3,915,515)	(3,329,886)	(7,245,401)	(3,097,323)
Payments to employees	(339,236)	(418,575)	(757,811)	-
Payments for interfund services used	(122,450)	(122,450)	(244,900)	-
Net cash flows provided by (used in) operating activities	<u>1,787,970</u>	<u>473,746</u>	<u>2,261,716</u>	<u>(62,791)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer out - paid for tax equivalent	<u>(949,526)</u>	<u>(2,681)</u>	<u>(952,207)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments on capital debt	(60,000)	(1,446,416)	(1,506,416)	-
Payments from other governments	-	1,338,840	1,338,840	-
Payment of advances from other funds	(18,250)	-	(18,250)	-
Interest on capital debt	(28,509)	(395,121)	(423,630)	-
Acquisition of capital assets	(131,297)	(1,590,173)	(1,721,470)	-
Net cash provided (used) by capital and related financing activities	<u>(238,056)</u>	<u>(2,092,870)</u>	<u>(2,330,926)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>88,358</u>	<u>406,950</u>	<u>495,308</u>	<u>37,887</u>
Net increase (decrease) in cash and cash equivalents	688,746	(1,214,855)	(526,109)	(24,904)
Cash and cash equivalents - Beginning	<u>3,592,067</u>	<u>4,887,781</u>	<u>8,479,848</u>	<u>3,515,678</u>
Cash and cash equivalents - Ending	<u>\$ 4,280,813</u>	<u>\$ 3,672,926</u>	<u>\$ 7,953,739</u>	<u>\$ 3,490,774</u>
Cash and Investments - Unrestricted	\$ 4,280,813	\$ 3,190,026	\$ 7,470,839	\$ 3,490,774
Cash and Investments - Restricted	-	482,900	482,900	-
	<u>\$ 4,280,813</u>	<u>\$ 3,672,926</u>	<u>\$ 7,953,739</u>	<u>\$ 3,490,774</u>

Continued

See accompanying Notes to Financial Statements.

CITY OF FRANKLIN, WISCONSIN
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sanitary Sewer	Totals	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 436,043	\$ (1,549,092)	\$ (1,113,049)	\$ 42,391
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities				
Depreciation	1,380,217	2,238,673	3,618,890	-
Depreciation allocated to other funds	13,231	(13,231)	-	-
Nonoperating revenues	112,038	-	112,038	-
(Increase) decrease in assets and deferred outflows of resources				
Accounts receivable	11,695	(50,524)	(38,829)	(324)
Taxes receivable	-	-	-	-
Lease receivable	38,855	-	38,855	-
Pension assets	(409,150)	(412,357)	(821,507)	-
Deferred outflows - pensions	(113,228)	(121,414)	(234,642)	-
Deferred outflows - OPEBs	(35,048)	(35,048)	(70,096)	-
Increase (decrease) in liabilities and deferred inflows of resources				
Accounts payable	73,563	43,323	116,886	(3,058)
Accrued liabilities	3,759	4,704	8,463	(101,800)
OPEB obligations	54,740	54,740	109,480	-
Deferred inflows - leases	(83,753)	-	(83,753)	-
Deferred inflows - pensions	330,850	339,814	670,664	-
Deferred inflows - OPEBs	(25,842)	(25,842)	(51,684)	-
Total adjustments	1,351,927	2,022,838	3,374,765	(105,182)
Net cash flows provided by (used in) operating activities	\$ 1,787,970	\$ 473,746	\$ 2,261,716	\$ (62,791)
Noncash Capital Activities				
Capital assets included in year-end accounts payable	\$ -	\$ 620,248	\$ 620,248	\$ -
Cost of Utility plant installed and/or financed by external parties or the City	\$ 824,943	\$ 125,494	\$ 950,437	\$ -

Concluded

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022**

	Employee Benefit Trust Funds	Tax Collection Custodial Fund
ASSETS		
Cash	\$ 350,354	\$ 31,103,341
Investments:		
Fixed Income securities	5,636,278	6,111,356
Domestic equities	10,687,064	-
International equities	1,507,029	-
Total Cash & Investments	18,180,725	37,214,697
Accounts receivable	1,399	-
Taxes receivable	-	40,159,103
Total assets	\$ 18,182,124	\$ 77,373,800
LIABILITIES		
Accounts payable	\$ 60,000	\$ 66,564
Due to other governments	-	37,148,133
Total liabilities	60,000	37,214,697
DEFERRED INFLOWS OF RESOURCES		
Taxes levied for subsequent year's budget	-	40,159,103
NET POSITION		
Restricted for pensions	10,590,800	-
Restricted for OPEB	7,531,324	-
Total net position	\$ 18,122,124	\$ -

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2022**

	Employee Benefit Trust Funds	Tax Collection Custodial Fund
ADDITIONS		
Tax collections	\$ -	\$ 74,171,302
Contributions		
City of Franklin	369,125	-
Retirees	178,420	-
Net investment earnings (loss)	(3,320,779)	-
Total additions	(2,773,234)	-
DEDUCTIONS		
Tax distributions	-	74,171,302
Incurred claims	1,084,026	-
Prescription drug claims	111,623	-
Claims fees	67,030	-
Stop loss premiums less claims received	103,153	-
Total deductions	1,365,832	-
Change in net position	(4,139,066)	-
Net Position Beginning of year	22,261,190	-
Net Position End of year	\$ 18,122,124	\$ -

See accompanying Notes to Financial Statements.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A. REPORTING ENTITY

This report includes all of the funds of the City of Franklin. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government are financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statement to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to or burdens on the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. Certain legally separate, tax exempt organization should be reported as a component unit if all of the following criteria are met (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government 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.

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for certain Tax Incremental Districts (TID) development within the City. That District was closed in 2021. The Authority is governed by a seven-member board appointed by the Mayor and confirmed by the Common Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and manage certain TID development projects for the benefit of the City. The Authority had no financial transactions during 2022, nor does the Authority own any assets or liable for any debt. Therefore, no financial statements are presented in this report. The Authority does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

Fund Financial Statements

Financial statements of the reporting entity are organized into funds with a fund considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenue and expenditures/expenses. Funds are organized as major funds or nonmajor funds within the governmental and enterprise fund statements. An emphasis is placed on major funds within the governmental and enterprise categories.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenue, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% 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% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is important to financial statement users may be reported as a major fund.

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

Major Governmental Funds

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

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

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

Major Enterprise Funds

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Major Enterprise Funds (continued)

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

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

In addition the City reports:

Nonmajor Governmental Funds

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

Custodial Funds – used to account for and report assets controlled by the City that are held for the benefit of other governmental entities. The City reports one custodial fund for tax collections.

Employee Benefit Trust Funds – used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit plans and other post-employment benefit plans.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Property taxes are recorded the year levied as receivable and deferred inflow 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 inflow of resources.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 inflows of resources.

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

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

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

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

1. Cash and Investments

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

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

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

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

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

- a. Requires the investment to be in a section 115 trust for retiree health purposes.
- b. Requires compliance with the "prudent person" standard.
- c. Requires asset allocation policy that considers the liability stream of benefits, the relationship to current and projected assets, the historical performance of capital markets and the perception of future economic conditions.
- d. Primary investment objectives are safety, diversification and return.
- e. Allows investment in various asset classes.
- f. Limits investment in equities to no more than 75% of total assets to be invested.
- g. Limits investment in fixed income securities to no less than 25% of total assets to be invested.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs outlined in Note 3. 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 various City Funds is allocated based on average investment balances.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2022, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the municipality, taxes are collected for and remitted to the state government, county government, three local school districts, technical college district and metropolitan sewerage district. Taxes for all other governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying fiduciary funds statement of fiduciary net position as the City’s custodial funds. The Solid Waste fee is billed and collected along with property taxes.

Property tax calendar – 2022 tax roll:

Lien date and levy date	December 2022
Tax bills mailed	December 2022
Payment in full, or	January 31, 2023
First installment due	January 31, 2023
Second installment due	March 31, 2023
Third installment due	May 31, 2023
Personal property taxes in full	January 31, 2023
Final tax settlement with County	August 20, 2023
Tax deed by County – 2022	
Delinquent real estate taxes	October 2025

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

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds”. Long term interfund loans are reported as “advances from and to other funds”.

Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Inventories, Supplies and Prepaid Items

Governmental fund inventory items, except fuel inventory, are charged to expenditures when purchased. The fuel inventory is recorded at cost on a first-in first-out basis using the consumption method of accounting. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Proprietary fund materials and supplies 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 immaterial.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted Assets

Mandatory segregation of assets are presented as restricted assets. Such segregation is required by agreements with external parties. Current liabilities payable from restricted assets are so classified. The net pension asset has been reported as restricted. This asset represents funds held by the Plan Trust, which can only be used to settle Plan obligations. The excess of restricted assets over current liabilities is shown as restricted net position.

5. Pensions and Benefit Obligations

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Pensions and Benefit Obligations (continued)

For the purposes of measuring the net other post-employment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Franklin Post Employment Benefits Trust and additions to/deductions from the City of Franklin Post Employment Benefits Trust's fiduciary net position have been determined on the same basis as they are reported by the City of Franklin Post Employment Benefits Trust. For this purpose, the City of Franklin Post Employment Benefits Trust recognizes the benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investments contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

6. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 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 acquisition value at the date of donation. Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead.

The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaces, retired, or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage value, is charged to the applicable function.

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

Buildings and improvements	5-50 Years
Machinery and equipment	2-30 Years
Water and sewer systems	20-100 Years
Infrastructure	20-90 Years

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets (continued)

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.

7. Deferred Inflows of Resources and Deferred Outflows of Resources

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

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

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

8. Compensated Absences

Under terms of employment, employees may earn compensatory time and are granted sick leave, severance pay and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vested compensatory time, severance pay and vacation pay are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. For example a liability, as a result of employee resignations or retirements are payable with expendable available resources.

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Long-term Obligations/Conduit Debt

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

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

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

The City has approved issuance of industrial development revenue bonds (IDRB) for the benefit of private business enterprises. IDRBS are secured by mortgages or revenue agreements on associated projects of the business enterprises. The IDRBS do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the financial statements. An IDRBS originally issued with an aggregate principal amount of \$3,750,000 is outstanding with a balance of \$2,450,000 at December 31, 2022.

10. Claims and Judgments

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation; and includes restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 129,710,656	\$ 99,269,802	\$ (8,841,800)	\$ 220,138,658
Unrestricted	(18,126,001)	7,521,960	8,841,800	(1,762,241)
Total Net Position	<u>\$ 111,584,655</u>	<u>\$ 106,791,762</u>	<u>\$ -</u>	<u>\$ 218,376,417</u>

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Equity Classifications (continued)

Fund Statements

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (Common Council) has by resolution authorized the Director of Finance & Treasurer to assign fund balance (Resolution 2014-7025). The Common Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

The City has adopted a fund balance policy (Res. 2016-7216) for all governmental funds supported by tax levy as follows: the ratio of year-end fund balance to current year expenditures shall target a range between 20% and 30%. The amount of fund balance will be taken into consideration when establishing the following year's budget. At least 15% of the succeeding year expenditure budget shall be maintained for working capital. Any nonspendable fund balance of the general fund shall be excluded from the ratio.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Leases

As lessee, the City accounts for lease agreements by recognizing a lease liability and an intangible right-to-use lease asset based on the criteria dictated in Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases*. At the commencement of a lease, the City determines if the agreement is a financed purchase or a right-to-use lease based on the criteria in GASB 87. The City then measures the lease liability at the present value of payments expected to be made during the lease term. During the lease term, the lease liability is reduced by the principal portion of lease payments made. The lease liabilities are reported with long-term obligations on the statement of net position.

An intangible right-to-use lease asset is initially measured as the amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The intangible right-to-use lease asset is amortized on a straight-line basis over the term of the lease. The intangible right-to-use lease asset is reported with the City's capital assets in a stand-alone Leased Assets (Right to Use) category.

The City utilizes estimates and judgements to determine (1) the discount rate used to discount expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate when the lessor provides it. If the interest rate is not provided, the City uses its estimated incremental borrowing rate as the discount rate. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City accounts for lease and non-lease components separately when possible. In cases where the lease does not provide separate cost information for lease and non-lease components, the City treats the components as a single lease unit if it is impractical to estimate cost information. The City monitors changes in circumstances that would require re-measurement of the lease asset and liability.

The City is a lessor for communications site lease agreements and recognizes a lease receivable and deferred inflows of resources based on the criteria dictated in GASB 87. The City measures the lease receivable at the present value of payments expected to be received during the lease term. During the lease term, the lease receivable is reduced by the principal portion of lease payments received. Deferred inflows related to these leases are initially measured as the amount of the lease receivable adjusted for lease payments received at or before the lease commencement date. Lease revenue is recognized on a straight-line basis over the term of the lease.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Leases (continued)

The City has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as earned. The methodology previously described for discount rate, lease term, lease payments, lease and non-lease components and re-measurement of the lease receivable and deferred lease inflows applies to the City's lessor arrangements.

13. Adoption of New Accounting Standard

In June 2017, GASB issued Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets, liabilities, and deferred inflows of resources or outflows of resources recognized based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City adopted GASB Statement No. 87, *Leases*, effective January 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1 C with the exception of 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. Actual (budgetary basis) revenue presents the tax equivalent from the Water Utility as tax revenue while GAAP basis statements present this item as a transfer. The budgetary statements also report the amount of remaining balance of encumbrances that represent a future uses of financial resources. Encumbrances are not included as actual expenditures on the budgetary statements.

A budget has been adopted for the General, Debt Service, TID #3, TID #4, TID #5, TID #5, TID #6, TID #7, TID #8, Library Operating, Library Auxiliary, Solid Waste Collection, Civic Celebrations, St. Martin's Fair, Donations, Grant, Tourism Commission, Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Utility Improvement, Development, Sanitary Sewer and Water Utility funds. Budgets have not been formally adopted for other funds.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

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 for personnel and non-personnel expenditures at the function level.

B. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts and debt service levy), increased by the greater of the percentage change in the City's equalized value due to new construction, or 0%. Changes in debt service from one year to the next are generally exempt from this limit within certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue increase it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum. The Solid Waste fee was enacted prior to this restriction.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

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

The City's bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, although the fund had reserves available at December 31, 2022, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 35 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. CASH AND INVESTMENTS (continued)

The City maintains a collateral arrangement with its main bank to provide collateralization in excess of deposits maintained at the bank. The collateral is maintained in the form of a letter of credit from the Federal Home Loan Bank of Cincinnati in the amount of \$30,000,000. The City maintains both Non-FDIC insured and collateralized balances with an investment manager that deposits funds with US Banks. The funds are held in accounts "As Agent for its Customers". The manager utilizes FDIC insurance, third-party insurance and Federal Home Loan Bank letters of credit as collateral for balances.

Cash and investments as shown on the December 31, 2022 statement of net position are subject to the following risks:

Financial Instruments	Carrying Value	Bank & Investment Balances	Associated Risks
Local Government Investment Pool	\$ 3,340,931	\$ 3,340,931	Credit, interest rate
Money market accounts	68,115,520	68,115,520	Custodial credit
Certificate of deposits	6,223,042	6,223,042	Custodial credit
U.S. Agencies	491,475	491,475	Custodial credit, interest rate, credit, and concentration of credit
Equity funds	12,194,093	12,194,093	Custodial credit
Fixed income funds	5,636,278	5,636,278	Credit and interest rate
Cash and demand deposits	33,280,117	18,179,321	Custodial credit
Petty cash	9,111	9,111	None
Total cash and investments	<u>\$ 129,290,567</u>	<u>\$ 114,189,771</u>	

Reconciliation to the financial statements is shown below:

Per statement of net position	
Primary Government	
Unrestricted cash and investments	\$ 73,412,245
Restricted cash and investments	482,900
Per statement of fiduciary net position - fiduciary funds	
Custodial fund	37,214,697
Employee Benefit Trusts Funds	18,180,725
	<u>\$ 129,290,567</u>

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, 2022, none of the City's total bank balances were uninsured and uncollateralized and therefore exposed to custodial credit risk.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

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 subject to custodial credit risk have a tri-party relationship with the investments held in the City’s name by a party independent of the party managing the investment.

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

As of December 31, 2022, the ratings as of investments subject to credit risk were as follows:

Aaa	Aa	A	Bbb
\$ 2,336,515	\$ 207,204	\$ 1,426,993	\$ 1,811,398
Bb	B	< B	Not Rated
\$ 105,983	\$ 156,103	\$ 63,147	\$ 3,361,341

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, 2022 no issuer other than U.S. Treasury and Agency securities that have the full faith guarantee of the U.S. government had a position of greater than 5% of the portfolio.

Interest Rate Risk Interest rate risk is the risk that rising interest rates will have an adverse impact on the fair value of the investments in the portfolio. The longer the maturities in the portfolio the greater the risk of loss is in portfolio value. The portfolio policy limits this risk by limiting the length of permitted investments and limits the purchase of investments highly sensitive to market changes.

As of December 31, 2022, the City’s investments exposed to interest rate risk were as follows:

Investment Type	Fair Value	Investment Maturity in Years			
		Less than 1	2 - 3	4 - 5	6 - 10
U.S. Agencies	\$ 491,475	\$ 491,475	\$ -	\$ -	\$ -
Fixed income funds	5,636,278	738,608	785,581	1,009,485	3,102,604
LGIP	3,340,931	3,340,931	-	-	-
	\$ 9,468,684	\$ 4,571,014	\$ 785,581	\$ 1,009,485	\$ 3,102,604

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

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

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

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

The following table summarizes the City’s investments reported at fair value:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
U.S. Agencies	\$ -	\$ 491,475	\$ -	\$ 491,475
Equity funds	12,194,093	-	-	12,194,093
Fixed income funds	5,636,278	-	-	5,636,278
	\$ 17,830,371	\$ 491,475	\$ -	\$ 18,321,846

B. RECEIVABLES

Receivables consist of accounts, taxes, notes, interest, due from other governments and special assessments. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and ambulance revenue, was \$310,847 at December 31, 2022. Other than the special assessment receivables, all other receivables are expected to be collected within one year.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

Governmental funds report unavailable or unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources resulting from unavailable revenue and unearned revenue were as follows:

	Unavailable	Tax Levy/ Unearned	Total
Governmental fund:			
Subsequent year property taxes	\$ -	\$ 24,525,660	\$ 24,525,660
Charges for services on tax roll	-	1,612,836	1,612,836
Leases receivable	-	1,502,128	1,502,128
Special assessments not yet due	145,242	-	145,242
Total deferred inflows of resources for governmental funds	<u>\$ 145,242</u>	<u>\$ 27,640,624</u>	<u>\$ 27,785,866</u>

C. DUE FROM OTHER GOVERNMENTS

In 2011, the City entered into an intergovernmental cooperation agreement with another government for the construction and financing of the Ryan Creek Interceptor Sewer. The terms of this agreement include that the other government will reimburse the City for substantially all of the debt service costs resulting from the City taking on a State Clean Water Fund Loan. Those reimbursements started in 2015 and will continue over the life of the loan, ending in 2031. This is presented as due from other governments in the statement net position. Annual principal and interest payments to maturity received as part of this agreement are as follows:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2023	\$ 1,371,802	\$ 318,796
2024	1,405,575	284,607
2025	1,440,181	249,575
2026	1,475,638	213,681
2027	1,511,968	176,904
2028-2031	6,429,395	321,395
Total	<u>\$ 13,634,559</u>	<u>\$ 1,564,958</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

D. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2022 is \$482,900.

Restricted assets have been reported in connection with the net pension and OPEB asset balances since these balances must be used to fund employee benefits.

E. CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 27,285,649	\$ 1,548,982	\$ -	\$ 28,834,631
Construction in progress	3,112,082	5,202,192	685,834	7,628,440
Total assets, not depreciated	<u>30,397,731</u>	<u>6,751,174</u>	<u>685,834</u>	<u>36,463,071</u>
Capital assets, depreciated				
Buildings & improvements	29,085,101	846,832	23,326	29,908,607
Machinery & equipment	21,672,656	1,779,951	758,158	22,694,449
Infrastructure	131,261,624	1,456,505	373,900	132,344,229
Total assets, depreciated	<u>182,019,381</u>	<u>4,083,288</u>	<u>1,155,384</u>	<u>184,947,285</u>
Less: Accumulated depreciation for:				
Buildings & improvements	13,064,610	805,648	23,326	13,846,932
Machinery & equipment	13,207,812	1,224,014	749,722	13,682,104
Infrastructure	38,548,791	2,263,873	373,900	40,438,764
Total accumulated depreciation	<u>64,821,213</u>	<u>4,293,535</u>	<u>1,146,948</u>	<u>67,967,800</u>
Total depreciable assets, net of accumulated depreciation	<u>117,198,168</u>	<u>(210,247)</u>	<u>8,436</u>	<u>116,979,485</u>
Governmental activities capital assets, net accumulated depreciation	<u>\$ 147,595,899</u>	<u>\$ 6,540,927</u>	<u>\$ 694,270</u>	<u>\$ 153,442,556</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 269,885
Public safety	702,341
Public works	2,841,615
Health & human services	1,128
Culture & recreation	477,918
Conservation & development	648
Total governmental activities depreciation	<u>\$ 4,293,535</u>

Business-type activities capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not depreciated				
Land	\$ 888,479	\$ -	\$ -	\$ 888,479
Construction in progress	6,839,731	2,396,886	-	9,236,617
Total assets, not depreciated	<u>7,728,210</u>	<u>2,396,886</u>	<u>-</u>	<u>10,125,096</u>
Capital assets, depreciated				
Buildings & improvements	6,739,801	-	-	6,739,801
Machinery & equipment	5,827,161	62,435	43,007	5,846,589
Infrastructure	150,062,996	832,834	-	150,895,830
Total assets, depreciated	<u>162,629,958</u>	<u>895,269</u>	<u>43,007</u>	<u>163,482,220</u>
Less: Accumulated depreciation for:				
Buildings & improvements	2,545,840	208,476	-	2,754,316
Machinery & equipment	4,130,309	341,570	43,007	4,428,872
Infrastructure	45,982,386	3,068,844	-	49,051,230
Total accumulated depreciation	<u>52,658,535</u>	<u>3,618,890</u>	<u>43,007</u>	<u>56,234,418</u>
Total depreciable assets, net of accumulated depreciation	<u>109,971,423</u>	<u>(2,723,621)</u>	<u>-</u>	<u>107,247,802</u>
Business-type activities capital assets, net accumulated depreciation	<u>\$ 117,699,633</u>	<u>\$ (326,735)</u>	<u>\$ -</u>	<u>\$ 117,372,898</u>

Depreciation expense was charged to functions as follows:

Business-type Activities	
Water Utility	\$ 1,380,217
Sanitary Sewer Utility	2,238,673
	<u>\$ 3,618,890</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

F. LEASE DISCLOSURES

Lessor Lease Agreements

The City, acting as lessor, leases communication sites under a long-term, non-cancelable lease agreement. The leases expire at various dates through September 2064. During the year ended December 31, 2022, the City recognized \$167,509 and \$88,168 in lease revenue and interest revenue, respectively, pursuant to these contracts. The City has used estimated incremental borrowing rates of 2.5% - 4.0% in calculating the lease receivables and deferred inflows of resources as the lease agreements do not include explicit interest rates.

Total future minimum lease payments to be received under lease agreements are as follows:

Year	Principal	Interest	Total
2023	\$ 85,427	\$ 84,607	\$ 170,034
2024	102,734	80,662	183,396
2025	73,029	77,235	150,264
2026	78,789	74,020	152,809
2027	84,920	70,562	155,482
2028 - 2032	139,849	322,999	462,848
2033 - 2037	60,718	315,122	375,840
2038 - 2042	148,217	302,791	451,008
2043 - 2047	263,238	277,971	541,209
2048 - 2052	412,619	236,832	649,451
2053 - 2057	604,742	174,600	779,342
2058 - 2062	849,867	85,344	935,211
2063 - 2064	189,903	3,590	193,493
	<u>\$ 3,094,052</u>	<u>\$ 2,106,335</u>	<u>\$ 5,200,387</u>

The City has allocated the revenues, receivables, and deferred inflows of resources evenly between the General Fund / Governmental Activities and the Water Utility Fund / Business-type Activities.

G. INTERFUND RECEIVABLES / PAYABLES, ADVANCES, AND TRANSFERS

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. At December 31, 2022, the TIF Districts fund had a due to the General Fund in the amount of \$1,326,957, which is expected to be funded through future tax increments.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

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

Advances

The City of Franklin provides short- and long-term advances to its TIF Districts and Water Utility. The amounts advanced are either from proceeds of a borrowing or from fund reserves. They are used to enable the TIF Districts to carry out approved project plans. The TIF Districts interest rate is based upon the interest rate incurred by the debt service fund on its borrowings or the reinvestment rate available to other funds. The advances will be repaid as the TIF Districts have resources available.

In 2017, the City made an advance payment on the Public Works Defined Benefit Pension Plan. In doing so, advanced \$155,700 to the Water Utility on a 10-year note to aid the Water Utility portion of the payment. In 2019, the development fund advanced \$1.5 million to TIF District #7 as funding for a 10-year Mortgage to a Developer. Additionally, advances are made from the General fund and Development fund to finance project plan expenditures. The balances at December 31, 2022 were:

Payable Fund	Receivable Fund			Due within One Year
	General Fund	Development Fund	Total	
TIF Districts	\$ -	\$ 1,500,000	\$ 1,500,000	\$ 300,000
Water Utility	71,450	-	71,450	18,200
	<u>\$ 71,450</u>	<u>\$ 1,500,000</u>	<u>\$ 1,571,450</u>	<u>\$ 318,200</u>

Transfers

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

Transfers as presented on the fund financial statements during the year ended December 31, 2022 were as follows:

Transfer In	Transfer Out				Fund Totals
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Enterprise Funds	
General Fund	\$ -	\$ -	\$ -	\$ 952,207	\$ 952,207
Debt Service Fund	-	-	288,578	-	288,578
Nonmajor Governmental Funds	24,000	-	18,000	-	42,000
	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 306,578</u>	<u>\$ 952,207</u>	<u>\$ 1,282,785</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

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

Transfers (continued)

A reconciliation of fund statement transfers to government wide transfers for the year ended December 31, 2022 is as follows:

	Governmental Funds	Enterprise Funds
Transfers in, per fund statements	\$ 1,282,785	\$ -
Transfers out, per fund statements	(330,578)	(952,207)
Municipality-financed addition to Utility Plant	(117,603)	117,603
Governmental-wide transfers	<u>\$ 834,604</u>	<u>\$ (834,604)</u>

H. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2022 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Governmental Activities					
General obligation debt	\$ 53,420,000	\$ -	\$ 2,825,000	\$ 50,595,000	\$ 2,465,000
Premium	739,555	-	107,355	632,200	-
Subtotal	<u>54,159,555</u>	<u>-</u>	<u>2,932,355</u>	<u>51,227,200</u>	<u>2,465,000</u>
Compensated absences					
Accrued vacation pay	496,555	1,179,584	1,194,117	482,022	482,022
Accrued severance pay	1,439,610	-	211,220	1,228,390	303,900
Accrued compensatory time	229,768	346,700	357,123	219,345	219,345
Total compensated absences	<u>2,165,933</u>	<u>1,526,284</u>	<u>1,762,460</u>	<u>1,929,757</u>	<u>1,005,267</u>
Net OPEB obligation	<u>-</u>	<u>1,324,712</u>	<u>514,057</u>	<u>810,655</u>	<u>-</u>
Governmental activities long-term obligations	<u>\$ 56,325,488</u>	<u>\$ 2,850,996</u>	<u>\$ 5,208,872</u>	<u>\$ 53,967,612</u>	<u>\$ 3,470,267</u>

The governmental activities compensated absences, net pension liabilities, and OPEB liabilities primarily accrue to and are paid from the City's general fund.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Business-type Activities					
General obligation debt	\$ 3,905,000	\$ -	\$ 160,000	\$ 3,745,000	\$ 160,000
General obligation debt from direct borrowings	14,973,400	-	1,338,839	13,634,561	1,371,802
Premium	116,346	-	7,577	108,769	-
Discount	(6,371)	-	(889)	(5,482)	-
Subtotal	<u>18,988,375</u>	<u>-</u>	<u>1,505,527</u>	<u>17,482,848</u>	<u>1,531,802</u>
Compensated absences					
Accrued vacation pay	47,584	52,502	48,072	52,014	52,014
Accrued severance pay	88,546	5,630	-	94,176	7,320
Accrued compensatory time	25,656	5,606	8,148	23,114	2,900
Total compensated absences	<u>161,786</u>	<u>63,738</u>	<u>56,220</u>	<u>169,304</u>	<u>62,234</u>
Net OPEB obligation	<u>-</u>	<u>66,792</u>	<u>28,952</u>	<u>37,840</u>	<u>-</u>
Business-type activities long-term obligations	<u>\$ 19,150,161</u>	<u>\$ 130,530</u>	<u>\$ 1,590,699</u>	<u>\$ 17,689,992</u>	<u>\$ 1,594,036</u>

Details of general obligation notes and bonds payable as of December 31, 2022 are as follows:

Governmental Activities							
Issuance	Date of Issue	Interest Rate	Maturity Dates	Interest Payable	Original Amount		Balance at 12/31/2022
General obligation notes - 2014A	12/18/2014	2.0 - 5.0%	3/1/15 - 24	3/1 & 9/1	\$ 5,320,000	1	\$ 655,000
General obligation notes - 2017B	12/21/2017	2.5 - 3.0%	3/1/19 - 27	3/1 & 9/1	1,630,000	4	1,240,000
General obligation bonds - 2019A	2/20/2019	3.0 - 3.5%	3/1/20 - 32	3/1 & 9/1	13,685,000	6	10,560,000
General obligation bonds - 2019B	2/20/2019	3.0 - 4.0%	3/1/22 - 34	3/1 & 9/1	6,365,000	7	6,205,000
General obligation bonds - 2019C	12/4/2019	1.75 - 3.05%	3/1/22 - 37	3/1 & 9/1	12,360,000	8	12,160,000
General obligation notes - 2019D	12/4/2019	2.0 - 3.0%	3/1/20 - 27	3/1 & 9/1	2,285,000	4	1,690,000
General obligation bonds - 2020A	12/10/2020	1.6 - 2.05%	3/1/20 - 37	3/1 & 9/1	9,545,000	5	9,545,000
General obligation bonds - 2020B	12/10/2020	1.0 - 2.0%	3/1/20 - 34	3/1 & 9/1	3,045,000	9	3,045,000
General obligation notes - 2021A	11/17/2021	2.0%	3/1/22 - 30	3/1 & 9/1	2,040,000	10	1,990,000
General obligation bonds - 2021B	12/2/2021	2.0 - 3.0%	3/1/22 - 41	3/1 & 9/1	3,505,000	11	3,505,000
Total Governmental Activities							<u>\$ 50,595,000</u>
Business-type Activities							
Issuance	Date of Issue	Interest Rate	Maturity Dates	Interest Payable	Original Amount		Balance at 12/31/2022
Clean Water Loan*	1/25/2012	2.46%	5/1/14 - 31	5/1 & 11/1	\$ 27,562,754	2	\$ 13,634,561
General obligation bonds - 2019A	12/18/2014	2.0 - 3.125%	3/1/15 - 34	3/1 & 9/1	1,290,000	3	840,000
General obligation bonds - 2021B	12/2/2021	2.0 - 3.0%	3/1/22 - 41	3/1 & 9/1	3,005,000	11	2,905,000
Total Business-type Activities							<u>\$ 17,379,561</u>

*Direct Borrowing

1 - Issued 63% for capital TIF purposes and 37% for general capital purposes

2 - Issued for a sewer extension on West Ryan Road

3 - Issued for water building purposes

4 - Issued for general capital improvement purposes

5 - Refunded 2018A NAN for projects in TID #5

6 - Issued to refund \$10 million of the 2018A NAN's and a developer grant in TID #3

7 - Issued for infrastructure projects in TID #6

8 - Issued to refund \$4 million of the 2018A NAN, capital projects in TID #5 and #7 and finance a developer mortgage in TID #7

9 - Issued for capital projects in TID #6

10 - Issued for Capital Improvement Plan and Acquisition of Vehicles and Equipment

11 - Issued for sewerage projects and infrastructure projects

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

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

Year Ending December 31	Governmental Activities		Business-Type Activities Non-Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 2,465,000	\$ 1,253,260	\$ 160,000	\$ 89,288
2024	2,970,000	1,177,998	160,000	84,488
2025	3,040,000	1,094,710	170,000	79,538
2026	3,445,000	1,005,666	180,000	74,288
2027	3,885,000	907,460	185,000	68,813
2028- 2032	21,565,000	2,827,291	1,050,000	259,425
2033- 2037	12,085,000	747,726	1,020,000	131,300
2038- 2041	1,140,000	46,900	820,000	33,300
	<u>\$ 50,595,000</u>	<u>\$ 9,061,011</u>	<u>\$ 3,745,000</u>	<u>\$ 820,440</u>

Year Ending December 31	Business-Type Activities Direct Borrowings	
	Principal	Interest
2023	\$ 1,371,802	\$ 318,796
2024	1,405,575	284,607
2025	1,440,181	249,575
2026	1,475,638	213,682
2027	1,511,968	176,904
2028- 2031	6,429,397	321,395
	<u>\$ 13,634,561</u>	<u>\$ 1,564,959</u>

The City's statutory debt limit and margin of indebtedness at December 31, 2022 are as follows:

2022 Equalized value	\$ 5,423,303,100
Wisconsin limit	5.00%
Statutory debt limit	<u>\$ 271,165,155</u>
Total general obligation debt	<u>\$ 67,974,561</u>
Margin of indebtedness	<u>\$ 203,190,594</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

Municipal Revenue Obligations

In 2018, the City issued a municipal revenue obligation (MRO) as part of a development agreement. The amount of the obligation was \$3,500,000 and is payable to the developer solely from tax increments collected from a development in TID #5. No payment was made in 2022. The MRO bears interest at 5.5% payable on March 1 annually. The balance of the MRO was \$3,500,000 at December 31, 2022.

In 2020, the City issued an MRO as part of a development agreement. The amount of the obligation was \$14,952,000 and is payable to the developer solely from tax increments collected from a development in TID #7. \$459,000 in payments were made in 2022. The MRO bears no interest. The balance of the MRO was \$14,493,000 at December 31, 2022. The MRO is payable from tax increment collected until 2040

The MROs described in the preceding paragraphs do not constitute a charge upon any funds of the City. In the event that future tax increments are not sufficient to pay off the obligations, the obligations terminate with no further liability to the City. Since the amount of the future payments is contingent on the collection of future TID increments, the obligations are not reported as a liability in the accompanying financial statements.

Clean Water Fund Loan Programs

The City's outstanding notes from direct borrowings related to business type activities of \$13,634,561 contain the following provisions in the event of a default: 1) Wisconsin Department of Administration can deduct amounts due from any state payments due to the City or add the amounts due as a special charge to the property taxes apportioned; 2) may appoint a receiver for the Program's benefit; 3) may declare the principal amount immediately due and payable; 4) may enforce any right or obligation under the financing agreement including the right to seek specific performance or mandamus; and 5) may increase the interest rate set forth in the financing agreement to the market interest rate.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES

Governmental Activities

Governmental activities net position reported on the government-wide statement of net position at December 31, 2022 include the following:

Governmental Activities

Net investment in capital assets	
Land	\$ 28,834,631
Construction in process	7,628,440
Other capital assets, net of accumulated depreciation	116,979,485
Less: Related long-term debt outstanding	<u>(23,731,900)</u>
Net investment in capital assets	<u>\$ 129,710,656</u>

Business-type Activities

Net investment in capital assets	
Land	\$ 888,479
Construction in process	9,236,617
Other capital assets, net of accumulated depreciation	107,247,802
Less: Related long-term debt outstanding	<u>(18,103,096)</u>
Net investment in capital assets	<u>\$ 99,269,802</u>

Governmental Fund Balances

Reported on the fund financial statements at December 31, 2022 include the following:

Nonspendable

General fund - advances	\$ 71,450
General fund - prepaid items and inventories	52,421
Nonmajor governmental funds - prepaid items and inventories	<u>3,286</u>
Total nonspendable	<u>\$ 127,157</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Governmental Fund Balances (continued)

<u>Restricted</u>	
Debt service	\$ 794,299
Utility improvements	2,649,144
Development	11,515,336
TIF Districts	9,400,464
Grants and donations	250,914
Opioid Settlement	73,238
Health services	184,821
Library services	522,731
Solid waste	421,841
Recreational services	79,298
Tourism commission	394,123
Total restricted	<u>\$ 26,286,209</u>
<u>Assigned</u>	
General fund - purchase orders:	
Legal	\$ 5,000
Municipal buildings	7,744
Police department	85,035
Fire department	43,008
Highway	1,049
Economic development	11,915
Planning	2,350
Capital projects:	
Capital outlay	1,574,137
Equipment replacement	998,521
Capital improvement	963,503
Street improvement	1,216,210
Total restricted	<u>\$ 4,908,472</u>
<u>Unassigned</u>	
General fund	\$ 11,089,844
TIF Districts (deficit)	(1,522,684)
Nonmajor governmental funds (deficit)	(55,655)
Total unassigned	<u>\$ 9,511,505</u>
Total fund balance	<u>\$ 40,833,343</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

The City reports pension-related balances at December 31, 2022, as summarized below:

	Net Pension Asset (Liability)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Benefit)
Wisconsin Retirement System (WRS)	\$ 10,346,427	\$ 20,308,109	\$ 24,499,976	\$ (861,948)
City of Franklin Defined Benefit Retirement Income Plan	1,734,140	370,121	1,736,326	(441,082)
	<u>\$ 12,080,567</u>	<u>\$ 20,678,230</u>	<u>\$ 26,236,302</u>	<u>\$ (1,303,030)</u>

Wisconsin Retirement System (Protective Occupation Employees Only)

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

General Information about the Pension Plan (continued)

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit. The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

General Information about the Pension Plan (continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the City’s reporting period, the WRS recognized \$1,490,772 contributions from the employer.

Contribution rates as of December 31, 2022 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

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

At December 31, 2022, the City reported a liability (asset) of (\$10,346,427), for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City’s proportion of the net pension liability (asset) was based on the City’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the City’s proportion was 0.12836466%, which was an increase of 0.01121984%, from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized total pension expense (benefit) of (\$1,303,030), of which (\$861,948) relates to WRS Pension, including duty disability payments.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

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

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,714,131	\$ 1,205,269
Changes in assumptions	1,930,289	-
Net differences between projected and actual earnings on plan investments		23,145,820
Changes in proportion and differences between employer contributions and proportionate share of contributions	172,917	148,887
Contributions made subsequent to the measurement date	1,490,772	
Total	\$ 20,308,109	\$ 24,499,976

The \$1,490,772 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction (addition) of the net pension liability (asset) in the year ended December 31, 2023 for the City. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (benefit) as follows:

Year Ended December 31:	Amortization of Deferred Outflows & Deferred Inflows of Resources (Net)
2023	\$ (447,871)
2024	(2,778,726)
2025	(1,246,883)
2026	(1,209,159)

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

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

Actuarial assumptions. The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset)	December 31, 2021
Experience Study:	January 1, 2018 – December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from the prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

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

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

Asset Allocation Targets and Expected Returns ¹			
As of December 31, 2021			
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return % ²</u>
Global Equities	52	6.8	4.2
Fixed Income	25	4.3	1.8
Inflation Sensitive Assets	19	2.7	0.2
Real Estate	7	5.6	3.0
Private Equity/Debt	12	9.7	7.0
Total Core Fund ³	115	6.6	4.0
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

1. Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.
2. New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%
3. The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

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

Single Discount rate. A single discount rate of 6.80% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the Net Pension Liability (Asset) to changes in the discount rate. The following presents the City’s proportionate share of the Net Pension Liability (Asset) calculated using the discount rate of 6.80%, as well as what the City’s proportionate share of the Net Pension Liability (Asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.80%) or one-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
City’s Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 7,341,524</u>	<u>\$ (10,346,427)</u>	<u>\$ (23,078,461)</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN

General Information about the Pension Plan

Plan Description - The City sponsors the City of Franklin Defined Benefit Retirement Income Plan, a single employer defined benefit pension plan covering eligible public works employees. The assets of this Plan are administered by Principal Life Insurance Company. An annual financial report may be obtained by writing to the plan administrator at Principal Financial Group, P.O. Box 9693, Des Moines, IA 50306-9396.

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

Benefits provided – The City of Franklin Defined Benefit Retirement Income Plan provides retirement benefits to former bargaining employees of the City that are not covered under Wisconsin State Pension Plan (Wisconsin Retirement System), or who are regular part-time employees as defined by Civil Service and who have a minimum of 6 months of service. Employees who retire at or after age 60 are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) average compensation at retirement, (2) years of creditable service, and (3) a formula factor.

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

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

The plan also provides death and disability benefits for employees.

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

Active employees	21
Terminated vested participants	10
Retirees	28
Total participants	<u>59</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN (continued)

General Information about the Pension Plan (continued)

Contributions - Contribution requirements are established through action of the City Council and may be amended only through city ordinance. Employees make a non-elective and non-discretionary pension contribution that is equal to 8.2% of their payroll. The City contributes all remaining amounts necessary to fund the pension plan. During the reporting period, contributions of \$255,792 were made by the City to the plan.

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

At December 31, 2022, the City reported a liability (asset) of (\$1,734,140) for its net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

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

	Total Pension Liability (a)	Increase (Decrease) in Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2021	\$ 12,011,182	\$ 12,093,009	\$ (81,827)
Changes for the year:			
Service cost	146,433	-	146,433
Interest	712,116	-	712,116
Difference between expected and actual experience	(836,058)	-	(836,058)
Assumption changes or inputs	-	-	-
Contributions - employer	-	255,792	(255,792)
Net investment income	-	1,434,668	(1,434,668)
Administrative expenses	-	(15,656)	15,656
Benefit payments	(556,738)	(556,738)	-
Balance at December 31, 2022	<u>\$ 11,476,935</u>	<u>\$ 13,211,075</u>	<u>\$ (1,734,140)</u>

Plan fiduciary net position as a percentage of the total Pension liability 115.11%

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN (continued)

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

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,771	\$ 441,691
Changes in assumptions	120,350	-
Net differences between projected and actual earnings on plan investments	-	1,294,635
Contributions made subsequent to the measurement date	192,000	-
Total	\$ 370,121	\$ 1,736,326

The \$192,000 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the net pension liability (asset) in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (benefit) as follows:

Year Ended December 31:	Amortization of Deferred Outflows & Deferred Inflows of Resources (Net)
2023	\$ (541,478)
2024	(574,343)
2025	(298,269)
2026	(144,115)

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN (continued)

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

Actuarial assumptions - The pension liability in the December 31, 2021 actuarial valuation was determined use the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net Pension Asset	December 31, 2021
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Market Value
Long-term Expected Rate of Return:	6.00%
Discount Rate:	6.00%
Salary Increases - Seniority / Merit:	4.00%
Mortality:	Based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement rates using the MP-2021 mortality improvement scale

Actuarial assumptions are based upon an experience study conducted in 2019 using historical experience. The total pension liability for December 31, 2022 is based upon the liability calculated from the December 31, 2021 actuarial valuation.

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

Asset Class	Long-term Real Rate of Return	Target Allocation
US Equity - Large Cap	7.70%	38.67%
US Equity - Mid Cap	8.00%	4.54%
US Equity - Small Cap	8.55%	2.25%
Non-US Equity	8.00%	14.77%
Real Estate (District Property)	5.35%	6.03%
Core Bond	3.30%	30.94%
High Yield Bond	5.55%	2.80%

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN (continued)

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

Discount rate - A discount rate of 6.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.00% and a long-term bond rate of 3.07%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the City's net pension liability (asset) calculated using the discount rate of 6.00%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease to Discount Rate (5.00%)	Current Discount Rate (6.00%)	1% Increase to Discount Rate (7.00%)
City's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ (470,723)</u>	<u>\$ (1,734,140)</u>	<u>\$ (2,803,163)</u>

For the year ended December 31, 2022, the City recognized pension expense (benefit) of (\$441,082) related to the City of Franklin Defined Benefit Retirement Income Plan.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

B. DEFINED CONTRIBUTION PLAN

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

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant’s account equal to 10% of such participant’s annual compensation. Employees are required to make contributions of 5% of wages. A participant’s accrued benefit for City contributions is 100% vested and non-forfeitable upon death, normal retirement, early retirement or permanent and total disability as defined in the Plan. If employment is terminated for any other reason, each participant’s accrued benefit vests at various percentages, based on years of service. During 2022, total contributions of \$44,324 or 10% of covered payroll were made. The City contributed \$22,162 and employees contributed \$22,162. The City may make amendments to the Plan

C. POST EMPLOYMENT HEALTH CARE BENEFITS

Plan administration and description – The City administers the City of Franklin Post-Employment Benefit Trust (City OPEB Plan), a single employer defined benefit OPEB plan that is used to provide post-employment health care benefits for all eligible full-time employees of the City. Management of the City OPEB Plan is vested in the City’s Common Council. Separate financial statements are not prepared for the City OPEB Plan.

Benefits provided – City of Franklin eligible full time employees meeting minimum age and service requirements may receive group health care benefits at a reduced cost during the period from their normal retirement date until they reach age 65. This results in another post-employment benefit 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.

Employees covered by benefit terms – At December 31, 2022, the following employees were covered by the benefit terms:

Active employees	208
Inactive employees entitled to, by not yet receiving benefits	-
Retirees	<u>25</u>
Total participants	<u><u>233</u></u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Contributions – 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:

Employee Group	#	City Amount	Age	Years of Service
Non-represented	73	75% of Premium at Retirement	62	20
Police	69	75% of Premium at Retirement	53	15
Dispatch	14	75% of 2005 Premium	62	20
Fire	48	75% of Premium at Retirement	53	20
DPW	29	75% of Premium at Retirement	60	15
	<u>233</u>			

Investment policy – The City is authorized to invest funds of the City OPEB Plan in accordance with the City’s investment policy for the City OPEB Plan.

The long-term expected rate of return on OPEB plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Cash	4.62%	0.61%
US Core Fixed Income	29.27%	2.27%
US Equity	66.11%	5.76%

Concentrations – All OPEB plan assets have been invested in bonds and equity securities. See Note 3.A for additional information.

Rate of return – The annual money-weighted rate of return on investments, net of investment expense for 2022 was -14.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions – The City’s net OPEB liability (asset) was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2022.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3% average, including inflation	
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation	
Healthcare cost trend rates	2022	6.30%
	2023	6.90%
	2024	7.20%
	2025	6.60%
	2026	5.90%
	2027	5.20%
	2028	5.00%
	2029	4.80%
	2030	4.60%
	2031	4.40%
	2032-2064	4.20%
	2065-2067	4.10%
	2068-2069	4.00%
	2070-2071	3.90%
	2072-2073	3.80%
	2074+	3.70%

Mortality rates were based on a blend of the Death-in-Service and Retired Lives mortality rates are based on the 2020 WRS Experience Tables and projected with mortality improvements using 100% of the fully generational MP-2021 projection scale from a base year of 2010.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2020.

Discount rate – The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that the City’s contributions will be made at rates equal to the actuarially determined contribution rates over the next 40 years. This rate is a blend of expected earnings on Plan assets and the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

OPEB Liabilities/Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

	Total OPEB Liability (a)	Increase (Decrease) in Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at December 31, 2021	\$ 7,617,767	\$ 9,073,766	\$ (1,455,999)
Changes for the year:			
Service cost	248,638	-	248,638
Interest	487,002	-	487,002
Economic/demographic gains or losses	-	-	-
Assumption changes or inputs	786,509	-	786,509
Contributions - employer	-	372,652	(372,652)
Contributions - employees	-	170,357	(170,357)
Net investment income	-	(1,266,753)	1,266,753
Administrative expenses	-	-	-
Benefit payments	(760,097)	(760,097)	-
Estimated balance at December 31, 2022	8,379,819	7,589,925	789,894
Difference between estimated and actual Plan fiduciary Net Position	-	(58,601)	58,601
Actual Balance at December 31, 2022	<u>\$ 8,379,819</u>	<u>\$ 7,531,324</u>	<u>\$ 848,495</u>

Plan fiduciary net position as a percentage of the total OPEB liability 89.87%

Sensitivity of the net OPEB liability (asset) to changes in the discount rate and healthcare cost trend rates – The following presents the net OPEB liability (asset) of the City, as well as what the City’s net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower of one-percentage-point higher than the current discount rate:

	1% Decrease to Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase to Discount Rate (7.50%)
City's Net OPEB Liability (Asset)	<u>\$ 1,482,374</u>	<u>\$ 848,495</u>	<u>\$ 265,229</u>
	1% Decrease to Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase to Healthcare Cost Trend Rates
City's Net OPEB Liability (Asset)	<u>\$ 592,789</u>	<u>\$ 848,495</u>	<u>\$ 1,008,685</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

OPEB Liabilities/Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

For the year ended December 31, 2022, the City recognized OPEB expense (benefit) of \$251,808.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,524	\$ 299,152
Changes in assumptions	840,561	924,335
Net differences between projected and actual earnings on plan investments	790,453	-
Total	\$ 1,722,538	\$ 1,223,487

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year Ended December 31:	Amortization of Deferred Outflows & Deferred Inflows of Resources (Net)
2023	\$ (28,818)
2024	123,420
2025	172,926
2026	318,917
2027	(51,002)
Thereafter	(36,392)

The City does not report a payable for any outstanding amount of contributions to the City OPEB Plan as of December 31, 2022.

D. CONTINGENCIES AND COMMITMENTS

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

D. CONTINGENCIES AND COMMITMENTS (continued)

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

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

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

E. RISK MANAGEMENT

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

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

Changes in the balance of claims payable for the two years ended December 31, 2021 and 2022 are as follows:

Fiscal Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claims Payments	Balance End of Year
2022	\$ 311,800	\$ 2,890,665	\$ 2,992,465	\$ 210,000
2021	311,800	2,896,355	2,896,355	311,800

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - OTHER INFORMATION (continued)

F. SUBSEQUENT EVENTS

Management evaluated subsequent events through July 28, 2023, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2022, but prior to July 28, 2023 that provided additional evidence about conditions that existed at December 31, 2022, have been recognized in the financial statements for the year ended December 31, 2022. Events or transactions that provided evidence about conditions that did not exist at December 31, 2022, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FRANKLIN, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET) – WISONSIN RETIREMENT SYSTEM
YEAR ENDED DECEMBER 31, 2022**

WRS Fiscal Year Ending Date	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2014	0.084116700%	\$ (2,065,567)	\$ 8,071,472	-25.59%	102.74%
12/31/2015	0.082739220%	1,344,496	8,459,850	15.89%	98.20%
12/31/2016	0.084036620%	692,662	8,682,689	7.98%	99.12%
12/31/2017	0.087815360%	(2,607,342)	8,950,304	-29.13%	102.93%
12/31/2018	0.091598830%	3,258,799	9,094,718	35.83%	96.45%
12/31/2019	0.103535240%	(3,338,448)	13,827,279	-24.14%	102.96%
12/31/2020	0.117144820%	(7,313,513)	15,176,375	-48.19%	105.26%
12/31/2021	0.128364660%	(10,346,427)	15,132,859	-68.37%	106.02%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS – WISONSIN RETIREMENT SYSTEM
YEAR ENDED DECEMBER 31, 2022**

City Fiscal Year Ending Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 689,692	\$ 689,692	\$ -	\$ 8,459,850	8.15%
12/31/2016	869,137	869,137	-	8,682,689	10.01%
12/31/2017	1,074,037	1,074,037	-	8,950,304	12.00%
12/31/2018	1,119,560	1,119,560	-	9,094,718	12.31%
12/31/2019	1,380,924	1,380,924	-	13,827,279	9.99%
12/31/2020	1,568,169	1,568,169	-	15,176,375	10.33%
12/31/2021	1,505,635	1,505,635	-	15,132,859	9.95%
12/31/2022	1,490,772	1,490,772	-	15,182,595	9.82%

See Independent Auditors' Report and accompanying Notes to Required Supplementary Information.

CITY OF FRANKLIN, WISCONSIN
SCHEDULE OF THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS –
CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN
YEAR ENDED DECEMBER 31, 2022

	Measurement Period Ending December 31,							
	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability								
Service Cost	\$ 165,130	\$ 180,074	\$ 154,889	\$ 182,107	\$ 161,806	\$ 157,837	\$ 142,398	\$ 146,433
Interest on the Total Pension Liability	531,850	603,514	606,747	651,297	675,093	662,710	676,516	712,116
Benefit Changes	-	-	-	-	(656,529)	-	-	-
Difference between Expected and Actual Experience	527,384	(460,357)	425,998	(154,963)	149,778	(466,918)	378,725	(836,058)
Assumption Changes	213,402	12,332	709,323	(203,418)	1,303,694	(615,012)	788,964	-
Benefit Payments	(191,375)	(239,861)	(296,465)	(370,146)	(434,808)	(469,209)	(513,694)	(556,738)
Net Change in Total Pension Liability	1,246,391	95,702	1,600,492	104,877	1,199,034	(730,592)	1,472,909	(534,247)
Total Pension Liability - Beginning	7,022,369	8,268,760	8,364,462	9,964,954	10,069,831	11,268,865	10,538,273	12,011,182
Total Pension Liability - Ending	\$ 8,268,760	\$ 8,364,462	\$ 9,964,954	\$ 10,069,831	\$ 11,268,865	\$ 10,538,273	\$ 12,011,182	\$ 11,476,935
Plan Fiduciary Net Position								
Employer Contributions	\$ 293,632	\$ 339,927	\$ 302,518	\$ 1,133,559	\$ 251,009	\$ 256,000	\$ 581,000	\$ 255,792
Pension Plan Net Investment Income	377,842	(41,577)	409,272	1,372,321	(363,980)	1,724,318	1,448,664	1,434,668
Benefit Payments	(191,375)	(239,861)	(296,465)	(370,146)	(434,808)	(469,209)	(513,694)	(556,738)
Pension Plan Administrative Expense	(27,941)	(22,802)	(20,307)	(31,410)	(28,890)	(25,806)	(19,130)	(15,656)
Other	-	-	-	-	(4,564)	-	-	-
Net Change in Plan Fiduciary Net Position	452,158	35,687	395,018	2,104,324	(581,233)	1,485,303	1,496,840	1,118,066
Plan Fiduciary Net Position - Beginning	6,704,912	7,157,070	7,192,757	7,587,775	9,692,099	9,110,866	10,596,169	12,093,009
Plan Fiduciary Net Position - Ending	\$ 7,157,070	\$ 7,192,757	\$ 7,587,775	\$ 9,692,099	\$ 9,110,866	\$ 10,596,169	\$ 12,093,009	\$ 13,211,075
Net Pension Liability (Asset) Ending	\$ 1,111,690	\$ 1,171,705	\$ 2,377,179	\$ 377,732	\$ 2,157,999	\$ (57,896)	\$ (81,827)	\$ (1,734,140)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87%	86%	76%	96%	81%	101%	101%	115%
Covered Payroll	\$ 1,792,628	\$ 1,876,995	\$ 1,853,074	\$ 1,792,628	\$ 1,776,639	\$ 1,731,027	\$ 1,620,333	\$ 1,496,670
Net Pension Liability (Asset) as a Percentage of Covered Payroll	62%	62%	128%	21%	121%	-3%	-5%	-116%

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Information.

**CITY OF FRANKLIN, WISCONSIN
SCHEDULE OF CONTRIBUTIONS – CITY OF FRANKLIN
DEFINED BENEFIT RETIREMENT INCOME PLAN
YEAR ENDED DECEMBER 31, 2022**

Fiscal Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 339,927	\$ 339,927	\$ -	\$ 1,876,995	18%
2016	302,518	1,202,518	(900,000)	1,853,074	65%
2017	233,559	233,559	-	1,792,628	13%
2018	251,009	251,009	-	1,776,639	14%
2019	255,552	256,000	(448)	1,731,027	15%
2020	256,855	581,000	(324,145)	1,620,333	36%
2021	255,792	255,792	-	1,496,670	17%
2022	159,303	192,000	(32,697)	1,406,026	14%

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Information.

**CITY OF FRANKLIN, WISCONSIN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET)
AND RELATED RATIOS – OPEB PLAN
YEAR ENDED DECEMBER 31, 2022**

	Fiscal Year Ending December 31,					
	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service Cost	\$ 223,719	\$ 238,261	\$ 210,159	\$ 223,819	\$ 238,367	\$ 248,638
Interest on the Total OPEB Liability	489,875	509,975	516,342	557,865	563,984	487,002
Difference between Expected and Actual						
Experience	-	-	132,200	-	(195,804)	-
Assumption Changes	-	-	208,654	-	(1,186,931)	786,509
Benefit Payments	(418,905)	(622,193)	(442,196)	(469,392)	(472,857)	(760,097)
Net Change in Total OPEB Liability	<u>294,689</u>	<u>126,043</u>	<u>625,159</u>	<u>312,292</u>	<u>(1,053,241)</u>	<u>762,052</u>
Total OPEB Liability - Beginning	<u>7,312,825</u>	<u>7,607,514</u>	<u>7,733,557</u>	<u>8,358,716</u>	<u>8,671,008</u>	<u>7,617,767</u>
Total OPEB Liability - Ending	<u>\$ 7,607,514</u>	<u>\$ 7,733,557</u>	<u>\$ 8,358,716</u>	<u>\$ 8,671,008</u>	<u>\$ 7,617,767</u>	<u>\$ 8,379,819</u>
Plan Fiduciary Net Position						
Employer Contributions	\$ 422,684	\$ 444,364	\$ 377,172	\$ 719,788	\$ 374,367	\$ 372,652
Employee Contributions	91,969	128,294	215,296	146,308	147,403	170,357
OPEB Plan Net Investment Income	673,624	(294,824)	1,159,084	421,249	1,237,939	(1,266,753)
Benefit Payments	(500,350)	(622,193)	(442,196)	(469,392)	(472,857)	(760,097)
OPEB Plan Administrative Expense	-	-	-	-	(8,000)	-
Deferred Inflows	-	-	-	438,201	(23,651)	(34,950)
Net Change in Plan Fiduciary Net Position	<u>687,927</u>	<u>(344,359)</u>	<u>1,309,356</u>	<u>1,256,154</u>	<u>1,255,201</u>	<u>(1,518,791)</u>
Plan Fiduciary Net Position - Beginning	<u>4,885,836</u>	<u>5,573,763</u>	<u>5,229,404</u>	<u>6,538,760</u>	<u>7,794,914</u>	<u>9,050,115</u>
Plan Fiduciary Net Position - Ending	<u>\$ 5,573,763</u>	<u>\$ 5,229,404</u>	<u>\$ 6,538,760</u>	<u>\$ 7,794,914</u>	<u>\$ 9,050,115</u>	<u>\$ 7,531,324</u>
Net OPEB Liability (Asset) Ending	<u>\$ 2,033,751</u>	<u>\$ 2,504,153</u>	<u>\$ 1,819,956</u>	<u>\$ 876,094</u>	<u>\$ (1,432,348)</u>	<u>\$ 848,495</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (Asset)	73%	68%	78%	90%	119%	90%
Covered Payroll	\$ 13,879,896	\$ 14,188,222	\$ 14,300,000	\$ 14,300,000	\$ 15,411,322	\$ 15,411,322
Net OPEB Liability as a Percentage of Covered Payroll	15%	18%	13%	6%	-9%	6%

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Information.

**CITY OF FRANKLIN, WISCONSIN
SCHEDULE OF CONTRIBUTIONS – OPEB PLAN
YEAR ENDED DECEMBER 31, 2022**

	Fiscal Year Ending December 31,					
	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 422,684	\$ 441,859	\$ 377,172	\$ 394,788	\$ 324,614	\$ 149,256
Actual Contribution	422,684	444,364	377,172	719,788	374,367	372,652
Contribution Deficiency (Excess)	\$ -	\$ (2,505)	\$ -	\$ (325,000)	\$ (49,753)	\$ (223,396)
Covered Payroll	\$ 13,879,896	\$ 14,188,222	\$ 14,300,000	\$ 14,300,000	\$ 15,411,322	\$ 15,411,322
Actual Contribution as a Percentage of Covered Payroll	3%	3%	3%	5%	2%	2%

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Information.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 – PRESENTATION

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

NOTE 2 - WISCONSIN RETIREMENT SYSTEM

The data presented in the Schedule of Proportionate Share of the Net Pension Liability (Asset) for the Wisconsin Retirement System was taken from the reports issued by the Wisconsin Retirement System.

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

Changes in assumptions. Based on a three-year experience study conducted in 2021 covering January 1 2019 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2021, including the following:

1. Lowering the long-term expected rate of return from 7.0% to 6.8%
2. Lowering the discount rate from 7.0% to 6.8%
3. Lowering the price inflation rate from 2.5% to 2.4%
4. Lowering the post-retirement adjustments from 1.9% to 1.7%
5. Mortality assumptions were changed to reflect updated trends by transitions from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on the three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

1. Lowering the long-term expected rate of return from 7.2% to 7.0%
2. Lowering the discount rate from 7.2% to 7.0%
3. Lowering the wage inflation rate from 3.2% to 3.0%
4. Lowering the price inflation rate from 2.7% to 2.5%
5. Lowering the post-retirement adjustments from 2.1% to 1.9%
6. Mortality assumptions were changed to reflect updated trends by transitions from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 2 - WISCONSIN RETIREMENT SYSTEM (continued)

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:

	2021	2020	2019	2018	2017
Valuation Date:	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Actuarial Assumptions					
Net Investment Rate of Return:	5.4%	5.4%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.0%	7.0%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases					
Wage Inflation:	3.0%	3.0%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	1.9%	1.9%	2.1%	2.1%	2.1%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015 - 2017.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.
Mortality:	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 2 - WISCONSIN RETIREMENT SYSTEM (continued)

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:

	2016	2015	2014	2013
Valuation Date:	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Actuarial Assumptions				
Net Investment Rate of Return:	5.5%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:				
Pre-retirement:	7.2%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%
Salary Increases				
Wage Inflation:	3.2%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	2.1%	2.1%	2.1%	2.1%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2006 - 2008.
Mortality:	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin Projected Experience Table - 2005 for women and 90% of the Wisconsin Projected Experience Table - 2005 for men.

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 3 – CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN

The data presented in the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and Schedule of Contributions for the City of Franklin Defined Benefit Retirement Income Plan was taken from the reports issued by the actuary.

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. No significant change in assumptions from the prior year were noted.

NOTE 4 – OPEB PLAN

The data presented in the Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios and Schedule of Contributions for the City of Franklin Post-Employment Benefit Trust Plan was taken from the reports issued by the actuary.

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. No significant change in assumptions from the prior year were noted.

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

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

Library operating fund – This fund accounts for the budgetary operation of the library.

Library auxiliary fund – This fund accounts for library donations, fines, and forfeitures.

Solid waste collection fund – This fund accounts for solid waste collection activities.

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

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

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

Tourism Commission fund – The state mandated that certain portions of the hotel tax be dedicated for tourism promotion. The Common Council formed a tourism commission that determines how those funds are spent.

Opioid Settlement fund – This fund accounts for funds received and restricted for human services from opioid settlements. These funds are to be used to support treatment of Opioid Use Disorder (OUD) and any co-occurring Substance Use Disorder or Mental Health (SUD/MH) conditions through evidence-based or evidence-informed programs or strategies.

Grant fund – The City reports its grant activities in this fund. Grant activities include fire department, police department, health department, community development block grants, COVID-19 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 finance 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 landfill siting fees) for replacement of vehicles and similar equipment in lieu of using borrowed monies.

Capital improvement fund – This fund accounts for land acquisitions, building projects, and all public works projects and are usually funded with landfill siting revenues, borrowed money, or funding from some other source other than the tax levy.

Street improvement fund – This fund accounts for the activities of the local road improvement program. Funding is provided by landfill siting fees and a portion of general transportation aids and an every-other-year local road improvement grant from the state.

Utility improvement fund – This fund is used to account for water and sewer connection fees and special assessments that are used for water and sewer construction projects.

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

**CITY OF FRANKLIN, WISCONSIN
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue Funds									Total Special Revenue Funds
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Collection Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Tourism Commission Fund	Opioid Settlement Fund	Grant Fund	
ASSETS										
Cash and investments	\$ 1,708,547	\$ 158,429	\$ 2,226,680	\$ -	\$ 252,240	\$ 79,998	\$ 284,262	\$ 73,238	\$ 3,922,840	\$ 8,706,234
Receivables										
Accounts receivable	-	-	33,156	-	-	-	109,861	-	13,233	156,250
Taxes receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	58,058	-	-	-	-	-	-	-	-	58,058
Prepaid items	-	-	-	-	-	3,286	-	-	-	3,286
Total assets	<u>\$ 1,766,605</u>	<u>\$ 158,429</u>	<u>\$ 2,259,836</u>	<u>\$ -</u>	<u>\$ 252,240</u>	<u>\$ 83,284</u>	<u>\$ 394,123</u>	<u>\$ 73,238</u>	<u>\$ 3,936,073</u>	<u>\$ 8,923,828</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 13,219	\$ 9,604	\$ 220,040	\$ 55,655	\$ 1,326	\$ 700	\$ -	\$ -	\$ 2,902	\$ 303,446
Accrued liabilities	5,386	94	5,119	-	-	-	-	-	-	10,599
Unearned revenue	-	-	1,612,836	-	-	-	-	-	3,748,350	5,361,186
Total liabilities	<u>18,605</u>	<u>9,698</u>	<u>1,837,995</u>	<u>55,655</u>	<u>1,326</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>3,751,252</u>	<u>5,675,231</u>
DEFERRED INFLOWS OF RESOURCES										
Subsequent year tax levy	1,374,000	-	-	-	-	-	-	-	-	1,374,000
FUND BALANCES										
Nonspendable:										
Inventories and prepaid items	-	-	-	-	-	3,286	-	-	-	3,286
Restricted:										
Grants and Donations	-	-	-	-	250,914	-	-	-	-	250,914
Opioid Settlement	-	-	-	-	-	-	73,238	-	-	73,238
Health services	-	-	-	-	-	-	-	184,821	-	184,821
Library services	374,000	148,731	-	-	-	-	-	-	-	522,731
Solid waste	-	-	421,841	-	-	-	-	-	-	421,841
Recreational services	-	-	-	-	-	79,298	-	-	-	79,298
Tourist commission	-	-	-	-	-	-	394,123	-	-	394,123
Unassigned (deficit)	-	-	-	(55,655)	-	-	-	-	-	(55,655)
Total fund balances (deficit)	<u>374,000</u>	<u>148,731</u>	<u>421,841</u>	<u>(55,655)</u>	<u>250,914</u>	<u>82,584</u>	<u>394,123</u>	<u>73,238</u>	<u>184,821</u>	<u>1,874,597</u>
Total liabilities, deferred inflows and fund balances (deficit)	<u>\$ 1,766,605</u>	<u>\$ 158,429</u>	<u>\$ 2,259,836</u>	<u>\$ -</u>	<u>\$ 252,240</u>	<u>\$ 83,284</u>	<u>\$ 394,123</u>	<u>\$ 73,238</u>	<u>\$ 3,936,073</u>	<u>\$ 8,923,828</u>

(Continued)

CITY OF FRANKLIN, WISCONSIN
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Capital Projects Funds						Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund		
ASSETS								
Cash and investments	\$ 1,441,531	\$ 1,382,309	\$ 1,009,737	\$ 2,178,381	\$ 2,649,144	\$ 10,231,828	\$ 18,892,930	\$ 27,599,164
Receivables								
Accounts receivable	137,785	53,990	6,847	18,000	-	3,265	219,887	376,137
Taxes receivable	-	-	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	134,580	-	134,580	134,580
Due from other governments	-	-	-	-	-	-	-	58,058
Prepaid items	-	-	-	-	-	-	-	3,286
Long-term advances	-	-	-	-	-	1,500,000	1,500,000	1,500,000
Total assets	\$ 1,579,316	\$ 1,436,299	\$ 1,016,584	\$ 2,196,381	\$ 2,783,724	\$ 11,735,093	\$ 20,747,397	\$ 29,671,225
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 5,179	\$ 437,778	\$ 53,081	\$ 980,171	\$ -	\$ -	\$ 1,476,209	\$ 1,779,655
Accrued liabilities	-	-	-	-	-	219,757	219,757	230,356
Subsequent year tax levy	-	-	-	-	-	-	-	5,361,186
Total liabilities	5,179	437,778	53,081	980,171	-	219,757	1,695,966	7,371,197
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	134,580	-	134,580	134,580
Unearned revenue	-	-	-	-	-	-	-	1,374,000
Total Unavailable and Unearned revenue	-	-	-	-	134,580	-	134,580	1,508,580
FUND BALANCES (DEFICIT)								
Nonspendable:								
Inventories and prepaid items	-	-	-	-	-	-	-	3,286
Restricted:								
Utility improvements	-	-	-	-	2,649,144	-	2,649,144	2,649,144
Development	-	-	-	-	-	11,515,336	11,515,336	11,515,336
Grants and Donations	-	-	-	-	-	-	-	250,914
Opioid Settlement	-	-	-	-	-	-	-	73,238
Health services	-	-	-	-	-	-	-	184,821
Library services	-	-	-	-	-	-	-	522,731
Solid waste	-	-	-	-	-	-	-	421,841
Recreational services	-	-	-	-	-	-	-	79,298
Tourist commission	-	-	-	-	-	-	-	394,123
Assigned:								
Capital projects	1,574,137	998,521	963,503	1,216,210	-	-	4,752,371	4,752,371
Unassigned (deficit)	-	-	-	-	-	-	-	(55,655)
Total fund balances (deficit)	1,574,137	998,521	963,503	1,216,210	2,649,144	11,515,336	18,916,851	20,791,448
Total liabilities, deferred inflows and fund balances (deficit)	\$ 1,579,316	\$ 1,436,299	\$ 1,016,584	\$ 2,196,381	\$ 2,783,724	\$ 11,735,093	\$ 20,747,397	\$ 29,671,225

(Concluded)

**CITY OF FRANKLIN, WISCONSIN
COMBINING SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Special Revenue Funds									
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Tourism Commission Fund	Opioid Settlement Fund	Grant Fund	Total Special Revenue Funds
REVENUE										
Taxes	\$ 1,347,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319,684	\$ -	\$ -	\$ 1,666,884
Intergovernmental revenue	65,845	-	69,079	-	-	-	-	688,140	-	823,064
Licenses and permits	-	-	-	22,597	-	18,217	-	-	-	40,814
Public charges for services	20,000	8,460	2,027,112	-	-	105,978	-	-	-	2,161,550
Investment earnings	7,160	1,952	12,581	-	-	-	2,907	-	6,778	31,378
Miscellaneous revenue	-	49,334	2,185	-	30,892	24,353	-	73,238	1,235	181,237
Total revenue	<u>1,440,205</u>	<u>59,746</u>	<u>2,110,957</u>	<u>22,597</u>	<u>30,892</u>	<u>148,548</u>	<u>322,591</u>	<u>73,238</u>	<u>696,153</u>	<u>4,904,927</u>
EXPENDITURES										
Current:										
General government	-	-	-	-	232	-	-	-	1,253	1,485
Public safety	-	-	-	-	42,071	-	-	-	78,967	121,038
Public works	-	-	2,120,637	-	-	-	-	-	-	2,120,637
Health and human services	-	-	-	-	2,360	-	-	-	514,412	516,772
Culture and recreation	1,377,854	43,120	-	66,853	-	173,973	-	-	-	1,661,800
Conservation and development	-	-	-	-	-	-	162,579	-	-	162,579
Capital outlay	183,420	14,163	-	-	-	-	-	-	-	197,583
Total expenditures	<u>1,561,274</u>	<u>57,283</u>	<u>2,120,637</u>	<u>66,853</u>	<u>44,663</u>	<u>173,973</u>	<u>162,579</u>	<u>-</u>	<u>594,632</u>	<u>4,781,894</u>
Excess (deficiency) of revenue over expenditures	<u>(121,069)</u>	<u>2,463</u>	<u>(9,680)</u>	<u>(44,256)</u>	<u>(13,771)</u>	<u>(25,425)</u>	<u>160,012</u>	<u>73,238</u>	<u>101,521</u>	<u>123,033</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	11,000	-	13,000	-	-	-	24,000
Transfers out	-	-	-	-	(18,000)	-	-	-	-	(18,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>(18,000)</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Net change in fund balances	(121,069)	2,463	(9,680)	(33,256)	(31,771)	(12,425)	160,012	73,238	101,521	129,033
Fund balances (deficit) - beginning	<u>495,069</u>	<u>146,268</u>	<u>431,521</u>	<u>(22,399)</u>	<u>282,685</u>	<u>95,009</u>	<u>234,111</u>	<u>-</u>	<u>83,300</u>	<u>1,745,564</u>
Fund balances (deficit) - ending	<u>\$ 374,000</u>	<u>\$ 148,731</u>	<u>\$ 421,841</u>	<u>\$ (55,655)</u>	<u>\$ 250,914</u>	<u>\$ 82,584</u>	<u>\$ 394,123</u>	<u>\$ 73,238</u>	<u>\$ 184,821</u>	<u>\$ 1,874,597</u>

(Continued)

**CITY OF FRANKLIN, WISCONSIN
COMBINING SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Capital Projects Funds						Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund		
REVENUE								
Taxes	\$ 53,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,300	\$ 1,720,184
Intergovernmental revenue	5,232	-	-	1,190,000	-	-	1,195,232	2,018,296
Licenses and permits	-	-	-	-	-	-	-	40,814
Public charges for services	1,078,547	696,860	77,430	232,290	-	-	2,085,127	4,246,677
Special assessments	-	-	-	-	110,516	2,532,513	2,643,029	2,643,029
Investment earnings (loss)	21,129	12,426	51,278	7,810	42,869	135,882	271,394	302,772
Miscellaneous revenue	29,200	-	86,000	-	-	3,265	118,465	299,702
Total revenue	<u>1,187,408</u>	<u>709,286</u>	<u>214,708</u>	<u>1,430,100</u>	<u>153,385</u>	<u>2,671,660</u>	<u>6,366,547</u>	<u>11,271,474</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	5,925	5,925	7,410
Public safety	-	-	-	-	-	-	-	121,038
Public works	-	-	14,032	-	-	-	14,032	2,134,669
Health and human services	-	-	-	-	-	-	-	516,772
Culture and recreation	-	-	1,748	-	-	-	1,748	1,663,548
Conservation and development	-	-	-	-	-	-	-	162,579
Capital outlay	638,557	1,963,077	2,375,865	1,154,053	-	1,491	6,133,043	6,330,626
Debt service								
Debt issuance costs	-	-	-	-	-	-	-	-
Total expenditures	<u>638,557</u>	<u>1,963,077</u>	<u>2,391,645</u>	<u>1,154,053</u>	<u>-</u>	<u>7,416</u>	<u>6,154,748</u>	<u>10,936,642</u>
Excess (deficiency) of revenue over expenditures	<u>548,851</u>	<u>(1,253,791)</u>	<u>(2,176,937)</u>	<u>276,047</u>	<u>153,385</u>	<u>2,664,244</u>	<u>211,799</u>	<u>334,832</u>
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	2,488	22,095	-	-	-	-	24,583	24,583
Transfers in	18,000	-	-	-	-	-	18,000	42,000
Transfers out	-	-	-	-	-	(288,578)	(288,578)	(306,578)
General obligation debt issued	-	-	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>20,488</u>	<u>22,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(288,578)</u>	<u>(245,995)</u>	<u>(239,995)</u>
Net change in fund balances	569,339	(1,231,696)	(2,176,937)	276,047	153,385	2,375,666	(34,196)	94,837
Fund balances (deficit) - beginning	<u>1,004,798</u>	<u>2,230,217</u>	<u>3,140,440</u>	<u>940,163</u>	<u>2,495,759</u>	<u>9,139,670</u>	<u>18,951,047</u>	<u>20,696,611</u>
Fund balances (deficit) - ending	<u>\$ 1,574,137</u>	<u>\$ 998,521</u>	<u>\$ 963,503</u>	<u>\$ 1,216,210</u>	<u>\$ 2,649,144</u>	<u>\$ 11,515,336</u>	<u>\$ 18,916,851</u>	<u>\$ 20,791,448</u>

(Concluded)

**CITY OF FRANKLIN, WISCONSIN
TIF DISTRICTS FUND – COMBINING BALANCE SHEET
DECEMBER 31, 2022**

	Northwestern Mutual District #3	Ascension Hospital District #4	Ballpark Commons District #5	Loomis & Ryan District #6	Velo Village District #7	Business Park Overlay	Total
ASSETS							
Cash and investments	\$ 3,001,599	\$ 1,965,502	\$ 1,510,086	\$ 237,306	\$ 9,360,102	\$ -	\$ 16,074,595
Receivables							
Taxes receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 3,001,599</u>	<u>\$ 1,965,502</u>	<u>\$ 1,510,086</u>	<u>\$ 237,306</u>	<u>\$ 9,360,102</u>	<u>\$ -</u>	<u>\$ 16,074,595</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 1,976,266	\$ -	\$ 81	\$ 9,155	\$ 45	\$ 161,150	\$ 2,146,697
Due to other funds	-	-	-	415,524	-	911,433	1,326,957
Advances from other funds	-	-	-	-	1,500,000	-	1,500,000
Total liabilities	<u>1,976,266</u>	<u>-</u>	<u>81</u>	<u>424,679</u>	<u>1,500,045</u>	<u>1,072,583</u>	<u>4,973,654</u>
DEFERRED INFLOWS OF RESOURCES							
Subsequent year tax levy	-	1,126,690	1,094,021	58,702	739,722	204,026	3,223,161
Total deferred inflows of resources	<u>-</u>	<u>1,126,690</u>	<u>1,094,021</u>	<u>58,702</u>	<u>739,722</u>	<u>204,026</u>	<u>3,223,161</u>
FUND BALANCES (DEFICIT)							
Restricted	1,025,333	838,812	415,984	-	7,120,335	-	9,400,464
Unassigned	-	-	-	(246,075)	-	(1,276,609)	(1,522,684)
Total fund balances (deficit)	<u>1,025,333</u>	<u>838,812</u>	<u>415,984</u>	<u>(246,075)</u>	<u>7,120,335</u>	<u>(1,276,609)</u>	<u>7,877,780</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,001,599</u>	<u>\$ 1,965,502</u>	<u>\$ 1,510,086</u>	<u>\$ 237,306</u>	<u>\$ 9,360,102</u>	<u>\$ -</u>	<u>\$ 16,074,595</u>

CITY OF FRANKLIN, WISCONSIN
TIF DISTRICTS FUND – COMBINING SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2022

	Northwestern Mutual District #3	Ascension Hospital District #4	Ballpark Commons District #5	Loomis & Ryan District #6	Velo Village District #7	Business Park Overlay	Total
REVENUE							
Taxes	\$ 1,757,899	\$ 1,256,922	\$ 1,189,259	\$ 322,491	\$ 431,370	\$ 85,264	\$ 5,043,205
Intergovernmental revenue	510,053	53,732	12,883	-	-	-	576,668
Investment earnings (loss)	45,829	12,286	4,335	13,213	6,748	55,085	137,496
Miscellaneous revenue	-	4,352	209,956	-	7,434,580	-	7,648,888
Total revenue	<u>2,313,781</u>	<u>1,327,292</u>	<u>1,416,433</u>	<u>335,704</u>	<u>7,872,698</u>	<u>140,349</u>	<u>13,406,257</u>
EXPENDITURES							
Current:							
General government	5,746	6,186	9,096	48,145	16,144	29,804	115,121
Public Works	-	11,416	-	11,000	-	619,986	642,402
Conservation and development	1,976,266	-	-	21,150	459,000	780,000	3,236,416
Capital outlay	-	1,117	65,332	87,595	155,083	3,228,922	3,538,049
Debt service							
Principal	985,000	-	710,000	160,000	-	-	1,855,000
Interest and fiscal charges	26,545	9,375	690,145	263,053	153,305	57,176	1,199,599
Total expenditures	<u>2,993,557</u>	<u>28,094</u>	<u>1,474,573</u>	<u>590,943</u>	<u>783,532</u>	<u>4,715,888</u>	<u>10,586,587</u>
Excess (deficiency) of revenue over expenditures	<u>(679,776)</u>	<u>1,299,198</u>	<u>(58,140)</u>	<u>(255,239)</u>	<u>7,089,166</u>	<u>(4,575,539)</u>	<u>2,819,670</u>
Net changes in fund balances	(679,776)	1,299,198	(58,140)	(255,239)	7,089,166	(4,575,539)	2,819,670
Fund balances (deficit) - beginning	<u>1,705,109</u>	<u>(460,386)</u>	<u>474,124</u>	<u>9,164</u>	<u>31,169</u>	<u>3,298,930</u>	<u>5,058,110</u>
Fund balances (deficit) - ending	<u>\$ 1,025,333</u>	<u>\$ 838,812</u>	<u>\$ 415,984</u>	<u>\$ (246,075)</u>	<u>\$ 7,120,335</u>	<u>\$ (1,276,609)</u>	<u>\$ 7,877,780</u>

**CITY OF FRANKLIN, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION – EMPLOYEE BENEFIT TRUST FUNDS
DECEMBER 31, 2022**

	City of Franklin Defined Benefit Retirement Income Plan	City of Franklin Post Employment Benefits Trust	Total Employee Benefit Trust Funds
Assets			
Cash	\$ -	\$ 350,354	\$ 350,354
Investments:			
Fixed Income Securities	3,414,490	2,221,788	5,636,278
Domestic Equities	5,669,281	5,017,783	10,687,064
International Equities	1,507,029	-	1,507,029
Total Investments	<u>10,590,800</u>	<u>7,239,571</u>	<u>17,830,371</u>
Accounts Receivable	<u>-</u>	<u>1,399</u>	<u>1,399</u>
Total assets	<u>\$ 10,590,800</u>	<u>\$ 7,591,324</u>	<u>\$ 18,182,124</u>
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>
Net Position			
Restricted for employee benefits	<u>10,590,800</u>	<u>7,531,324</u>	<u>18,122,124</u>
Total liabilities and net position	<u>\$ 10,590,800</u>	<u>\$ 7,591,324</u>	<u>\$ 18,182,124</u>

**CITY OF FRANKLIN, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION – EMPLOYEE BENEFIT TRUST FUNDS
DECEMBER 31, 2022**

	City of Franklin Defined Benefit Retirement Income Plan	City of Franklin Post Employment Benefits Trust	Total Employee Benefit Trust Funds
Additions			
Contributions			
City of Franklin	\$ 192,000	\$ 177,125	\$ 369,125
Retirees	-	178,420	178,420
Net investment earnings (losses)	<u>(2,156,158)</u>	<u>(1,164,621)</u>	<u>(3,320,779)</u>
Total additions	<u>(1,964,158)</u>	<u>(809,076)</u>	<u>(2,773,234)</u>
Deductions			
Incurred claims	623,320	460,706	1,084,026
Prescription drug claims	-	111,623	111,623
Claims fees	32,797	34,233	67,030
Stop loss premiums less claims received	<u>-</u>	<u>103,153</u>	<u>103,153</u>
Total deductions	<u>656,117</u>	<u>709,715</u>	<u>1,365,832</u>
Changes in net position	(2,620,275)	(1,518,791)	(4,139,066)
Net Position, Beginning of Year	<u>13,211,075</u>	<u>9,050,115</u>	<u>22,261,190</u>
Net Position, End of Year	<u>\$ 10,590,800</u>	<u>\$ 7,531,324</u>	<u>\$ 18,122,124</u>



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