

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 29, 2019

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: Moody's Investors Service, Inc.

CITY OF FRANKLIN, WISCONSIN (Milwaukee County)

\$6,570,000* GENERAL OBLIGATION COMMUNITY DEVELOPMENT BONDS, SERIES 2019B

BID OPENING: February 5, 2019, 11:00 A.M., C.T.

CONSIDERATION: February 5, 2019, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$6,570,000* General Obligation Community Development Bonds, Series 2019B (the "Bonds") of the City of Franklin, Wisconsin (the "City") are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of paying the cost of providing financial assistance to community development projects under Section 66.1105 of the Wisconsin Statutes, in the City's Tax Incremental District No. 6. The Bonds are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF BONDS: February 20, 2019

MATURITY: March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$200,000	2027	\$550,000	2032	\$635,000
2023	250,000	2028	565,000	2033	655,000
2024	300,000	2029	580,000	2034	680,000
2025	400,000	2030	600,000		
2026	535,000	2031	620,000		

***MATURITY ADJUSTMENT:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: September 1, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on March 1, 2027 and thereafter are subject to call for prior optional redemption on March 1, 2026 or any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$6,487,875.

MAXIMUM BID: \$6,964,200.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$131,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: City officer or a bank or trust company to be selected by the City.

BOND COUNSEL &

DISCLOSURE COUNSEL: Quarles & Brady LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles & Brady LLP will serve as Disclosure Counsel to the City with respect to the Bonds. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the sale of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF FRANKLIN COMMON COUNCIL

		<u>Term Expires</u>
Stephen R. Olson	Mayor	April 2020
Mark A. Dandrea	Common Council President	April 2019
Daniel Mayer	Aldersperson	April 2019
Kristen Wilhelm	Aldersperson	April 2020
Steve F. Taylor	Aldersperson	April 2020
Mike Barber	Aldersperson	April 2019
John R. Nelson	Aldersperson	April 2020

ADMINISTRATION

Mark W. Lubberda, Director of Administration
Paul Rotzenberg, Director of Finance & Treasurer
Sandra L. Wesolowski, Director of Clerk Services/City Clerk

PROFESSIONAL SERVICES

Jesse A. Wesolowski, City Attorney, Franklin, Wisconsin
Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin
Ehlers and Associates, Inc., Municipal Advisors, Waukesha, Wisconsin
(Other offices located in Roseville, Minnesota and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Franklin, Wisconsin (the "City") and the issuance of its \$6,570,000* General Obligation Community Development Bonds, Series 2019B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds ("Award Resolution") to be adopted by the Common Council on February 5, 2019.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the link to the Bond Sales and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of February 20, 2019. The Bonds will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing September 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City may designate a City officer or select a bank or trust company to act as paying agent (the "Paying Agent"). If a bank or trust company is selected as Paying Agent, the City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after March 1, 2027 shall be subject to optional redemption prior to maturity on March 1, 2026 or any date thereafter, at a price of par plus accrued interest.

*Preliminary, subject to change.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of paying the cost of providing financial assistance to community development projects under Section 66.1105 of the Wisconsin Statutes, in the City's Tax Incremental District No. 6.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$6,570,000	
Estimated Investment Earnings	<u>30,000</u>	
Total Sources		\$6,600,000
Uses		
Estimated Underwriter's Discount (1.250%)	\$82,125	
Cost of Issuance	43,650	
Deposit to Capitalized Interest Fund	471,250	
Deposit to Project Construction Fund	6,000,000	
Rounding Amount	<u>2,975</u>	
Total Uses		\$6,600,000

*Preliminary, subject to change

SECURITY

For the prompt payment of the Bonds with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the City will be irrevocably pledged. The City will levy a direct, annual, irrevocable tax on all taxable property in the City sufficient to pay the interest on the Bonds when it becomes due and also to pay and discharge the principal on the Bonds at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "Aa2" by Moody's Investors Service, Inc. ("Moody's").

The City has requested a rating on the Bonds from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the City shall covenant to take certain actions pursuant to the Award Resolution adopted by the Common Council by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for the Bonds are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City did not timely file notice of certain bond insurer rating changes during the previous five years. Except to the extent the preceding is deemed to be material, in the previous five years the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with the Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the City.

LEGAL MATTERS

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" found in Appendix B.)

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

TAX EXEMPTION

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

ORIGINAL ISSUE DISCOUNT

To the extent that the initial public offering price of certain of the Bonds is less than the principal amount payable at maturity, such Bonds ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

BOND PREMIUM

To the extent that the initial offering price of certain of the Bonds is more than the principal amount payable at maturity, such Bonds ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the

compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2017 have been audited by Baker Tilly Virchow Krause, LLP, Milwaukee, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Bonds may fall for purposes of resale. Noncompliance by the City with the covenants in the Award Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

CURRENT PROPERTY VALUATIONS

2018 Equalized Value	\$4,022,941,400
2018 Equalized Value Reduced by Tax Increment Valuation	\$3,924,067,400
2018 Assessed Value	\$4,035,310,280

2018 EQUALIZED VALUE BY CLASSIFICATION

	2018 Equalized Value¹	Percent of Total Equalized Value
Residential	\$ 2,981,328,700	74.108%
Commercial	815,529,300	20.272%
Manufacturing	147,131,200	3.657%
Agricultural	841,800	0.021%
Undeveloped	5,221,800	0.130%
Ag Forest	205,200	0.005%
Forest	486,000	0.012%
Other	18,142,600	0.451%
Personal Property	54,054,800	1.344%
Total	<u><u>\$ 4,022,941,400</u></u>	<u><u>100.000%</u></u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2014	\$3,364,592,800	\$3,589,694,100	5.14%
2015	3,396,543,100	3,649,185,900	1.66%
2016	3,704,478,925	3,729,003,100	2.19%
2017	3,854,766,200	3,888,926,200	4.29%
2018	4,035,310,280	4,022,941,400	3.45%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

¹ Includes tax increment valuation.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2018 Equalized Value¹	Percent of City's Total Equalized Value
Northwestern Mutual Life	Insurance	\$ 106,301,788	2.64%
Covenant Healthcare System	Healthcare Provider	26,202,447	0.65%
Wal-Mart Stores ²	Retail	25,170,021	0.63%
ET Franklin Pro-Packaging LLC	Lite Manufacturing	23,326,626	0.58%
Whitnall Pointe Limited Partnership	Multi-family Housing	21,977,337	0.55%
Manchester Oaks Apartments LLC	Multi-family Housing	20,696,012	0.51%
Franklin-Wyndham LLC	Multi-family Housing	13,611,648	0.34%
Menards Inc ²	Retail	13,375,822	0.33%
Baptista's Bakery Inc	Lite Manufacturing	13,355,063	0.33%
MMAC 150 Aurora LLC	Healthcare Provider	13,052,970	0.32%
Total		\$ 277,069,734	6.89%
City's Total 2018 Equalized Value ³		\$4,022,941,400	

Source: The City.

¹ Calculated by dividing the 2018 Assessed Values by the 2018 Aggregate Ratio of assessment for the City.

² Assessment under appeal by taxpayer.

³ Includes tax increment valuation.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Bonds and the Concurrent Obligations, as defined herein)*

\$ 46,844,970

Other Obligations

Name of Issue	Issue Date	Final Maturity	Amount Outstanding
\$23,480,000 Taxable Note Anticipation Notes, Series 2018A ²	5/1/2018	3/1/2023	\$ 13,480,000

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds and excludes the portion of the NANs being refunded by the concurrent obligations.

² These Taxable Note Anticipation Notes, Series 2018A (the “NANs”) are not general obligations of the City but are secured by a pledge of the proceeds from the issuance of long term general obligation debt. The City has reserved general obligation debt capacity for the long term debt. A portion of the proceeds of the Concurrent Obligations will be used to pay the \$10,000,000 March 1, 2019 principal payment of the NANs.

City of Franklin, Wisconsin
Schedule of Bonded Indebtedness
General Obligation Debt
(As of February 20, 2019)

Dated Amount	GO Sewerage System Promissory Notes Series 2012*		GO Promissory Notes Series 2014A		GO Water System Bonds Series 2014B		GO Refunding Bonds Series 2016A		GO Promissory Notes Series 2017B		Taxable GO Corporate Bonds Series 2019A		GO Community Development Bonds Series 2019B		Total Principal**	Total Interest**	Principal & Interest**	Principal Outstanding**	Principal %Paid**	Year
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2019	1,244,629	447,534	165,000	32,838	55,000	30,838	1,175,000	55,950	65,000	45,350	271,279	500,613	98,802	2,704,629	982,590	3,687,220	44,140,341	5.77%	2019	
2020	1,275,272	416,514	180,000	29,163	55,000	29,738	1,095,000	33,250	50,000	43,625	500,613	186,224	186,224	3,330,272	1,239,126	4,569,398	40,810,069	12.88%	2020	
2021	1,306,669	384,730	180,000 (1)	25,113	60,000	28,288	1,115,000	11,150	50,000	42,125	675,000	474,363	186,224	3,686,669	1,151,992	4,838,662	37,123,400	20.75%	2021	
2022	1,338,839	352,164	335,000 (1)	19,319	60,000	26,488	60,000	60,000	235,000	38,000	1,505,000	433,904	184,004	3,663,839	1,053,878	4,717,718	33,459,560	28.57%	2022	
2023	1,371,802	318,796	330,000 (1)	11,838	60,000 (1)	24,688	60,000	60,000	235,000	31,100	950,000	392,894	250,000	3,196,802	958,224	4,155,026	30,262,759	35.40%	2023	
2024	1,405,575	284,606	325,000	4,063	60,000 (1)	22,888	60,000 (1)	60,000	240,000	23,975	1,000,000	359,142	300,000	3,330,575	867,122	4,197,697	26,932,184	42.51%	2024	
2025	1,440,181	249,575	325,000	4,063	65,000 (1)	21,013	65,000 (1)	65,000	250,000	16,625	1,045,000	323,292	400,000	3,155,181	774,388	3,929,569	23,777,003	49.24%	2025	
2026	1,475,638	213,682	325,000	4,063	65,000 (1)	19,063	65,000 (1)	65,000	255,000	9,688	1,045,000	285,655	535,000	3,375,638	680,062	4,055,700	20,401,365	56.45%	2026	
2027	1,511,968	176,904	325,000	4,063	70,000 (1)	17,113	70,000 (1)	70,000	260,000	3,250	1,100,000	245,318	550,000	3,486,968	580,234	4,067,202	16,914,397	63.89%	2027	
2028	1,549,193	139,221	325,000	4,063	70,000 (1)	15,088	70,000 (1)	70,000	260,000	3,250	1,100,000	203,133	565,000	3,284,193	479,840	3,717,468	13,630,204	70.90%	2028	
2029	1,587,394	100,611	325,000	4,063	75,000 (1)	12,988	75,000 (1)	75,000	260,000	3,250	1,100,000	160,343	580,000	3,337,334	380,134	3,717,468	10,292,870	78.03%	2029	
2030	1,626,414	61,049	325,000	4,063	75,000 (1)	10,813	75,000 (1)	75,000	260,000	3,250	1,100,000	116,281	600,000	3,426,414	277,105	3,703,519	6,866,456	85.34%	2030	
2031	1,666,466	20,514	325,000	4,063	80,000 (1)	8,516	80,000 (1)	80,000	260,000	3,250	1,100,000	70,495	620,000	3,511,456	170,244	3,681,701	3,355,000	92.84%	2031	
2032			325,000	4,063	80,000 (1)	6,172	80,000 (1)	80,000	260,000	3,250	1,100,000	51,642	635,000	3,600,000	81,446	1,941,446	1,485,000	96.81%	2032	
2033			325,000	4,063	80,000 (1)	3,750	80,000 (1)	80,000	260,000	3,250	1,100,000	23,633	655,000	3,680,000	35,491	770,491	760,000	98.88%	2033	
2034			325,000	4,063	80,000 (1)	1,250	80,000 (1)	80,000	260,000	3,250	1,100,000	10,778	680,000	3,760,000	12,028	772,028	0	100.00%	2034	
Total	18,799,970	3,165,900	1,515,000	122,331	1,070,000	278,688	3,385,000	100,350	1,630,000	253,738	13,875,000	3,860,343	6,570,000	1,942,557	46,844,970	9,723,906	56,568,876			

* Debt supported by Intergovernmental Agreement with another entity that has agreed to pay all principal and interest on the issue.

(1) Mandatory redemption amounts.

** Preliminary, subject to change.

**City of Franklin, Wisconsin
Schedule of Bonded Indebtedness
NAN Debt
(As of February 20, 2019)**

**Taxable NAN
Series 2018A**

Dated Amount	5/1/2018 \$23,480,000			Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
Maturity	3/1	Principal	Interest	0	0	556,360	13,480,000	0.00%	2019
Fiscal Year Ending		0	431,360	0	431,360	431,360	13,480,000	0.00%	2020
		0	431,360	0	431,360	431,360	13,480,000	0.00%	2021
		0	431,360	0	431,360	431,360	13,480,000	0.00%	2022
		13,480,000	215,680	13,480,000	215,680	13,695,680	0	100.00%	2023
		13,480,000	2,066,120	13,480,000	2,066,120	15,546,120			

DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 4,022,941,400
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 201,147,070
Less: General Obligation Debt (includes the Bonds and the Concurrent Obligations)*	<u>(46,844,970)</u>
Unused Debt Limit* ¹	<u><u>\$ 154,302,100²</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT³

Taxing District	2018 Equalized Value⁴	% In City	Total G.O. Debt⁵	City's Proportionate Share
Milwaukee County	\$ 64,065,615,200	6.28%	\$ 564,652,211	\$ 35,460,159
Milwaukee Area Technical College District	79,921,554,819	5.03%	105,045,000	5,283,764
Franklin Public School District	3,036,187,887	100.00%	62,966,920	62,966,920
Oak Creek-Franklin Joint School District	4,241,184,175	17.65%	100,460,000	17,731,190
Whitnall School District	1,726,268,185	13.80%	14,592,984	2,013,832
Milwaukee Metro Sewer District	62,864,827,600	6.40%	815,623,687	<u>52,199,916</u>
City's Share of Total Overlapping Debt				<u><u>\$175,655,781</u></u>

-
- ¹ The City has reserved general obligation debt capacity for long-term debt to refund the NANs.
 - ² The City has adopted a policy which further limits its ability to issue general obligation debt. Under the City's current policy, the City shall not issue general obligation debt in such an amount which would cause their outstanding debt to be in excess of 40% of the statutory debt limit. However, the City may amend such policy at any time.
 - ³ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.
 - ⁴ Includes tax increment valuation.
 - ⁵ Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$4,022,941,400	Debt/ Per Capita 35,779¹
Total General Obligation Debt*	\$ 46,844,970	1.16%	\$ 1,309.29
City's Share of Total Overlapping Debt	<u>175,655,781</u>	<u>4.37%</u>	<u>4,909.47</u>
Total*	\$222,500,751	5.53%	\$ 6,218.76

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

Concurrently with the Bonds, the City plans to issue \$13,875,000* Taxable General Obligation Corporate Purpose Bonds, Series 2019A (the "Concurrent Obligations"). The City may issue approximately \$15,100,000 of general obligation debt to finance capital projects in the City and its tax incremental districts. Additionally, the City may refund the remaining \$13,480,000 of the Series 2018A Notes with general obligation debt in the next 12 months. Aside from the preceding, the City has no current plans for additional financing in the next 12 months.

*Preliminary, subject to change.

¹ Estimated 2018 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2014/15	\$20,509,000	100%	\$5.90
2015/16	20,509,000	100%	5.82
2016/17	20,509,000	100%	5.65
2017/18	21,027,849	100%	5.57
2018/19	21,389,375	[- - - - - In process - - - - -]	5.45

Property tax statements are distributed to taxpayers by the town, village, and city treasurers in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools ¹	County	Local	Other ²	Total
2014/15	\$12.97	\$5.10	\$5.90	\$1.89	\$25.86
2015/16	13.06	5.13	5.82	1.92	25.93
2016/17	12.66	5.10	5.65	1.93	25.34
2017/18	12.26	5.05	5.57	1.73	24.61
2018/19	11.95	4.90	5.45	1.69	23.99

Source: Property Tax Rates were extracted from Statement of Taxes. The Statement of Taxes is prepared partially by Department of Revenue with regards to overlapping taxing authorities levies. The City Levy and Special Charges is then supplied by the City.

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year.

In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%.

¹ The Schools tax rate reflects the composite rate of all local school districts and technical college district.

² Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included. State property taxes were eliminated in the State's 2017 - 2019 budget act.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Bonds were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Bonds.

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1956 and is governed by a Mayor and a six-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to three-year terms. The appointed City Clerk is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 195 full-time, 50 part-time, and 1 seasonal employees. All eligible public safety employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). All employees hired after January 1, 2019 participate in the WRS in lieu of supplemental pension benefits. Existing employees made an irrevocable election to join WRS as of January 1, 2019 or to remain in the supplemental pension. The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015"), the fiscal year ended December 31, 2016 ("Fiscal Year 2016") and the fiscal year ended December 31, 2017 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$815,219, \$803,686 and \$818,075 respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2015.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2016, the total pension liability of the WRS was calculated as \$93.4 billion and the fiduciary net position of the WRS was calculated as \$92.6 billion, resulting in a net pension liability of \$0.8 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2017, the City reported a liability of \$692,662, for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2016, based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.08403662% of the aggregate WRS net pension liability, as of December 31, 2016.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note 4.A. in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining units represent employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Police	December 31, 2018 (Negotiations in process)
Fire	December 31, 2018 (Negotiations in process)

Supplemental Pension Benefits

The City provides other pension benefits to public works employees who have satisfied specified eligibility standards through a single-employer defined benefit plan. The amount of such benefits are based on years of service and average compensation. Membership of the plan consisted of 25 retirees receiving benefits, 7 terminated vested retirees and 30 active plan members as of December 31, 2017, the date of the latest actuarial valuation.

Pension benefit calculations are required to be updated every two years and prepared in accordance with Governmental Accounting Standards Board Statement No. 68 ("GASB 68"). An actuarial study for the plan was most recently completed by The Principal Financial Group in October 2018 with an actuarial valuation date of December 31, 2017 (the "Pension Actuarial Report").

Under GASB 68, an actuarially determined contribution ("ADC") is calculated as a target or recommended contribution to the plan for the reporting period, determined in conformity with actuarial standards based on the most recent measurement available. The City's ADC for Fiscal Year 2017 was \$233,559. For Fiscal Year 2017, contributions to the plan totaled \$1,133,559, which was 485% of the ADC. The City's current funding practice is to at least fully fund ADC.

As shown in the Pension Actuarial Report, as of December 31, 2017, the total pension liability was \$10,069,831 and the fiduciary net position was \$9,692,099, resulting in net pension liability of \$377,732.

For more information, see Note 4.A. in "Appendix A - Financial Statements" attached hereto. The Pension Actuarial Report is available from the City upon request.

The City also provides a defined contribution pension plan benefit to eligible non-protective employees (other than public works employees). Eligibility begins after six months of employment with the City. Employees are required to make contributions of 5% of wages. For Fiscal Year 2017, the City contributed \$202,272 and employees contributed \$202,272 to the plan. For more information, see Note 4.B. in "Appendix A - Financial Statements."

OTHER POST EMPLOYMENT BENEFITS

The City provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) to former employees and their dependents through a single employer defined benefit plan. Membership of the plan consisted of 24 retirees receiving benefits and 179 active plan members as of December 31, 2017. Eligible retirees may continue to participate in the City's group health plan. The City contributes a fixed portion of the premiums determined at retirement based on the employment category of retiree, and the retiree is responsible for paying the balance of the premiums.

OPEB calculations are required to be updated every two years. Prior to June 15, 2017, OPEB calculations were required to be prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") regarding retiree health and life insurance benefits, and related standards. For fiscal years beginning after June 15, 2017, OPEB calculations will be required to be prepared in accordance with Statement No. 75 of the Governmental Accounting Standards Board ("GASB 75"). An actuarial study for the plan prepared in accordance with GASB 75 was most recently completed by Actuarial & Health Care Solutions, LLC in October 2017, with an actuarial valuation date of January 1, 2018 (the "OPEB Report").

Under GASB 75, a net OPEB liability is calculated as the difference between the plan's total OPEB liability and the plan's fiduciary net position, which terms have similar meanings as under GASB 68 for pension plans.

As shown in the City's audited financial statements for Fiscal Year 2017, the ADC for Fiscal Year 2017 was \$422,684. For Fiscal Year 2017, contributions to the plan totaled \$422,684, which was 100% of the ADC. The City's current funding practice is to fully fund the ADC.

As shown in the OPEB Report, as of January 1, 2018 the total OPEB liability of the plan was \$7,607,515 and the plan fiduciary net position was \$5,297,421, resulting in a net OPEB liability of \$2,310,094.

For more information, see Note 4.C. in "Appendix A - Financial Statements."

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds. At any given time, the City may be involved in potential lawsuits; however, at this time, the City does not expect any pending litigation to result in final judgments which would materially affect the City's ability to pay principal and interest on the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Bonds are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Bonds could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Bonds, and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds. Further, under such circumstances, there could be no assurance that the Bonds would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Bonds could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Bonds.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Bonds would not occur.

FUNDS ON HAND (as of December 31, 2018)

Fund	Total Cash and Investments
General	\$ 7,451,355
TIF Districts	13,975,600
Special Revenue	1,853,586
Debt Service	948,550
Capital Projects	14,848,991
Enterprise Funds	4,082,493
Internal Service Funds	1,972,127
Total Funds on Hand	<u>\$ 45,132,702</u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2015	2016	2017
Water			
Total Operating Revenues	\$ 5,609,928	\$ 6,054,573	\$ 6,057,085
Less: Operating Expenses	<u>(5,755,151)</u>	<u>(5,514,241)</u>	<u>(5,393,413)</u>
Operating Income	\$ (145,223)	\$ 540,332	\$ 663,672
Plus: Depreciation	1,557,514	1,344,829	1,194,029
Interest Income	<u>3,368</u>	<u>2,589</u>	<u>9,926</u>
Revenues Available for Debt Service	\$ 1,415,659	\$ 1,887,750	\$ 1,867,627
Less: PILOT Payment	<u>(1,041,040)</u>	<u>(1,047,053)</u>	<u>(1,029,649)</u>
Net Revenues	<u>\$ 374,619</u>	<u>\$ 840,697</u>	<u>\$ 837,978</u>
Sewer			
Total Operating Revenues	\$ 3,340,382	\$ 3,328,550	\$ 3,313,854
Less: Operating Expenses	<u>(3,588,716)</u>	<u>(5,197,869)</u>	<u>(5,222,142)</u>
Operating Income	\$ (248,334)	\$ (1,869,319)	\$ (1,908,288)
Plus: Depreciation	692,909	2,123,035	2,119,900
Interest Income	<u>20,789</u>	<u>134</u>	<u>11,597</u>
Revenues Available for Debt Service	<u>\$ 465,364</u>	<u>\$ 253,850</u>	<u>\$ 223,209</u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete audited financial statements are available upon request. See Appendix A for the City's 2017 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2015 Audited	2016 Audited	2017 Audited ¹	2018 Projected	2019 Adopted Budget ²
Revenues					
Taxes	\$ 17,015,261	\$ 17,161,004	\$ 17,093,625	\$ 17,600,800	\$ 18,826,475
Intergovernmental revenues	2,775,349	2,318,825	2,264,961	2,315,900	1,736,127
Licenses and permits	669,367	665,169	773,877	1,151,400	1,038,990
Penalties and forfeitures	484,957	498,653	485,407	483,000	546,000
Public charges for services	1,544,611	1,452,601	1,603,247	1,844,400	2,056,950
Intergovernmental charges for services	192,188	194,806	172,796	192,500	207,500
Investment earnings	238,562	161,281	189,275	202,900	265,000
Miscellaneous revenues	155,576	182,016	148,853	268,600	162,150
Total Revenues	\$ 23,075,871	\$ 22,634,355	\$ 22,732,041	\$ 24,059,500	\$ 24,839,192
Expenditures					
Current:					
General government	\$ 2,720,473	\$ 2,910,893	\$ 2,940,898	\$ 3,043,200	\$ 2,827,620
Public safety	15,983,174	15,787,827	16,660,351	17,144,900	17,784,187
Public works	3,046,338	3,745,146	3,852,472	3,111,500	3,571,132
Health and human services	633,387	646,870	675,875	669,900	750,797
Culture, recreation and education	177,798	179,933	187,959	263,600	206,702
Conservation and development	568,364	523,268	520,314	547,800	640,776
Contingency	0	0	0	0	2,067,228
Total Expenditures	\$ 23,129,534	\$ 23,793,937	\$ 24,837,869	\$ 24,780,900	\$ 27,848,442
Excess of revenues over (under) expenditures	\$ (53,663)	\$ (1,159,582)	\$ (2,105,828)	\$ (721,400)	\$ (3,009,250)
Other Financing Sources (Uses)					
Operating transfers in	1,044,460	1,050,382	1,059,793	1,050,000	1,109,250
Operating transfers out	(574,000)	(1,250,025)	(57,138)	0	(250,000)
Restricted Contingency ⁴	0	0	0	0	2,150,000
Total Other Financing Sources (Uses)	\$ 470,460	\$ (199,643)	\$ 1,002,655	\$ 1,050,000	\$ 3,009,250
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 416,797	(\$1,359,225)	\$ (1,103,173)	\$ 328,600	\$0
General Fund Balance January 1	8,633,112	9,049,909	7,690,684	6,587,511	6,916,111
General Fund Balance December 31	\$ 9,049,909	\$ 7,690,684	\$ 6,587,511	\$ 6,916,111	\$ 6,916,111
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	2,239,802	2,294,958	246,548	250,000	
Assigned	147,121	61,626	150,565	550,000	
Unassigned	6,662,986	5,334,100	6,190,398	6,116,111	
Total	\$ 9,049,909	\$ 7,690,684	\$ 6,587,511	\$ 6,916,111	

¹ Deficit includes a one-time \$605,700 extraordinary pension contribution.

² The 2019 budget was adopted on November 13, 2018.

³ Deficit includes a one-time \$1.2 million transfer to the Capital Improvement Fund for capital expenditures.

⁴ The 2019 Budget includes as a budgeted expenditure a \$2,150,000 restricted contingency that is not expected to be spent. Any use of such expenditure would require a 2/3 vote of the Common Council and such expenditure is not expected to be made.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 35,451, and a current estimated population of 35,779, comprises an area of 34.5 square miles and is located in the southwest corner of Milwaukee County.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Northwestern Mutual	Insurance/investment services	2,380
Covenant Healthcare Systems	Medical and surgical hospital	853
Krones, Inc.	High speed labeling/filler machines	619
Baptista's Bakery	Commercial bakery	565
Franklin Public Schools	K-12 education	554
Milwaukee County Corrections South	Government	471
Wal-Mart	Retailer	332
Carlisle Interconnect Technologies	Wire harnesses	308
Senior Flexonics - GA Precision	Off-road engine components mfg.	299
Strauss Veal & Lamb Int'l Inc.	Animal processing	274

Source: *ReferenceUSA, written and telephone survey (January 2019), Franklin 2017 CAFR.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

BUILDING PERMITS

	2014	2015	2016	2017	2018
<u>New Single Family Homes</u>					
No. of building permits	33	26	23	18	30
Valuation	\$10,688,902	\$10,199,139	\$9,721,721	\$8,991,610	\$13,357,904
<u>New Multiple Family Buildings</u>					
No. of building permits	9	3	1	0	7
Valuation	\$4,092,000	\$1,110,000	\$5,550,000	\$0	\$27,972,154
<u>New Commercial/Industrial</u>					
No. of building permits	13	3	5	13	9
Valuation	\$2,236,192	\$1,961,261	\$154,300	\$28,861,659	\$8,677,160
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	2,905	300	267	251	267
Valuation	\$41,246,443	\$30,654,542	\$27,316,600	\$49,403,073	\$62,150,023

Source: The City.

U.S. CENSUS DATA

Population Trend: City

2000 U.S. Census	29,494
2010 U.S. Census	35,451
2018 Estimated Population	35,779
Percent of Change 2000 - 2010	20.20%

Income and Age Statistics

	City	Milwaukee County	State of Wisconsin	United States
2017 per capita income	\$37,849	\$26,933	\$30,557	\$31,177
2017 median household income	\$74,972	\$46,784	\$56,759	\$57,652
2017 median family income	\$102,206	\$59,763	\$72,542	\$70,850
2017 median gross rent	\$996	\$844	\$813	\$982
2017 median value owner occupied units	\$225,700	\$150,300	\$169,300	\$193,500
2017 median age	42.4 yrs.	34.6 yrs.	39.2 yrs.	37.8 yrs.
		State of Wisconsin	United States	
City % of 2017 per capita income		123.86%	121.40%	
City % of 2017 median family income		140.89%	144.26%	

Housing Statistics

	<u>City</u>		
	2000	2017	Percent of Change
All Housing Units	10,936	13,951	27.57%

Source: 2000 and 2010 Census of Population and Housing, and 2017 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Year	<u>Average Employment</u>		City	<u>Average Unemployment</u>	
	City	Milwaukee County		Milwaukee County	State of Wisconsin
2014	17,470	445,882	4.9%	6.9%	5.4%
2015	17,579	449,974	4.4%	5.7%	4.5%
2016	17,835	454,700	3.8%	5.0%	4.0%
2017	18,003	458,982	3.3%	4.0%	3.3%
2018, November	17,831	454,581	2.6%	3.3%	2.6%

Source: Wisconsin Department of Workforce Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading. The City issued \$23,480,000 Taxable Note Anticipation Notes, Series 2018A, dated May 1, 2018 since the date of the financial statements. See "DEBT" herein.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.



CITY OF FRANKLIN, WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

**PREPARED BY THE
DEPARTMENT OF FINANCE**

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

CITY OF FRANKLIN, WISCONSIN

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CITY OF FRANKLIN, WISCONSIN

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INTRODUCTORY SECTION

May 17, 2018

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

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

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

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

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

City Profile

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

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of a mayor and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring management. The City's Mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. The Council is elected, by district, on a non-partisan basis. The Mayor and Council members serve staggered three-year terms. The City is organized into departments, headed by ten officials appointed by the Mayor or Director of Administration and confirmed by the Common Council. Numerous boards, commissions and committees allow for citizen involvement in government by providing a forum for policy input to the Council and guidance to the departments. Library service is provided through a separate Library Board that functions like a department of the City and engages the Library Director. Water service is provided through a separate Water Utility that functions like a department of the City. The Water Utility also has a Board of Water Commissioners which oversees water utility operations. These two areas therefore have been included as an integral part of the City's financial statements. The City also is financially accountable for a legally separate Community Development Authority (Authority). The Authority's activities are reported within the City's financial statements. Additional information on the Authority can be found in Note 1 in the notes to the financial statements.

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

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

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

Economic Condition and Outlook

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

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

Residential Growth

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

Commercial and Industrial Growth

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

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

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

Organizational and Service Growth

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

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

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

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

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

Internal Controls

The City's internal control structure is subject to ongoing evaluation by management. The City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with laws, regulations and good financial policies. The results of the City's audit for the fiscal year ended December 31, 2017 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws or regulations.

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

Financial Planning

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

Financial Policies

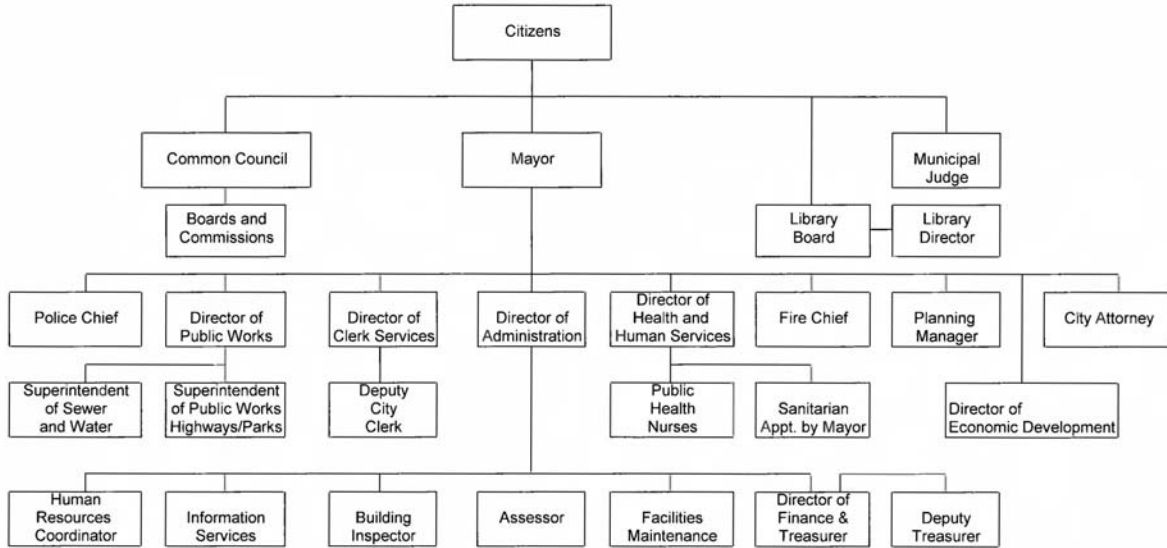
The City maintains policies on fund balance level, debt levels and term, investment policies, budget forecasting policy and a capitalization policy. The City also takes advantage of policies that has new development to finance infrastructure needs caused by the new development via special assessments and impact fees. Conservative management and the enumerated policies above have served the City well. The existence of a fund balance enabled the fund balance to be utilized in 2009 during the revenue decline and replenished in 2010 and 2011 when revenue stabilized. In 2016, a 2001 debt offering was refunded for the second time to take advantage of declining interest rates, with a savings of \$390,000 over its remaining life. Debt Service planning has permitted a steadily declining Debt Service levy since 2008.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance

CITY OF FRANKLIN, WISCONSIN
Organization Chart

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Mayor, Common Council and Citizens
May 8, 2018

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

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

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements. We will be submitting the CAFR to the GFOA to determine its eligibility for a 2017 Certificate.

Acknowledgments

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

Respectfully submitted,

Paul Rotzenberg, CPA
Director of Finance & Treasurer

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CITY OF FRANKLIN, WISCONSIN
LIST OF PRINCIPAL OFFICIALS

Elected Officials

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

Non-elected Officials

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Franklin
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Franklin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Mayor and Common Council
City of Franklin

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the City of Franklin adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective January 1, 2017. Our opinions are not modified with respect to this matter.

As discussed in Note I, the City of Franklin adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The supplementary information as listed in the table of contents 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the Mayor and Common Council
City of Franklin

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the City of Franklin's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated April 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 17, 2018

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

As management of the City of Franklin (City), the following offers readers of the City's financial statements an overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. Readers are encouraged to consider this information in conjunction with additional information contained in the letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2017, by \$248,574,088 (net position). Of this amount, \$15,637,898 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by a net amount of \$1,977,323 (excluding the prior period adjustment for the OPEB Net Position). Net investment in capital assets increased by \$3,512,441, while unrestricted net position decreased by \$2,754,566 and restricted net position decreased by \$1,122,820. The increase in investment in capital assets was related to capital asset additions offset by debt payments, net of unspent bond proceeds and accumulated depreciation. The largest net asset addition was a jurisdictional transfer to the City of W. St. Martin's Road from Milwaukee County. The unrestricted decrease was the result of the GASB 75 related to OPEB Net Obligations.
- The City's governmental funds reported, as of December 31, 2017, combined ending fund balances of \$23,438,415, an increase of \$401,952 from the prior year. The primary reasons were the collection of Advances from the Sewer Fund used partially to make a \$605,000 extraordinary payment to the Public Works Pension plan and the proceeds of a \$1.63 million note issuance.
- The Nonspendable fund balances are \$247,198, a decrease of \$2,049,034 due to the collection of the Sewer Fund Advance.
- The restricted fund balances in total are \$10,322,090, an increase of \$591,794, which resulted from the new Tourism Commission fund collection of hotel taxes totaling \$211,793 and net collections in the Development and Utility Development funds.
- The assigned fund balances in total of \$6,897,179 has an increase of \$1,151,028 related to the sale of \$1.63 million in new notes.
- The unassigned fund balance as of December 31, 2017 for the General Fund was \$6,190,398. This represents approximately 23.8 percent of total anticipated 2018 General Fund expenditures. The unassigned fund balance increased by \$708,164 was the result the collection of the \$2.2 Sewer advance net of the \$1.1 million deficit in 2017.
- The City's Governmental activities debt decreased a net \$1.4 million from scheduled repayments. See table 11 for complete debt activity details. A new \$1.63 million note was issued in December, 2017 for the 2018 Capital Improvement program to preserve levy increases under the State Levy Limits.
- The City's Business type activities generated a \$2.15 million loss, most of which is depreciation on contributed assets and the Ryan Creek Sanitary Interceptor sewer.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report

also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the difference between the categories reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Table 1 provides a ten year history of Net Position.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave). Table 2 provides a ten year history of the statement of activities.

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

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

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

Fund financial statements

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

Governmental funds

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

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

of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General, Debt Service and TIF Districts Funds, that are all considered to be major funds. Data from the remaining 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report.

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

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, TIF District, Library Operating Fund, Library Auxiliary Fund, Solid Waste Fund, Donations Grant, Civic Celebrations, St. Martin's Fair, Capital Outlay Fund, Equipment Replacement Fund, Street Improvement Fund, Capital Improvement Fund, Development Fund, Utility Development Fund, Sanitary Sewer Fund and the Franklin Water Utility. A budgetary comparison statement has been provided for all governmental funds demonstrating compliance with their budgets.

Proprietary funds

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

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 40 – 88 of this report.

Other information

In addition to the basic financial statements, notes and accompanying notes, this report also presents certain **required supplementary information** concerning the City of Franklin's progress in funding its retiree health obligations to eligible full time employees and its participation in the Wisconsin

Retirement System and City of Franklin Defined Benefit Pension Plans. Required supplementary information can be found on pages 89 - 94 of this report.

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund, Special Revenue, Capital Projects and TIF Funds to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 12.2 can be found on pages 95 - 118 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$248,574,088 and \$248,939,033 at the end of 2017 and 2016, respectively.

**CITY OF FRANKLIN NET POSITION
December 31, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total
	2017	2016	2017	2016	
Current and other assets	\$ 54,462,094	\$ 53,076,382	\$ 7,417,875	\$ 6,730,520	\$ 61,879,969
Long term Note Rec	-	-	18,799,969	20,014,692	18,799,969
Capital assets	121,923,878	118,399,446	107,713,836	110,484,366	229,637,714
Total assets	176,385,972	171,475,828	133,931,680	137,229,578	310,317,652
Deferred Outflows	7,287,434	8,455,769	833,543	356,959	8,120,977
Current liabilities	3,612,319	2,403,969	1,639,382	1,415,431	5,251,701
Long-term liabilities	15,389,145	14,689,207	22,096,478	22,899,975	37,467,623
Total liabilities	18,981,464	17,093,176	23,737,860	24,315,406	42,719,324
Deferred Inflows	27,074,967	27,060,233	70,250	110,286	27,145,217
Net position:					
Net investment in capital assets	115,417,617	110,638,152	86,584,568	88,115,672	201,846,895
Restricted	10,896,013	10,617,660	20,193,282	21,594,455	31,089,295
Unrestricted	11,303,345	14,522,376	4,179,263	3,450,718	15,637,898
Total net position	\$ 137,616,975	\$ 135,778,188	\$ 110,957,113	\$ 113,160,845	\$ 248,574,088
					\$ 248,939,033

The net position section includes an adjustment for capital assets owned by the business-type activities, but financed by the debt of the governmental activities. Amounts will not cross-foot as a result. See Note 3-G.

The largest portion of the City's net position (approximately 88 and 87 percent, in 2017 and 2016, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, net position is not available for future spending.

Government-wide activities

The details of changes in net position follow:

**City of Franklin Changes in Net Position
For the Years Ending December 31, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total
	2017	2016	2017	2016	
Revenue					
Program revenue:					
Charges for services	\$ 5,760,983	\$ 5,772,042	\$ 9,370,939	\$ 9,383,123	\$ 15,131,922
Operating grants & contributions	1,829,490	1,862,406	-	-	1,829,490
Capital grants & contributions	3,143,577	3,677,896	-	341,915	3,143,577
General revenue:					
Property taxes	22,925,176	23,698,025	-	-	22,925,176
Other taxes	1,020,027	863,735	-	-	1,020,027
Intergovernmental	1,404,222	1,350,257	-	-	1,404,222
Investment earnings	406,902	315,376	529,004	437,909	935,906
Other	127,280	161,381	85,943	58,632	213,223
Total revenue	36,617,657	37,692,108	9,985,886	10,221,179	46,603,543
Expenses:					
General government	3,310,893	3,215,423	-	-	3,310,893
Public safety	18,639,063	18,398,500	-	-	18,639,063
Public works	7,478,288	8,124,372	-	-	7,478,288
Health & human services	889,434	794,502	-	-	889,434
Culture & recreation	2,202,090	1,872,691	-	-	2,202,090
Conservation & development	586,622	547,060	-	-	586,622
Interest on long-term debt	166,254	313,301	-	-	166,254
Water	-	-	6,429,943	5,549,508	5,429,943
Sewer	-	-	5,724,633	5,729,314	5,724,633
Total expenses	33,471,644	33,286,179	11,154,576	11,278,822	44,636,220
Increase in net position before transfers	3,146,013	4,425,929	(1,168,690)	(1,057,043)	1,977,323
Transfers	989,602	305,112	(889,602)	(305,112)	-
Change in net position	4,135,615	4,731,041	(2,158,292)	(1,362,155)	1,977,323
Net position - beginning	136,778,188	131,047,147	113,160,845	92,071,540	248,939,033
Restatement - pension	(2,296,629)	-	(45,440)	22,451,460	(2,342,259)
Net position - beginning (restated)	133,481,350	131,047,147	113,115,405	114,523,000	246,596,785
Net position - ending	\$ 137,616,975	\$ 135,778,188	\$ 110,957,113	\$ 113,160,845	\$ 248,598,033

The 2017 Governmental Activities increase of \$4,135,615 was principally generated by the \$2.8 million jurisdictional transfer of W St. Martin's Road by Milwaukee County. The Adoption of GASB 75 for OPEB obligations reduced the City Net Position by \$2.3 million.

The 2016 Governmental Activities increased the City's net position by \$4,731,041 or 135% of the total growth in net position. Biggest element of this increase, \$3 million was the donation of S North Cape Road by Milwaukee County and TIF resources with no related project costs. The 2016 Business-type Activities decrease in net position of \$1,362,155 reflects depreciation charges on contributed assets which is not being recovered via operations.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$201,846,895 and \$198,753,824 in 2017 and 2016, respectively of the year end net position. The inclusion in 2016, of the Ryan Creek Sanitary Interceptor Sewer (\$22.5 million) is the major cause for the increase in net capital assets that year.

Major 2017 projects were the acceptance of W St. Martin's Road (\$2.8 million jurisdictional transfer from Milwaukee County), the completion of the S 27th Street reconstruction by the State and City enhanced elements, the replacement of a bridge on W St. Martin's Road, and the replacement of an ambulance.

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

The City early adopted GASB 75 related to OPEB obligations. That added over \$2 million in long term obligations.

Deferred Outflows decreased in 2017 related to changes in the WRS pension and Defined Benefit plan.

Deferred Outflows increased in 2016 from changes in WRS pension plan results.

The City contributed water infrastructure on S 27th Street via TID #3 and utility assets in Kayla's playground to the Business-type activities totaling \$659,283 in 2016. Developers also contributed two water main extensions.

An additional portion of the City's net position (12% and 13% in 2017 and 2016, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$31,089,295 and \$32,212,115 respectively in those net positions that were restricted to specific purposes.

The 2017 \$1.1 million reduction in restricted net position relates to the collection of the intergovernmental cooperation agreement.

The 2016 increase in restricted net position reported is due principally to the intergovernmental cooperation agreement and TIF balances upon the retirement of internal advances and new TIF resources without current project costs.

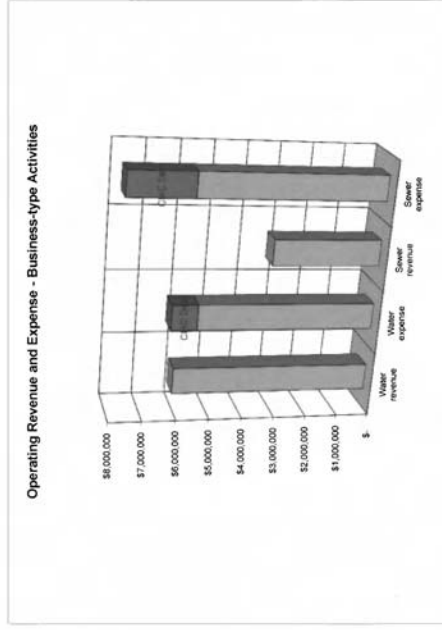
The remaining balance in unrestricted net position of \$15,637,898 and \$18,392,464 in 2017 and 2016, respectively, may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years the City reported positive balances in the unrestricted net position for both the governmental and for its business-type activities. A \$2,342,268 reduction in unrestricted net position relates to the prior period adjustment for the OPEB obligations recognized in the GASB 75 adoption.

Business-type activities

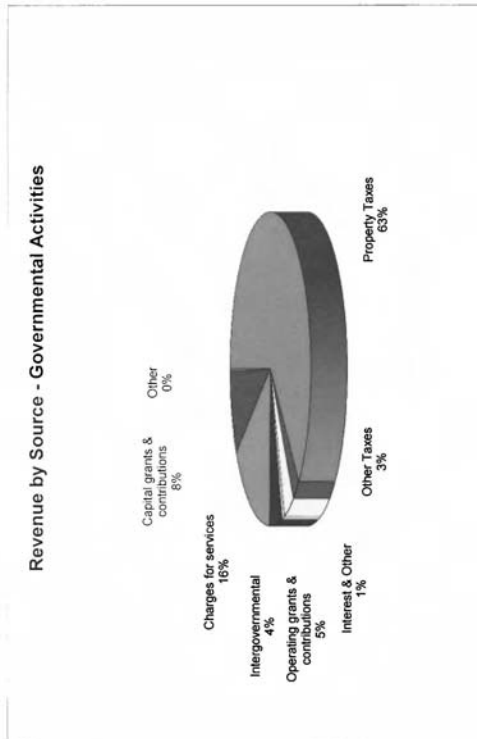
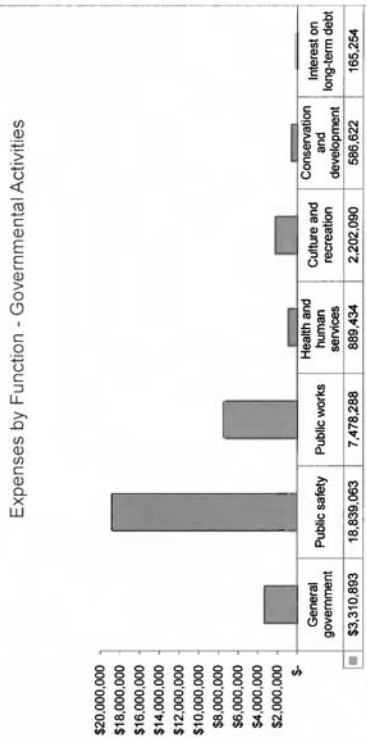
In 2017, business-type activities decreased the City's net position by \$2,158,292 (or 61% of the total net change). Depreciation on contributed assets and the Ryan Creek Interceptor Sewer are the major reasons for the reduction in net position. The City has not set rates to recover the contributed assets. Rates will eventually need to provide for the replacement of those contributed assets, but until such time, the City's policy has been to hold rates down. The Sewer Fund purchased a replacement camera truck for \$240,985.

In 2016, business-type activities decreased the City's net position by \$1,362,155 or 40.4%. Depreciation of contributed assets totaled \$2,795,955, with the Ryan Creek Interceptor Sewer amounting to \$1,425,000 of that total. The Ryan Creek Interceptor Sewer will be donated to Milwaukee Metropolitan Sewer District (MMSD) when the Clean Water Fund Loan is retired in 2031 by intergovernmental agreement. The City must maintain the asset until that time, no significant maintenance costs are expected, however some maintenance costs will likely occur.

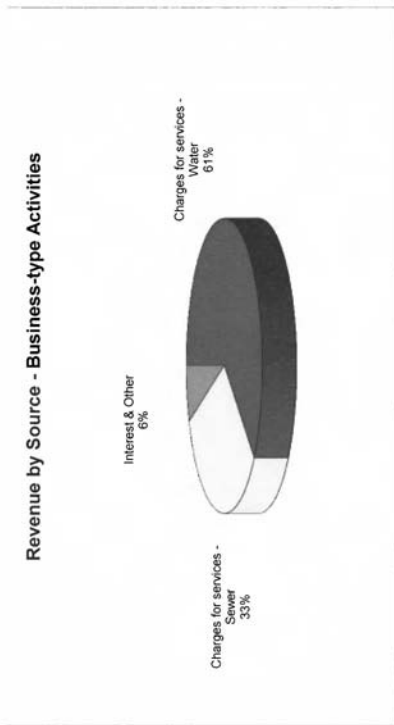
The following graph compares the 2017 charges for services to the operating expenses for water and sewer activities.



Water and Sewer expenses can exceed revenue due to the current policy of including only depreciation from City spending on capital assets in the rate formula. The large amount of new infrastructure that has been contributed is the reason for this policy. Over 88% of the Business-type assets have been contributed by developers or new growth resources. When maintenance and replacement costs increase, this policy may need to be reevaluated. The City replaced \$284,000 of contributed water mains in 2015 and none in 2016 or 2017. A \$1 million replacement project is planned for 2018.



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



2017 Water revenues increased slightly (less than \$3,000) as volumes in 2017 were lower than 2016. The water usage reduction more than offset the 2016 rate increase. The Common Council reduced sewer rates for 2017 (from 2016 levels). This resulted in 0.4% less revenue (\$14,700). There were no capital contributions from developers in 2017.

2016 Water Revenues increased \$444,645 (7.9%) which resulted from increased customer demand as measured by volume and an 8% rate increase approved by the State regulator in June 2016. The Water Utility was successful in reducing un-billed water to 10% of water purchases, which is down from 15% the prior year. This improved Water Utility results in 2016. The Water Utility also incurred significant professional costs successfully contesting a Construction Authorization request by its wholesale supplier.

Sewer revenues were substantially unchanged from the prior year. Capital grants are dependent upon new development in the City. 2017 had no development activity.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,438,415, an increase of \$401,952 from the prior year. At year end the unassigned fund balance was \$5,971,948. Of this total \$6,190,398 was for General Fund activities. This amount was offset by deficits in the TIF Districts and Nonmajor Governmental Funds. Newly created TIF District #5 has an advance from the General Fund for organizational expenses.

The City has assigned fund balances for activities of the Capital Projects of \$6,746,614. In addition, \$150,565 of General Fund Balance has been assigned for purchase commitments into 2018.

Outside party restrictions have resulted in restricted fund balances:

- 1) to pay debt service - \$735,022,
- 2) for utility improvements - \$1,413,378,
- 3) for development purposes - \$4,166,500,
- 4) for TIF Districts of \$2,405,999,
- 5) for library services \$580,430
- 6) for Solid Waste services \$393,677 and
- 7) for donations, health, grant funds, tourism and recreational activities - totaling \$627,084.

The City also has nonspendable fund balances to indicate that it is not available for new spending because it has already been committed for prepaid expenses and inventories (\$16,498) and for advances to other funds (\$230,700). The General Fund provided a 10 year advance to the Water Utility to finance an extraordinary contribution to the Public Works Retirement plan (in excess of the Actuarially Determined Contribution). This was financed out of the collection of the Sewer Fund advance.

The **General Fund** is the chief operating fund of the City. As of December 31, 2017, the total fund balance of the General Fund was \$6,587,511 of which \$6,190,398 was unassigned. This unassigned fund balance represents approximately 25% of 2017 General Fund budgeted expenditures.

The total General fund balance decreased by \$1,103,173 during fiscal year 2017. With the repayment of the \$2.2 million advance to the Sewer Fund in January 2017 a \$900,000 extraordinary contribution to the Public Works retirement plan was made. \$605,700 of that was charged to the General Fund, and \$155,700 was advanced to the Water Utility to finance its contribution.

The **Debt Service Fund** has a total fund balance of \$735,022, restricted for the payment of debt service. The fund balance increase of \$83,724 related to a \$51,071 premium on a December 2017 new issue.

The **TIF Districts Fund** has total fund balance of \$2,222,001; a restricted fund of \$2,405,999 and a deficit fund balance of \$183,998 related to start-up costs in Ballpark Commons (TID5).

The **Nonmajor Governmental Funds** have a total fund balance of \$13,893,881. The fund balance increase of \$1,731,241 came principally from the proceeds of a December, 2017 new debt issue. The new issue was sold to finance the 2018 Capital Improvement Fund projects and to protect levy limit provisions.

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

Unrestricted net position of the Water Utility at the end of the year amounted to \$2,710,007, an increase of \$550,064 from the prior year coming out of operating results.

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$1,469,256, an increase of \$178,481 from the prior year. The increase is the result of spending down the Restricted Replacement fund for the purchase of the camera truck.

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

General Fund Budgetary Highlights

Revenue trailed budget by \$537,939. Building permit revenues were below budget by \$305,037 related to delays in the start up of the Ballpark Commons development. Ambulance fees also trailed expectations by \$86,974.

Actual expenditures were less than budgeted expenditures by \$840,413. The City established a \$625,000 contingency reserve in the Adopted Budget. \$266,000 of that contingency was not spent. Public Safety underspent the final budget by 1.8% or \$303,894.

A \$1,161,924 deficit before transfers out, compares favorably to the amended budgeted deficit of \$1,464,398.

Capital assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2017, amounts to \$229,637,714, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

City of Franklin's Investment in Capital Assets

	Governmental Activities		Business-type Activities		Total
	2017	2016	2017	2016	
Land	\$ 25,072,351	\$ 24,623,751	\$ 886,479	\$ 888,479	\$ 25,961,430
Buildings and Improvements	26,860,342	26,770,132	6,682,442	6,677,157	33,542,784
Improvements other than buildings	104,393,846	98,419,149	134,188,113	134,145,872	238,582,959
Machinery and equipment	18,562,309	17,924,405	5,749,838	5,385,346	24,312,147
Construction in process	442,805	1,019,925	-	-	442,805
Total capital assets	175,332,253	168,757,262	147,509,872	147,096,854	322,842,125
Less Accumulated depreciation	(53,408,375)	(50,357,916)	(39,796,036)	(36,612,488)	(83,204,411)
Capital assets net of depreciation	\$ 121,923,878	\$ 118,399,446	\$ 107,713,836	\$ 110,484,366	\$ 229,637,714

The total increase in the City's net investment in capital assets net of depreciation for the current fiscal year was \$753,902 or 0.3%. The increase is principally the result of the jurisdictional transfer of W St. Martin's Road from Milwaukee County.

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

Long-term debt

State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. At December 31, 2017, the City had general obligation note and bond issues outstanding totaling \$29,984,693. The current legal debt limitation for the City is \$194,446,310. The City's current outstanding general obligation debt is 15.4% of the statutory debt limit. This is the lowest level in the last ten years.

By City policy, outstanding general obligation debt is limited to 2% of total equalized value or \$77,778,524. Outstanding debt represents 39% of this internal limit, leaving an internal debt limit margin of \$47,793,831.

The City's present rating from Moody's for its general obligation debt is "Aa2". This rating was reduced from "Aa1", when a bond issue took place in December, 2017.

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

In December, 2017, the City issued \$11,630,000 of notes. The notes will finance the 2018 Capital Improvement programs.

City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation						
Premium (Discount)	\$ 217,622	\$ 260,403	\$ (10,425)	\$ (11,534)	\$ 207,197	\$ 248,869
Bonds	4,560,000	5,770,000	21,139,693	22,360,228	25,699,693	28,150,228
Notes	4,285,000	4,475,000	-	-	4,285,000	4,475,000
Total	\$ 9,062,622	\$ 10,505,403	\$ 21,129,268	\$ 22,368,694	\$ 30,191,890	\$ 32,874,097

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

Other Changes of Significance

Post Employment Health Care Benefits

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

The Government Accounting Standards Board (GASB) issued Statement #45 effective for the City of Franklin on January 1, 2008 that said that the expense of these benefits has to be recognized over the working lives of the employees. The Common Council concluded that the City of Franklin should not only recognize the expense on its financial statements but should fund those amounts out of its general revenue starting in 2008 with the establishment of a section 115 trust. The actuarial computed annual required contribution under GASB #45 was \$342,872 for 2016.

In 2017, the City adopted GASB 75, which treats OPEB liabilities similarly to pension obligations. This resulted in a prior period adjustment of \$2,342,268. The OPEB liability as of December 31, 2017 was \$7,607,514 and the plan fiduciary net position was \$5,573,763 for a net OPEB liability of \$2,033,751.

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

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2017 for the City was 3.2% and Milwaukee County which includes the City, was 3.1%. This compares with an unemployment rate of 3.2% for the State of Wisconsin.
- The local assessed tax rate decreased to \$5.61 from \$5.69 for operations for 2017. In the prior two years the tax rate of \$5.61 and \$5.69 was relatively unchanged. The 2017 rate reduction was the result of a revaluation in the City and a frozen tax levy. The tax levy was unchanged the past four years, excluding the TIF Districts.

Requests for Information

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

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

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
As of December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 27,461,271	\$ 3,408,317	\$ 30,869,588
Receivables			
Accounts	804,402	2,327,450	3,131,852
Taxes	24,935,171	258,871	25,194,042
Special assessments	845,384	-	845,384
Internal balances	(13,857)	13,857	-
Due from other governments	256,025	1,214,723	1,470,748
Prepaid items	14,207	-	14,207
Inventories	3,791	-	3,791
Long term advances	155,700	(155,700)	-
Restricted cash	-	178,590	178,590
Due from other governments - long term	-	18,799,969	18,799,969
Regulatory asset	-	171,767	171,767
Capital assets (net of accumulated depreciation)			
Land	25,072,951	888,479	25,961,430
Buildings and improvements	15,950,890	4,965,477	20,916,367
Machinery and equipment	7,024,232	1,852,209	8,876,441
Infrastructure	73,433,000	100,007,671	173,440,671
Construction in progress	442,805	-	442,805
Total assets	176,385,972	133,931,680	310,317,652
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	7,287,434	833,543	8,120,977
Total deferred outflow of resources	7,287,434	833,543	8,120,977
LIABILITIES			
Accounts payable	2,226,285	1,511,784	3,738,069
Accrued liabilities	1,106,906	34,642	1,141,548
Due to other governments	116,915	-	116,915
Accrued interest	54,488	92,956	147,444
Special deposits	107,725	-	107,725
Noncurrent liabilities			
Benefit obligations due within one year	725,102	78,886	803,988
Benefit obligations due in more than one year	5,581,421	890,324	6,471,745
General obligation debt due within one year	2,315,000	1,269,723	3,584,723
General obligation debt due in more than one year	6,747,622	19,859,545	26,607,167
Total liabilities	18,981,464	23,737,860	42,719,324
DEFERRED INFLOWS OF RESOURCES			
Pension related	2,340,698	70,250	2,410,948
Subsequent year property taxes	24,734,269	-	24,734,269
Total Deferred Inflow of Resources	27,074,967	70,250	27,145,217
NET POSITION			
Net Investment in capital assets	115,417,617	86,584,568	201,846,895
Restricted for			
Debt service	552,375	-	552,375
Utility improvements	2,169,298	-	2,169,298
Development	4,166,500	-	4,166,500
TID Funds	2,405,999	-	2,405,999
Library	581,080	-	581,080
Solid Waste	393,677	-	393,677
Recreation services	65,727	-	65,727
Health	199,428	-	199,428
Donations	150,136	-	150,136
Tourism Commission	211,793	-	211,793
Sewer equipment replacement	-	178,590	178,590
Intergovernmental Cooperation Agreement	-	20,014,692	20,014,692
Unrestricted	11,303,345	4,179,263	15,637,898
Total net position	\$ 137,616,975	\$ 110,957,113	\$ 248,574,088

CITY OF FRANKLIN, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2017

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	\$ 3,310,893	\$ 150,998	\$ 572	\$ 2,695	\$ (3,156,628)	\$ -	\$ (3,156,628)
Public safety	18,839,063	2,371,577	327,997	50,987	(16,088,502)	-	(16,088,502)
Public works	7,478,288	2,699,691	1,162,177	3,003,921	(612,499)	-	(612,499)
Health and human services	889,434	181,625	216,091	-	(491,718)	-	(491,718)
Culture and recreation	2,202,090	204,845	122,653	85,974	(1,788,618)	-	(1,788,618)
Conservation and development	586,622	152,247	-	-	(434,375)	-	(434,375)
Interest on long term debt	165,254	-	-	-	(165,254)	-	(165,254)
Total governmental activities	33,471,644	5,760,993	1,829,490	3,143,577	(22,737,594)	-	(22,737,594)
Business-type activities:							
Water	5,429,943	6,057,085	-	-	-	627,142	627,142
Sewer	5,724,633	3,313,854	-	-	-	(2,410,779)	(2,410,779)
Total business-type activities	11,154,576	9,370,939	-	-	-	(1,783,637)	(1,783,637)
Total primary government	\$ 44,626,220	\$ 15,131,922	\$ 1,829,490	\$ 3,143,577	(22,737,594)	(1,783,637)	(24,521,231)
General revenue:							
Property taxes levied for general purposes					19,209,536	-	19,209,536
Property taxes levied for debt service					1,300,000	-	1,300,000
Property taxes levied for TIF Districts					2,415,640	-	2,415,640
Other taxes					1,020,027	-	1,020,027
Intergovernmental revenue not restricted to specific programs					1,404,222	-	1,404,222
Investment earnings					406,902	529,004	935,906
Miscellaneous revenue					27,612	85,943	113,555
Gain on sale of capital assets					99,668	-	99,668
Transfers					989,602	(989,602)	-
Total general revenue and transfers					26,873,209	(374,655)	26,498,554
Change in net position					4,135,615	(2,158,292)	1,977,323
Net position - beginning					135,778,188	113,160,845	248,939,033
Restatement - (See Note 4.F)					(2,296,828)	(45,440)	(2,342,268)
Net position - beginning (restated)					133,481,360	113,115,405	246,596,765
Net position - ending					\$ 137,616,975	\$ 110,957,113	\$ 248,574,088

CITY OF FRANKLIN, WISCONSIN
Balance Sheet
Governmental Funds
As of December 31, 2017

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 7,098,754	\$ 702,878	\$ 3,696,480	\$ 13,863,094	\$ 25,361,206
Receivables					
Accounts	551,983	-	-	201,773	753,756
Taxes	16,951,582	1,332,144	2,471,104	4,180,341	24,935,171
Special assessments	-	89,463	-	755,921	845,384
Due from other funds	65,742	-	-	-	65,742
Due from other governments	111,159	-	-	144,866	256,025
Prepaid items	12,057	-	-	650	12,707
Inventories	3,791	-	-	-	3,791
Advances to other funds	230,700	-	-	25,000	255,700
TOTAL ASSETS	\$ 25,025,768	\$ 2,124,485	\$ 6,167,584	\$ 19,171,645	\$ 52,489,482
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 557,932	\$ -	\$ 1,324,784	\$ 343,254	\$ 2,225,970
Accrued liabilities	700,783	-	-	115,423	816,206
Due to other funds	18,352	-	24,695	36,552	79,599
Due to other governments	116,915	-	-	-	116,915
Special deposits	107,725	-	-	-	107,725
Advance from other funds	-	-	125,000	-	125,000
Total liabilities	1,501,707	-	1,474,479	495,229	3,471,415
DEFERRED INFLOWS OF RESOURCES					
Unearned & unavailable revenue	16,936,550	1,389,463	2,471,104	4,782,535	25,579,652
FUND BALANCES					
Nonspendable:					
Inventories and prepaid items	15,848	-	-	650	16,498
Advances to other funds	230,700	-	-	-	230,700
Restricted:					
Debt service	-	735,022	-	-	735,022
Utility improvements	-	-	-	1,413,378	1,413,378
Development	-	-	-	4,166,500	4,166,500
TIF Districts	-	-	2,405,999	-	2,405,999
Donations	-	-	-	150,136	150,136
Health services	-	-	-	199,428	199,428
Library services	-	-	-	580,430	580,430
Solid waste	-	-	-	393,677	393,677
Recreational services	-	-	-	65,727	65,727
Tourism	-	-	-	211,793	211,793
Assigned:					
Purchases on order	150,565	-	-	-	150,565
Capital projects	-	-	-	6,746,614	6,746,614
Unassigned (deficit)	6,190,398	-	(183,998)	(34,452)	5,971,948
Total fund balances	6,587,511	735,022	2,222,001	13,893,881	23,438,415
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 25,025,768	\$ 2,124,485	\$ 6,167,584	\$ 19,171,645	\$ 52,489,482

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of December 31, 2017

Fund balances - total governmental funds	\$	23,438,415
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental funds are not financial resources and are therefore are not reported in the funds</p>		
Capital assets, net of depreciation		121,923,878
<p>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</p>		
Special assessments		845,383
<p>Deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods, and, therefore are not reported in fund statements</p>		
Deferred outflows		7,287,434
Deferred inflows		(2,340,698)
Internal Service Fund net position		1,886,196
<p>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</p>		
General obligation debt		(8,845,000)
Compensated absences		(2,022,103)
Net pension and OPEB obligations		(4,284,420)
Unamortized debt premiums		(217,622)
Accrued Interest		(54,488)
		(15,367,633)
Net position of governmental activities	\$	<u>137,616,975</u>

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$ 17,093,625	\$ 1,300,000	\$ 2,415,641	\$ 3,005,893	\$ 23,815,159
Intergovernmental revenue	2,264,961	-	474,156	389,852	3,128,969
Licenses and permits	773,877	-	-	25,885	799,762
Fines, forfeitures and penalties	485,407	-	-	-	485,407
Public charges for services	1,603,247	-	-	2,536,224	4,139,471
Special assessments	-	106,779	-	424,950	531,729
Intergovernmental charges for services	172,796	-	-	-	172,796
Investment earnings	189,275	11,613	41,332	154,343	396,563
Miscellaneous revenue	148,853	-	-	147,046	295,899
Total revenue	<u>22,732,041</u>	<u>1,418,392</u>	<u>2,931,129</u>	<u>6,684,193</u>	<u>33,765,755</u>
EXPENDITURES					
Current					
General government	2,940,898	-	61,072	-	3,001,970
Public safety	16,660,351	-	-	36,101	16,696,452
Public works	3,852,472	-	37,378	1,575,395	5,465,245
Health and human services	675,875	-	-	182,566	858,441
Culture, recreation and education	187,959	-	-	1,451,667	1,639,626
Conservation and development	520,314	-	39,758	-	560,072
Capital outlay	-	-	1,353,609	3,392,327	4,745,936
Debt service					
Principal	-	1,355,000	1,675,000	-	3,030,000
Interest	-	144,736	74,152	-	218,888
Debt issuance costs	-	-	-	40,442	40,442
Total expenditures	<u>24,837,869</u>	<u>1,499,736</u>	<u>3,240,969</u>	<u>6,678,498</u>	<u>36,257,072</u>
Excess (deficiency) of revenue over expenditures	<u>(2,105,828)</u>	<u>(81,344)</u>	<u>(309,840)</u>	<u>5,695</u>	<u>(2,491,317)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	179,355	179,355
Transfers in	1,059,793	113,997	-	57,799	1,231,589
Transfers out	(57,138)	-	-	(141,608)	(198,746)
General obligation debt issued	-	-	-	1,630,000	1,630,000
Premium on debt issued	-	51,071	-	-	51,071
Total other financing sources and uses	<u>1,002,655</u>	<u>165,068</u>	<u>-</u>	<u>1,725,546</u>	<u>2,893,269</u>
Net change in fund balances	(1,103,173)	83,724	(309,840)	1,731,241	401,952
Fund balances - beginning	<u>7,690,684</u>	<u>651,298</u>	<u>2,531,841</u>	<u>12,162,640</u>	<u>23,036,463</u>
Fund balances - ending	<u>\$ 6,587,511</u>	<u>\$ 735,022</u>	<u>\$ 2,222,001</u>	<u>\$ 13,893,881</u>	<u>\$ 23,438,415</u>

CITY OF FRANKLIN, WISCONSIN
Reconciliation of the Statement of Revenue
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds	\$	401,952
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		4,177,822
Depreciation		(3,435,868)
Net book value of assets disposed		(79,687)
Contributed capital assets are reported as revenues in the statement of activities.		
		2,862,164
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		3,030,000
Proceeds from long-term debt, net of premium/discount		(1,681,071)
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		(194,285)
Accrued interest payable		34,737
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities		
Net special assessments		(120,270)
Internal service fund change in net position		<u>(859,879)</u>
Net change in net position of governmental activities	\$	<u>4,135,615</u>

CITY OF FRANKLIN, WISCONSIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>final budget -</u>
				<u>Excess</u>
				<u>(Deficiency)</u>
REVENUE				
Taxes	\$ 18,200,458	\$ 18,200,458	\$ 18,126,468	\$ (73,990)
Intergovernmental revenue	2,237,400	2,237,400	2,264,961	27,561
Licenses and permits	1,051,865	1,051,865	773,877	(277,988)
Fines, forfeitures and penalties	500,000	500,000	485,407	(14,593)
Public charges for services	1,753,250	1,764,250	1,603,247	(161,003)
Intergovernmental charges for services	203,200	203,200	172,796	(30,404)
Investment earnings	220,000	220,000	189,275	(30,725)
Miscellaneous revenue	125,650	125,650	148,853	23,203
Total revenue	<u>24,291,823</u>	<u>24,302,823</u>	<u>23,764,884</u>	<u>(537,939)</u>
EXPENDITURES				
Current				
General government	3,314,937	3,058,849	2,994,101	64,748
Public safety	16,768,325	17,010,635	16,706,741	303,894
Public works	4,196,359	4,183,759	3,835,608	348,151
Health and human services	684,797	695,797	675,875	19,922
Culture and recreation	172,218	194,504	186,969	7,535
Conservation and development	623,677	623,677	527,514	96,163
Total expenditures	<u>25,760,313</u>	<u>25,767,221</u>	<u>24,926,808</u>	<u>840,413</u>
Excess (deficiency) of revenue over (under) expenditures	(1,468,490)	(1,464,398)	(1,161,924)	302,474
OTHER FINANCING SOURCES (USES)				
Transfers in	-	26,950	26,950	-
Transfers out	(24,000)	(57,138)	(57,138)	-
Net change in fund balance - budgetary basis	(1,492,490)	(1,494,586)	(1,192,112)	302,474
Adjustments to generally accepted accounting principles basis				
2017 encumbrances	-	150,565	150,565	-
2016 encumbrances	-	(61,626)	(61,626)	-
Net change in fund balance - generally accepted accounting principles basis	(1,492,490)	(1,405,647)	(1,103,173)	302,474
Fund Balances - beginning	<u>7,690,684</u>	<u>7,690,684</u>	<u>7,690,684</u>	<u>-</u>
Fund Balances - ending	<u>\$ 6,198,194</u>	<u>\$ 6,285,037</u>	<u>\$ 6,587,511</u>	<u>\$ 302,474</u>

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
As of December 31, 2017
(with comparative information for December 31, 2016)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	
ASSETS						
Current assets						
Cash and investments	\$ 1,900,126	\$ 1,189,005	\$ 1,508,191	\$ 519,301	\$ 3,408,317	\$ 2,100,065
Receivables						
Accounts receivable	1,474,084	1,415,091	853,366	866,739	2,327,450	50,646
Taxes receivable	161,856	183,461	97,015	121,939	258,871	-
Due from other funds	39,260	26,276	44,650	56,171	83,910	-
Due from other governments	-	-	1,214,723	3,940,408	1,214,723	-
Prepaid expenses	-	2,304	-	2,214	-	1,500
Advance to other funds	-	-	-	-	-	25,000
Total current assets	<u>3,575,326</u>	<u>2,816,137</u>	<u>3,717,945</u>	<u>5,506,772</u>	<u>7,293,271</u>	<u>2,177,211</u>
Noncurrent assets						
Restricted cash and investments	-	-	178,590	394,227	178,590	-
Due from other governments	-	-	18,799,969	20,014,692	18,799,969	-
Regulatory assets	171,767	303,391	-	-	171,767	-
Capital assets						
Land	162,885	162,885	725,594	725,594	888,479	-
Buildings and improvements	3,010,304	3,049,279	3,298,163	3,292,878	6,308,467	-
Improvements other than buildings	55,434,661	55,420,201	78,754,451	78,725,671	134,189,112	-
Machinery and equipment	5,067,718	4,908,476	1,056,096	811,870	6,123,814	-
Construction in progress	-	-	-	-	-	-
Less accumulated depreciation	<u>(19,203,715)</u>	<u>(18,128,361)</u>	<u>(20,592,321)</u>	<u>(18,484,127)</u>	<u>(39,796,036)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>44,471,853</u>	<u>45,412,480</u>	<u>63,241,983</u>	<u>65,071,886</u>	<u>107,713,836</u>	<u>-</u>
Total noncurrent assets	<u>44,643,620</u>	<u>45,715,871</u>	<u>82,220,542</u>	<u>85,480,805</u>	<u>126,864,162</u>	<u>-</u>
Total assets	<u>48,218,946</u>	<u>48,532,008</u>	<u>85,938,487</u>	<u>90,987,577</u>	<u>134,157,433</u>	<u>2,177,211</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	<u>447,267</u>	<u>188,850</u>	<u>386,276</u>	<u>168,109</u>	<u>833,543</u>	<u>-</u>

Continued

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
As of December 31, 2017
(with comparative information for December 31, 2016)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	
LIABILITIES						
Current liabilities						
Accounts payable	\$ 711,295	\$ 730,533	\$ 800,489	\$ 558,085	\$ 1,511,784	\$ 315
Accrued liabilities	6,558	689	28,084	27,937	34,642	290,700
Accrued interest payable	10,829	11,196	82,127	86,991	92,956	-
Due to other funds	49,145	70,899	20,908	20,492	70,053	-
Current portion of long-term advances	16,000	-	-	-	16,000	-
Current portion of long-term obligations	55,000	91,219	1,214,723	1,221,754	1,269,723	-
Total current liabilities	848,827	904,536	2,146,331	1,915,259	2,995,158	291,015
Noncurrent liabilities						
Net pension liability	418,383	202,705	361,331	180,443	779,714	-
Net OPEB liability	19,727	-	19,727	-	39,454	-
General obligation notes payable	1,059,575	1,077,247	18,799,970	19,978,474	19,859,545	-
Accrued compensated absences	75,021	74,066	75,021	74,067	150,042	-
Total noncurrent liabilities	1,572,706	1,354,018	19,256,049	20,232,984	20,828,755	-
Long-term advances	139,700	-	-	2,198,616	139,700	-
Total liabilities	2,561,233	2,258,554	21,402,380	24,346,859	23,963,613	291,015
DEFERRED INFLOWS OF RESOURCES						
Pension related	37,695	58,347	32,555	51,939	70,250	-
NET POSITION						
Net investment in capital assets	43,357,278	44,244,014	43,227,290	43,871,658	86,584,568	-
Restricted						
Sewer equipment replacement	-	-	178,590	394,227	178,590	-
Intergovernmental cooperation agreement	-	-	20,014,692	21,200,228	20,014,692	-
Unrestricted	2,710,007	2,159,943	1,469,256	1,290,775	4,179,263	1,886,196
Total net position	\$ 46,067,285	\$ 46,403,957	\$ 64,889,828	\$ 66,756,888	\$ 110,957,113	\$ 1,886,196

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017
(with comparative information for December 31, 2016)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	
OPERATING REVENUE						
Metered sales						
Residential	\$ 3,008,260	\$ 3,040,247	\$ 1,801,699	\$ 1,789,296	\$ 4,809,959	\$ -
Multi-Family	741,401	717,806	447,952	457,801	1,189,353	-
Commercial	848,981	819,012	492,742	487,248	1,341,723	-
Industrial	475,367	467,973	396,229	406,631	871,596	-
Public authority	258,312	270,342	143,731	151,190	402,043	-
Total metered sales	5,332,321	5,315,380	3,282,353	3,292,166	8,614,674	-
Group health & dental charges	-	-	-	-	-	3,035,082
Unmetered sales	7,355	27,284	-	-	7,355	-
Public fire protection service	541,486	534,028	-	-	541,486	-
Private fire protection service	122,350	122,290	-	-	122,350	-
Forfeited discounts, penalties and other	53,573	55,591	31,501	36,384	85,074	-
Total operating revenue	6,057,085	6,054,573	3,313,854	3,328,550	9,370,939	3,035,082
OPERATING EXPENSES						
Cost of sales and services	3,444,137	3,609,058	2,279,953	2,240,685	5,724,090	3,924,549
Depreciation	1,194,029	1,214,163	2,119,900	2,123,035	3,313,929	-
Amortization	130,666	130,666	-	-	130,666	-
Administration	624,581	560,354	822,289	834,149	1,446,870	-
Total operating expenses	5,393,413	5,514,241	5,222,142	5,197,869	10,615,555	3,924,549
Operating income (loss)	663,672	540,332	(1,908,288)	(1,869,319)	(1,244,616)	(889,467)
NONOPERATING REVENUE (EXPENSES)						
Investment earnings (loss)	9,926	2,589	519,078	435,320	529,004	29,588
Sundry	64,168	56,317	21,775	2,515	85,943	-
Interest expense	(36,530)	(35,267)	(502,491)	(531,445)	(539,021)	-
Total non-operating revenue (expenses)	37,564	23,639	38,362	(93,610)	75,926	29,588
Income (loss) before capital contributions and transfers	701,236	563,971	(1,869,926)	(1,962,929)	(1,168,690)	(859,879)
Capital contributions	14,461	962,223	28,780	124,962	43,241	-
Transfers out	(1,029,649)	(1,047,053)	(3,194)	(3,329)	(1,032,843)	-
Change in net position	(313,952)	479,141	(1,844,340)	(1,841,296)	(2,158,292)	(859,879)
Net position - beginning	46,403,957	45,924,816	66,756,888	46,146,724	113,160,845	2,746,075
Restatement	(22,720)	-	(22,720)	22,451,460	(45,440)	-
Net position - beginning (restated)	46,381,237	45,924,816	66,734,168	68,598,184	113,115,405	2,746,075
Net position - ending	\$ 46,067,285	\$ 46,403,957	\$ 64,889,828	\$ 66,756,888	\$ 110,957,113	\$ 1,886,196

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017
(with comparative information for December 31, 2016)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer		
	Current Year	Prior Year	Current Year	Prior Year		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 6,070,881	\$ 5,794,402	\$ 3,385,447	\$ 3,640,557	\$ 9,456,328	\$ 2,984,436
Receipts for interfund services provided	-	276,338	-	2,897	-	-
Payments to suppliers	(3,426,397)	(3,649,633)	(2,288,910)	(2,627,146)	(5,715,307)	(3,781,301)
Payments to employees	(618,718)	(629,943)	(527,153)	(436,869)	(1,145,871)	-
Payments for interfund services used	(110,144)	(107,264)	(111,406)	(107,982)	(221,550)	-
Net cash flows provided by (used in) operating activities	<u>1,915,622</u>	<u>1,683,900</u>	<u>457,978</u>	<u>471,457</u>	<u>2,373,600</u>	<u>(796,865)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances from other funds	155,700	-	-	-	155,700	250,000
Transfer out - paid for tax equivalent	(1,029,649)	(1,047,053)	(3,194)	(3,329)	(1,032,843)	-
Net Cash Flows from Noncapital Financing Activities	<u>(873,949)</u>	<u>(1,047,053)</u>	<u>(3,194)</u>	<u>(3,329)</u>	<u>(877,143)</u>	<u>250,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Payments on capital debt	(55,000)	(55,000)	(1,185,535)	(1,157,048)	(1,240,535)	-
Payments from other governments	-	-	3,940,408	1,356,800	3,940,408	-
Payment of advances from other funds	-	-	(2,198,616)	-	(2,198,616)	-
Interest on capital debt	(35,788)	(34,487)	(507,355)	(536,193)	(543,143)	-
Capital contribution received	14,461	38,975	28,780	38,975	43,241	-
Acquisition of capital assets	(264,151)	(228,283)	(278,291)	(48,560)	(542,442)	-
Net cash provided (used) by capital and related financing activities	<u>(340,478)</u>	<u>(278,795)</u>	<u>(200,609)</u>	<u>(346,026)</u>	<u>(541,087)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings	9,926	2,589	519,078	435,320	529,004	29,588
Net cash provided (used) by investing activities	<u>9,926</u>	<u>2,589</u>	<u>519,078</u>	<u>435,320</u>	<u>529,004</u>	<u>29,588</u>
Net increase (decrease) in cash and cash equivalents	711,121	360,641	773,253	557,422	1,484,374	(517,277)
Cash and cash equivalents - Beginning	1,189,005	828,364	913,528	356,106	2,102,533	2,617,342
Cash and cash equivalents - Ending	<u>\$ 1,900,126</u>	<u>\$ 1,189,005</u>	<u>\$ 1,686,781</u>	<u>\$ 913,528</u>	<u>\$ 3,586,907</u>	<u>\$ 2,100,065</u>
Cash and Investments - Unrestricted	\$ 1,900,126	\$ 1,189,005	\$ 1,508,191	\$ 519,301	\$ 3,408,317	\$ 2,100,065
Cash and Investments - Restricted	-	-	178,590	394,227	178,590	-
	<u>\$ 1,900,126</u>	<u>\$ 1,189,005</u>	<u>\$ 1,686,781</u>	<u>\$ 913,528</u>	<u>\$ 3,586,907</u>	<u>\$ 2,100,065</u>

Continued

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2017
(with comparative information for December 31, 2016)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 663,672	\$ 540,332	\$ (1,908,288)	\$ (1,869,319)	\$ (889,467)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities					
Depreciation	1,194,029	1,214,163	2,119,900	2,123,035	3,313,929
Depreciation allocated to other funds	11,706	12,363	(11,706)	(12,363)	-
Amortization	130,666	130,666	-	-	130,666
Nonoperating revenues	64,168	56,317	21,775	2,515	85,943
(Increase) decrease in assets and deferred outflows of resources	(58,993)	(105,275)	13,302	276,646	(45,691)
Accounts receivable	21,605	(16,409)	24,924	2,694	46,529
Taxes receivable	2,304	1,735	2,214	(105)	4,518
Prepaid expense	(12,984)	81,534	-	45,411	(12,984)
Due from other funds	-	-	11,592	-	11,592
Due from other governments	-	2,319	-	2,319	-
Other post employment benefits asset	-	(8,584)	-	(61,995)	-
Pension benefits	-	-	-	-	-
Increase (decrease) in liabilities and deferred inflow of resources	(19,237)	(99,670)	242,404	(39,846)	223,167
Accounts payable	955	17,577	1,101	24,756	2,056
Accrued liabilities	(15,885)	(127,799)	416	(89,423)	(15,469)
Due to other funds	(63,391)	16,480	(56,663)	98,981	(120,054)
Pension obligations	(2,993)	-	(2,993)	-	(5,986)
Post employment retirement benefit	-	(31,849)	-	(31,849)	-
Compensated absences	-	-	-	-	-
Total adjustments	1,251,950	1,143,568	2,366,266	2,340,776	3,618,216
Net cash flows provided by (used in) operating activities	\$ 1,915,622	\$ 1,683,900	\$ 457,978	\$ 471,457	\$ 2,373,600
Noncash Capital Activities					
Cost of Utility plant installed and/or financed by external parties or the City	\$ 14,461	\$ 923,248	\$ 28,780	\$ 85,987	\$ 43,241

CITY OF FRANKLIN, WISCONSIN
Statement of Fiduciary Net Position
Fiduciary Funds
As of December 31, 2017

	Agency Funds	City of Franklin Post Employment Benefits Trust
ASSETS		
Cash	\$ 58,030,499	\$ 174,890
Investments:		
Fixed Income Securities - Corporate Bonds	-	1,749,564
Domestic Equities	-	2,867,256
International Equities	-	817,376
Total Cash & Investments	58,030,499	5,609,086
Accounts receivable	48,113	95,777
Taxes receivable	13,997,006	-
Total assets	\$ 72,075,618	\$ 5,704,863
LIABILITIES		
Accounts payable	\$ 102,642	\$ -
Accrued liabilities	-	131,100
Due to other governments	71,959,258	-
Due to municipality	-	-
Special deposits	13,718	-
Total liabilities	\$ 72,075,618	131,100
Total net position restricted for post employment benefits		\$ 5,573,763

CITY OF FRANKLIN, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2017

	City of Franklin Post Employment Benefits Trust
ADDITIONS	
Contributions	
City of Franklin	\$ 422,684
Retirees	91,969
Net investment earnings	673,624
Total additions	1,188,277
 DEDUCTIONS	
Incurring claims	377,833
Prescription drug claims	111,666
Claims fees	19,879
Stop loss premiums less claims received	(9,028)
Total deductions	500,350
Change in net position	687,927
 NET POSITION HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:	
Beginning of year	4,885,836
End of year	\$ 5,573,763

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for certain Tax Incremental Districts (TID) development within the City. The Authority is governed by a seven member board appointed by the Mayor and confirmed by the Common Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and manage certain TID development projects for the benefit of the City. The Authority had no financial transactions during 2017, nor does the Authority own any assets or liable for any debt. Therefore, no financial statements are presented in this report. The Authority does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement replaces the requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This standard was implemented January 1, 2017.

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This standard was implemented January 1, 2017.

Government-Wide Financial Statements

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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

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

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

Major Governmental Funds

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Major Enterprise Funds

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

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

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

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, Tourism Commission, St Martin’s Fair, Donation, Civic Celebrations and Grant.

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

Other Fund Types

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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 of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Receivables are recorded as revenue when services are performed. At December 31, 2017, there were \$481,411 of anticipated future assessments. This is not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

Fund Financial Statements

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

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

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

All Financial Statements

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments

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

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

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

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

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

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

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 3.A. No investments are reported at amortized cost.

Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income (loss). Investment income (loss) on commingled investments of various City Funds is allocated based on average investment balances.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2017, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

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. Inventories and Prepaid Items

Governmental fund inventory items, except fuel inventory, are charged to expenditures when purchased. The fuel inventory is recorded at cost on a first-in first-out basis using the consumption method of accounting. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Year end inventory was not significant.

Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for sale. Material and supplies on hand at year end are considered immaterial.

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

4. Restricted Assets

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

5. Benefit Obligations

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables

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

Property tax calendar – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	March 31, 2018
Third installment due	May 31, 2018
Personal property taxes in full	January 31, 2018
Final tax settlement with County	August 20, 2018
Tax deed by County – 2017	
Delinquent real estate taxes	October 2020

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.

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

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

8. Compensated Absences

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

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. Benefit Obligations (continued)

For purposes of measuring the net 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 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 investment 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 \$10,000 for infrastructure assets with estimated useful lives of two years or more. Capital assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at 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, and an allowance for the cost of funds used during construction when significant.

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

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

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

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)

8. Compensated Absences (continued)

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.

9. Long-term Obligations/Conduit Debt

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

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

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

The City has approved issuance of industrial development revenue bonds (IDRB) for the benefit of private business enterprises. IDRB's are secured by mortgages or revenue agreements on liquidated with expendable available financial resources are recorded during the year as associated projects of the business enterprises. The IDRB's do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the financial statements. Five series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$13,075,000 are outstanding with a December 31, 2017 balance of \$7,371,535.

10. Claims and Judgments

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Equity Classifications

Government-Wide Statements

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

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

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

	Governmental	Business-type	Adjustment	Total
	Activities	Activities		
Net investment in capital assets	\$ 115,417,617	\$ 86,584,568	\$ (155,290)	\$ 201,846,895
Unrestricted	11,303,345	4,179,263	155,290	15,637,898

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Comparative Data

The basic financial statements include comparative data for the prior year for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. This comparative data is not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2016 from which the data was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

The budget amounts presented include any amendments made during the year. The City may authorize transfers of budget amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds vote of the Common Council. Supplemental appropriations during the year were not significant. Appropriations lapse at the end of the year unless specifically carried over. Carryovers to the following year amounted to approximately \$1.3 million. Budgets are adopted for personnel and non-personnel expenditures at the function level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Equity Classifications (continued)

Fund Statements

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

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

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

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

The City has adopted a fund balance policy (Res. 2016-7216) for all governmental funds supported by tax levy as follows: the ratio of year end fund balance to current year Expenditures shall target a range between 20 and 30%. The amount of Fund Balance will be taken into consideration when establishing the following year's budget. At least 15% of the succeeding year expenditure budget be maintained for working capital. Any non-spendable fund balance of the General Fund shall be excluded from the ratio. As of the year ended December 31, 2017, the City was in compliance with the fund balance policy.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

B. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the City's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue 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.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety). For the year ended December 31, 2017 the following fund functions had expenditures exceeding budget:

Fund/Function	Budget Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Civic Celebration			
Culture, recreation, and education	\$ 129,337	\$ 136,353	\$ 7,016
Donation			
Culture, recreation, and education	2,000	2,104	104

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

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

A. CASH AND INVESTMENTS (continued)

The City's bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, although the fund had reserves available at December 31, 2017, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 35 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

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

Cash and investments as shown on the December 31, 2017 statement of net position are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 1,368,906	\$ 1,368,906	Credit
Money market funds	234,502	234,502	Custodial credit
Certificates of deposit	1,000,000	1,000,000	Custodial credit
U.S. agencies	13,027,030	13,027,030	Credit, custodial credit, interest rate and concentration of credit
Municipal bonds	1,008,760	1,008,760	Credit, custodial credit, interest rate and concentration of credit
Corporate notes	2,001,408	2,001,408	Credit, custodial credit, interest rate and concentration of credit
Total fixed income investments	18,640,606	18,640,606	
Equity funds	3,684,632	3,684,632	Custodial credit
Fixed income funds	1,749,564	1,749,564	Credit and interest rate
Cash and demand deposits	70,612,961	63,005,109	Custodial credit
Total	\$ 94,987,763	\$ 87,079,911	

Reconciliation to the financial statements is shown below:

Per Statement of Net Position	
Primary Government:	
Unrestricted cash and investments	\$ 30,869,588
Restricted cash and investments	178,590
Per Statement of Fiduciary Net Position - Fiduciary Funds	
Agency Fund	58,030,499
City of Franklin Post Employment Benefits Trust	5,609,086
	<u>\$ 94,687,763</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

Custodial Credit Risk For deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2017, none of the City's total bank balances of \$63,005,109 were uninsured and uncollateralized and therefore exposed to custodial credit risk. For investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the City's investments have a tri-party relationship with the investments held by a party independent of the party managing the investment.

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

As of December 31, 2017, 70.5% of the fixed income investments were in rated fixed income investments and subject to credit risk. The ratings as a percentage of the total investment portfolio were as follows: Aaa at 8.7%, and Aa2 at 4.4%. The portfolio makeup of fixed income investments was treasury and agency securities at 56.5%, corporate securities at 8.7%, Municipal Bonds at 4.4%, Local Government Investment Pool at 5.9% and money market funds at 1.0%. The Local Government Investment Pool is not rated. Equities and fixed income mutual funds held in trust at 23.6% make up the remainder of the investments and are not individually rated.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to a large investment position in a single issuer. As of December 31, 2017 no issuer other than U.S. Treasury and Agency securities that have the full faith guarantee of the U.S. government had a position of greater than ten percent of the portfolio.

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

As of December 31, 2017, the City's investments exposed to interest rate risk were as follows:

Investment type	Fair Value	Investment Maturity in years			
		Less than 1	2 - 3	4 - 5	6 - 7
U.S. treasuries and agencies	\$ 13,027,030	\$ 2,097,973	\$ 8,419,014	\$ 2,510,042	\$ -
Municipal bonds	1,008,760	1,008,760	-	-	-
Corporate notes	2,001,408	1,004,202	997,206	-	-
Fixed income funds	1,749,564	149,739	348,554	346,013	905,258
Total	\$ 17,786,762	\$ 4,260,674	\$ 9,764,774	\$ 2,856,055	\$ 905,258

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

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

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

Investment Type	As of December 31, 2017:			Total
	Level 1	Level 2	Level 3	
US treasuries and agencies	\$ -	\$ 13,027,030	\$ -	\$ 13,027,030
Municipal bonds	-	1,008,760	-	1,008,760
Corporate notes	-	2,001,408	-	2,001,408
Total	-	16,037,198	-	16,037,198
Equity funds	3,684,632	-	-	3,684,632
Fixed income funds	1,749,564	-	-	1,749,564
Total	\$ 5,434,196	\$ 16,037,198	\$ -	\$ 21,471,394

B. RECEIVABLES

Receivables consist of accounts, taxes, notes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and ambulance revenue, was \$ 66,184 at December 31, 2017. Other than the special assessment receivables, all other receivables are expected to be collected within one year.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

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

	Unavailable	Unearned	Total
Governmental funds:			
Subsequent year property taxes	-	\$ 24,734,269	\$ 24,734,269
Special assessments not yet due	845,383	-	845,383
Total deferred inflows of resources for governmental funds	<u>\$ 845,383</u>	<u>\$ 24,734,269</u>	<u>\$ 25,579,652</u>

C. DUE FROM OTHER GOVERNMENTS

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

Year Ending December 31	Business-type Activities	
	Principal	Interest
2018	\$ 1,214,723	\$ 477,809
2019	1,244,629	447,534
2020	1,275,272	416,514
2021	1,306,669	384,731
2022	1,338,839	352,164
2023-27	7,205,164	1,243,562
2028-31	6,429,397	321,395
Total	<u>\$ 20,014,693</u>	<u>\$ 3,643,709</u>

D. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund - an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2017 is \$178,590.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 24,623,751	\$ 449,200	-	\$ 25,072,951
Construction in progress	1,019,925	1,964,333	2,541,453	442,805
Total capital assets not depreciated	<u>25,643,676</u>	<u>2,413,533</u>	<u>2,541,453</u>	<u>25,515,756</u>
Capital assets depreciated:				
Buildings & improvements	26,770,132	210,159	119,949	26,860,342
Machinery & equipment	17,924,405	954,579	316,675	18,562,309
Infrastructure	98,419,149	6,003,168	28,471	104,393,846
Total capital assets depreciated	<u>143,113,686</u>	<u>7,167,906</u>	<u>465,095</u>	<u>149,816,497</u>
Less: Accumulated depreciation for:				
Buildings & improvements	10,276,432	675,001	41,981	10,909,452
Machinery & equipment	10,846,700	1,006,333	314,956	11,538,077
Infrastructure	29,234,784	1,754,533	28,471	30,960,846
Total accumulated depreciation	<u>50,357,916</u>	<u>3,435,867</u>	<u>385,408</u>	<u>53,408,375</u>
Net capital assets depreciated	<u>92,755,770</u>	<u>3,732,039</u>	<u>79,687</u>	<u>96,408,122</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 118,399,446</u>	<u>\$ 6,145,572</u>	<u>\$ 2,621,140</u>	<u>\$ 121,923,878</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 140,355
Public safety	696,026
Public works	2,093,744
Health & human services	3,997
Culture & recreation	500,365
Conservation & development	1,380
Total governmental activities depreciation expense	<u>\$ 3,435,867</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Dispositions	Transfers	Ending Balance
Business-Type Activities					
Capital Assets not depreciated:					
Land	\$ 888,479	\$ -	\$ -	\$ -	\$ 888,479
Capital assets depreciated:					
Buildings & improvements	6,677,157	-	-	5,285	6,682,442
Machinery & equipment	5,385,346	500,158	130,381	(5,285)	5,749,838
Infrastructure	134,145,872	43,241	-	-	134,189,113
Total capital assets depreciated	146,208,375	543,399	130,381	-	146,621,393
Less: Accumulated depreciation for:					
Buildings & improvements	1,510,169	206,796	-	-	1,716,965
Machinery & equipment	3,594,289	295,261	130,381	178,460	3,997,629
Infrastructure	31,508,030	2,851,872	-	(178,460)	34,181,442
Total accumulated depreciation	36,612,488	3,313,929	130,381	-	39,796,036
Net capital assets depreciated	109,595,887	(2,770,530)	-	-	106,825,357
Business-type Activities Capital Assets,					
Net of Accumulated Depreciation	\$ 110,484,366	\$ (2,770,530)	\$ -	\$ -	\$ 107,713,836

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 1,194,029
Sewer	2,119,900
Total business-type activities depreciation expense	<u>\$ 3,313,929</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

F. LEASE DISCLOSURES

OPERATING LEASES

The City has entered into several lease agreements with telecommunications companies, wherein the City has agreed to allow the use of water utility property for the purpose of telecommunication relays. Revenue from this activity totaled \$ 106,081 for the year ended December 31, 2017. Future minimum lease payments receivable in conjunction with the leases are as follows:

	Fiscal Year	Governmental Activities	Business-Type Activities	Total
2018	\$	55,892	\$ 55,892	\$ 111,784
2019		43,218	43,218	86,436
2020		20,778	20,778	41,556
2021		1,913	1,913	3,826
Totals	\$	121,801	\$ 121,801	\$ 243,602

G. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

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

The interfund receivables and payables at December 31, 2017 are as follows:

Payable Fund	General	Receivable Fund		Total
		Water Utility	Sanitary Sewer	
General	\$ -	\$ 18,352	\$ -	\$ 18,352
TIF Districts	24,695	-	-	24,695
Non-Major	36,552	-	-	36,552
Water Utility	4,495	-	44,650	49,145
Sanitary Sewer	-	20,908	-	20,908
Totals	\$ 65,742	\$ 39,260	\$ 44,650	\$ 149,652

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

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

Advances

The City of Franklin provides short and long term advances to its TIF Districts. The amounts advanced are either from proceeds of a borrowing or from fund reserves. They are used to enable the TIF Districts to carry out approved project plans. The TIF Districts interest rate is based upon the interest rate incurred by the Debt Service Fund on its borrowings or the reinvestment rate available to other funds. The advances will be repaid as the TIF District resources are available. 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 ten year note to aid the Water Utility portion of the payment.

Payable Fund	Receivable Fund		Total	Due within one year
	General	Internal Service		
TIF Districts	\$ 75,000	\$ 25,000	\$ 125,000	\$ 125,000
Water Fund	155,700	-	155,700	16,000
	\$ 230,700	\$ 25,000	\$ 280,700	\$ 141,000

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, 2017 were as follows:

Transfers In	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Fund Totals
General Fund	\$ -	\$ 26,950	\$ 1,032,843
Debt Service Fund	-	113,997	113,997
Nonmajor Governmental Funds	57,138	661	57,799
Total	\$ 57,138	\$ 141,608	\$ 1,231,589

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

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, 2017 is as follows:

	Governmental Funds	Enterprise Funds
Transfers in per fund statements	\$ 1,231,589	\$ -
Transfers out per fund statements	(198,746)	(1,032,843)
Capital Contributions from governmental funds to enterprise funds	(43,241)	43,241
Government Wide Transfers	\$ 989,602	\$ (989,602)

H. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2017 were as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Governmental Activities	\$ 10,245,000	\$ 1,630,000	\$ 3,030,000	\$ 8,845,000	\$ 2,315,000
General obligation debt	260,403	51,071	93,852	217,622	-
Premium	10,505,403	1,881,071	3,123,852	9,062,622	2,315,000
Sub-total					
Compensated absences	451,180	1,017,970	1,041,653	427,497	427,496
Accrued vacation pay	1,403,107	149,098	140,959	1,411,246	114,247
Accrued severance pay	196,464	275,865	286,969	183,360	183,359
Accrued compensatory time	2,050,751	1,442,933	1,471,581	2,022,103	725,102
Total compensated absences	1,344,496	-	651,834	692,662	-
Net pension obligation - WRS					
Net pension obligation - City of Franklin Defined Benefit Retirement Plan	788,557	808,904	-	1,597,461	-
Net OPEB obligation	2,296,829	-	302,532	1,994,297	-
Total benefit obligations	6,480,633	2,251,837	2,425,947	6,306,523	725,102
Governmental activities					
Long-term liabilities	\$ 16,986,036	\$ 3,932,908	\$ 5,549,799	\$ 15,369,145	\$ 3,040,102

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Business-type Activities					
General obligation debt	\$ 22,380,228	\$ -	\$ 1,240,535	\$ 21,139,693	\$ 1,269,723
Discount	(11,534)	-	(1,109)	(10,425)	-
Subtotal	22,368,694	-	1,239,426	21,129,268	1,269,723
Compensated absences	44,933	45,048	43,832	46,149	46,149
Accrued vacation pay	75,694	-	446	75,248	4,091
Accrued severance pay	27,506	7,120	5,980	28,646	28,646
Total compensated absences	148,133	52,168	50,258	150,043	78,886
Net OPEB obligation	45,440	-	5,986	39,454	-
Net pension obligation - City of Franklin Defined Benefit Retirement Plan	383,148	396,565	-	779,713	-
Total Benefit Obligations	576,721	448,733	56,244	969,210	78,886
Business-type activities Long-term liabilities	\$ 22,945,415	\$ 448,733	\$ 1,295,670	\$ 22,098,478	\$ 1,348,609

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

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

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance Outstanding 12/31
General obligation Refunding Bonds						
	4/20/2016	2.0%	3/1/17-21	3/1 & 9/1	\$ 5,770,000	\$ 4,560,000
General obligation promissory notes						
	12/18/14	2.0% - 2.5%	3/1/15-24	3/1 & 9/1	5,320,000	2,655,000 ¹
General Obligation Notes						
	12/21/17	2.5% - 3.0%	3/1/19-27	3/1 & 9/1	1,630,000	1,630,000 ⁴
Total Governmental Activities Debt						<u>\$ 8,845,000</u>
Business-type Activity Debt						
General obligation Clean Water Fund Loan						
	1/25/12	2.4%	5/1/14-31	5/1 & 11/1	27,582,754	\$ 20,014,693 ²
General obligation Bonds						
	12/18/14	2.0% - 3.125%	3/1/15-34	3/1 & 9/1	1,290,000	1,125,000 ³
Total Business-type Activities Debt						<u>\$ 21,139,693</u>

¹ Issued 63% for capital TIF purposes and 37% for general capital purposes, ² Issued for a sewer extension on W Ryan Rd, ³ Issued for water building purposes, ⁴ Issued for general Capital Improvement purposes.

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 2,315,000	\$ 140,045	\$ 1,269,723	\$ 509,746
2019	1,405,000	88,788	1,299,629	478,371
2020	1,325,000	62,412	1,330,272	446,251
2021	1,345,000	36,262	1,366,669	413,018
2022	560,000	19,319	1,398,839	378,652
2023-27	1,895,000	15,900	7,520,164	1,348,326
2028-32	-	-	6,794,397	374,970
2033-34	-	-	160,000	5,000
Total	<u>\$ 8,845,000</u>	<u>\$ 362,726</u>	<u>\$ 21,139,693</u>	<u>\$ 3,954,334</u>

The City's statutory debt limit and margin of indebtedness at December 31, 2017 are \$194,446,310 and \$164,461,617, respectively. By City debt policy, the debt limit and margin of indebtedness limit are \$ 77,778,524 (40% of the limit prescribed by law) and \$ 47,793,831, respectively.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

On September 19, 2017 the Common Council adopted Resolution 2017-7299 authorizing the issuance of \$42.75 million of Note Anticipation Notes. As of December 31, 2017 – all \$42.75 million of NAN authorized values are remaining to be issued.

I. NET POSITION/FUND BALANCES

Governmental Activities

Governmental activities net position reported on the government-wide statement of net position at December 31, 2017 include the following:

Net investment in capital assets	
Land	\$ 25,072,951
Construction in process	442,805
Other capital assets, net of accumulated depreciation	96,408,122
Less: related long term debt outstanding, net of unspent bond proceeds	(6,506,261)
Net investment in capital assets	<u>\$ 115,417,617</u>

Business-type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2017 include the following:

Net investment in capital assets	
Land	\$ 888,479
Other capital assets, net of accumulated depreciation	106,825,357
Less: related long term debt outstanding	(21,129,268)
Net investment in capital assets	<u>\$ 86,584,568</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Governmental Fund Balances

Reported on the fund financial statements at December 31, 2017 include the following:

Nonspendable fund balances	
General Fund - advances	\$ 230,700
General Fund - prepaid items and inventory	15,848
Library Fund - prepaid items	650
Total nonspendable fund balance	<u>\$ 247,198</u>

Restricted fund balances

Debt service	\$ 735,022
Utility improvements	1,413,378
Development	4,166,500
TIF Districts	2,405,999
Donations	150,136
Health services	199,428
Library services	580,430
Solid waste	393,677
Recreational services	65,727
Tourism Commission	211,793
Total restricted fund balance	<u>\$ 10,322,090</u>

Assigned Fund balances:

General Fund - purchases on order	\$ 150,565
Capital Projects:	
Capital outlay	353,040
Equipment replacement	2,311,815
Capital improvement	3,795,493
Street improvement	286,266
Total assigned fund balances	<u>\$ 6,897,179</u>

Unassigned fund balances

General Fund	\$ 6,190,398
TIF Districts (Deficit)	(183,998)
St Martin's Fair (Deficit)	(34,452)
Total unassigned fund balances	<u>\$ 5,971,948</u>

NOTE 4 - OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System (Protective Occupation Employees only)

General Information about the Pension Plan

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

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

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

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

General Information about the Pension Plan (continued)

Benefits provided. Employees who retire at or after age 54 for protective occupation employees are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment		Variable Fund Adjustment	
	Year	Adjustment	Year	Adjustment
2007	3.0%		10%	
2008	6.6	0		
2009	(2.1)	(42)		
2010	(1.3)	22		
2011	(1.2)	11		
2012	(7.0)	(7)		
2013	(9.6)	9		
2014	4.7	25		
2015	2.9	2		
2016	0.5	(5)		

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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 employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$818,075 in contributions from the employer.

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

Contribution rates as of December 31, 2017 are:

Employee Category	Employee	Employer
Protective with Social Security	6.8%	12.0%

At December 31, 2017, the City reported a liability of \$692,662, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City's proportion was 0.08403662%, which was an increase of 0.00129740%, from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$1,846,839, which includes amounts paid to WRS related to duty disability payments.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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, 2017, 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	\$ 264,113	\$ 2,178,363
Changes in assumptions	724,205	-
Net differences between projected and actual earnings on pension plan investments	3,447,854	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	69,377	18,408
Employer contributions subsequent to the measurement date	1,074,037	-
Total	\$ 5,579,586	\$ 2,196,771

The \$1,074,037 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended December 31, 2018 for the City.

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

Year ended December 31:	
2018	\$939,511
2019	939,511
2020	638,907
2021	(210,133)
2022	982

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

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

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	5.0
Variable Fund Asset Class				
US Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

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

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 9,112,418	\$ 692,662	\$ (5,790,931)

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

Payables to the pension plan - The City reported payables to the WRS of \$131,664 as of December 31, 2017, of which \$84,041 was the City's share.

City of Franklin Defined Benefit Retirement Income Plan

General Information about the Pension Plan

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

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

General Information about the Pension Plan (continued)

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

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

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

The plan also provides death and disability benefits for employees.

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

Active employees	31
Terminated vested participants	6
Retirees	22
Total	<u>59</u>

Contributions - Contribution requirements are established through action of the City Council and may be amended only through city ordinance. Employees make a non-elective and non-discretionary pension contribution that is equal to 8.2% of their payroll. The City contributes all remaining amounts necessary to fund the pension plan. During the reporting period, contributions of \$302,518 were made by the City to the plan.

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

At December 31, 2017, the City reported a liability of \$2,377,179 for its net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

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

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 8,364,462	\$ 7,192,757	\$ 1,171,705
Changes for the year:			
Service cost	154,889	-	154,889
Interest	606,747	-	606,747
Difference between expected and actual experience	425,998	-	425,998
Changes of assumptions	709,323	-	709,323
Contributions - employer	-	302,518	(302,518)
Net investment income	-	409,272	(409,272)
Benefit payments	(296,465)	-	-
Administrative Expense	-	(20,307)	20,307
Balance at December 31, 2017	\$ 9,964,954	\$ 7,587,775	\$ 2,377,179

At December 31, 2017, 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	\$ 488,362	\$ 214,177
Changes in assumptions	596,342	-
Net differences between projected and actual earnings on pension plan investments	473,050	-
Employer contributions subsequent to measurement date	983,537	-
Total	\$ 2,541,291	\$ 214,177

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

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

The \$983,537 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	
2016	\$ 507,330
2017	457,989
2018	356,234
2019	22,024

Actuarial assumptions - The pension liability in the December 31, 2016 actuarial valuation was determined use the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Market Value
Long-Term Expected Rate of Return:	7.00%
Discount Rate:	6.54%
Salary increase - Inflation:	2.00%
Salary increase - Seniority/Merit:	3.00%
Mortality:	2016 IRS Prescribed Mortality - Optional Combined Table for Small Plans

Actuarial assumptions are based upon an experience study conducted in 2014 using historical experience. The total pension liability for December 31, 2016 is based upon the liability calculated from the December 31, 2015 actuarial valuation.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

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

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

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equity - Large Cap	7.85%	40.36%
US Equity - Mid Cap	8.10%	4.80%
US Equity - Small Cap	8.55%	2.43%
Non-US Equity	8.10%	12.47%
Core Bonds	3.75%	35.88%
High Yield	6.70%	4.00%

Discount rate - A discount rate of 6.54% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 4.09%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

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

Sensitivity of the net pension liability to changes in the discount rate - The following presents the City's net pension liability calculated using the discount rate of 6.54%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.54%) or 1-percentage-point higher (7.54%) than the current rate:

	1% Decrease to Discount Rate (5.54%)	Current Discount Rate (6.54%)	1% Increase to Discount Rate (7.54%)
City's net pension liability	\$ 3,500,724	\$ 2,377,179	\$ 1,418,719

For the year ended December 31, 2017, the City recognized pension expense of \$407,270.

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 2017, total contributions of \$414,676 or 10% of covered payroll were made. The City contributed \$202,272 and employees \$202,272. The City may make amendments to the Plan.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS

General Information About the OPEB Plan

Plan administration and description. The City administers the City of Franklin Post-Employment Benefits 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 (OPEB) obligation for those groups. These groups commonly have higher medical costs than anticipated in the blended premium rates. That differential is referred to as an implicit rate subsidy.

Employees covered by benefit terms. At December 31, 2017, the following employees were covered by the benefit terms:

Active employees	179
Inactive employees entitled to by not yet receiving benefits	-
Retirees receiving benefits	24
Total	<u>203</u>

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 Service
Non-represented	34	75% of Premium at Retirement	62	20
Police	72	75% of Premium at Retirement	53	15
Dispatch	14	75% of 2005 Premium	62	20
Fire	54	75% of Premium at Retirement	53	20
DPW	28	75% of Premium at Retirement	60	15

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Investments

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 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 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
Domestic equity (maximum)	75%	10.0%
Domestic equity (minimum)	25	10.0
Fixed income (maximum)	50	2.5
Fixed income (minimum)	25	2.5

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 2017 was 13.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Salary increases 2.00 percent, average, including inflation
- Investment rate of return 6.50 percent, net of OPEB plan investment expense, including inflation
- Healthcare cost trend rates -2.5% for 2018, 7.0% for 2019, 6.5% for 2020 and 2021, 6.0% for 2022 and 2023 and 5.5% for 2024 and thereafter

Mortality rates were based on a blend of the Death-In-Service and Retired Lives mortality rates from the "Wisconsin Retirement System 2012 - 2014 Experience Study" with the MP-2015 generational improvement scale (multiplied by 50%).

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2012 - December 31, 2014.

Discount rate. The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that City 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. The discount rate used for the December 31, 2017 valuation was reduced 0.25% from the previous valuation.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2016	\$ 7,312,825	\$ 4,970,556	\$ 2,342,269
Changes for the year:			
Service cost	223,719	-	223,719
Interest	489,875	-	489,875
Contributions - employer	-	422,684	(422,684)
Net investment income	-	323,086	(323,086)
Benefit payments	(418,905)	(418,905)	-
Estimated Balance at December 31, 2017	\$ 7,607,514	\$ 5,297,421	\$ 2,310,093
Difference between estimated and actual Plan Fiduciary Net Position	-	276,342	(276,342)
Actual Balance at December 31, 2017	\$ 7,607,514	\$ 5,573,763	\$ 2,033,751

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

73.27%

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

	1% Decrease to Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase to Discount Rate (7.5%)
City's net OPEB liability	\$ 3,026,996	\$ 2,310,094	\$ 1,664,690

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Changes in the Net OPEB Liability (continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent decreasing to 4.5 percent) or 1-percentage-point higher (8.0 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	1% Decrease to (6.0% Decreasing to 4.5%)	Healthcare Cost Trend Rates (7.0% Decreasing to 5.5%)	1% Increase to (8.0% Decreasing to 6.5%)
City's net OPEB liability \$	1,722,862	\$ 2,310,094	\$ 2,974,885

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the City recognized negative OPEB expense of \$308,518. At December 31, 2017, the City did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

Payable to the OPEB Plan

At December 31, 2017, the City does not report a payable for any outstanding amount of contributions to the City OPEB Plan required for the year ended December 31, 2017.

D. CONTINGENCIES AND COMMITMENTS

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 4 - OTHER INFORMATION (continued)

D. CONTINGENCIES AND COMMITMENTS (continued)

The City has encumbered approximately \$1.3 million at year end due to valid contracts or purchase orders in place and the related services committed and not yet received.

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

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

E. RISK MANAGEMENT

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

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

Changes in the balance of claims payable for the years ended December 31, 2017 and 2016 are as follows:

Fiscal Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claims Payments	Balance End of Year
2017	\$ 270,500	\$ 3,944,749	\$ 3,924,549	\$ 290,700
2016	\$ 270,500	3,802,461	3,802,461	270,500

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017**

NOTE 4 - OTHER INFORMATION (continued)

F. RESTATEMENT

The City implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This standard was implemented January 1, 2017. As a result, beginning net position has been restated as follows: Governmental Activities – (\$2,296,828), Business-type Activities – (\$45,440), Water Utility – (\$22,720) and Sewer Utility – (\$22,720).

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

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

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*

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

H. SUBSEQUENT EVENT

On April 17, 2018 the City issued taxable general obligation note anticipation notes in the amount of \$23,480,000 with interest rates of 2.50% and 3.20%. The notes are being used to finance project cost related to the City's Tax Incremental District #5.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF CONTRIBUTIONS
CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN
For the Year Ended December 31, 2017

Fiscal Year Ending Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
12/31/15	\$ 293,632	\$ 293,632	\$ -	\$ 1,792,628	16%
12/31/16	339,927	339,927	-	1,876,995	18%
12/31/17	302,518	302,518	-	1,853,074	16%

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

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OPEB PLAN
For the Year Ended December 31, 2017

	Fiscal Year Ending 2017
Total OPEB Liability	
Service Cost	\$ 223,719
Interest on the Total OPEB Liability	489,875
Benefit Payments	(418,905)
Net Change in Total OPEB Liability	294,689
Total OPEB Liability - Beginning	7,312,825
Total OPEB Liability - Ending	\$ 7,607,514
Plan Fiduciary Net Position	
Employer Contributions	422,684
Employee Contributions	91,969
OPEB Plan Net Investment Income	673,624
Benefit Payments	(500,350)
Net Change in Plan Fiduciary Net Position	687,927
Plan Fiduciary Net Position - Beginning	4,885,836
Plan Fiduciary Net Position - Ending	\$ 5,573,763
Net OPEB Liability Ending	\$ 2,033,751
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	73%
Covered Payroll	\$ 13,879,896
Net OPEB Liability as a Percentage of Covered Payroll	15%

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

CITY OF FRANKLIN, WISCONSIN
SCHEDULE OF CONTRIBUTIONS
OPEB PLAN
For the Year Ended December 31, 2017

	Fiscal Year Ending 2017
Actuarially Determined Contribution	\$ 422,684
Actual Contribution	422,684
Contribution Deficiency (Excess)	\$ -
Covered Payroll	\$ 13,879,896
Actual Contribution as a Percentage of Covered Payroll	3%

CITY OF FRANKLIN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
As of and for the Year Ended December 31, 2017

NOTE 1 – PRESENTATION

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

NOTE 2 – 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 of assumptions. There were no changes in the assumptions.

NOTE 3 – CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN

The data presented in the Schedule of Changes in Net Pension Liability 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 for any participating employer in WRS.

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

NOTE 4 – OPEB PLAN

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

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

Changes of assumptions. The discount rate was reduced from 6.75% used in the previous actuarial study to 6.50% used in the current study.

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

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

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

Tourism Commission – The State mandated that certain portions of the Hotel Tax be dedicated for tourism promotion. The Common Council formed a Tourism Commission which determines how those funds are spent.

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

Capital Projects Funds

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

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

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

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

Street Improvement Fund – This fund accounts for the activities of the local road improvement program. Funding is provided by the tax levy and an every other year local road improvement grant from the State, and landfill siting revenues.

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

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

CITY OF FRANKLIN, WISCONSIN
 Combining Balance Sheet
 Nonmajor Governmental Funds
 As of December 31, 2017

	Special Revenue Funds								Total
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Collection Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Tourism Commission Fund	Grant Fund	
ASSETS									
Cash and investments	\$ 400,335	\$ 134,061	\$ 533,415	\$ 2,100	\$ 152,240	\$ 65,727	\$ 127,726	\$ 146,243	\$ 1,561,847
Receivables	-	-	-	-	-	-	-	-	-
Accounts	-	-	27,120	-	-	-	84,067	12,096	123,283
Taxes	1,303,200	-	1,208,269	-	-	-	-	-	2,511,469
Special assessments	-	-	-	-	-	-	-	-	-
Due from other governments	88,601	-	-	-	-	-	-	56,265	144,866
Prepaid items	-	650	-	-	-	-	-	-	650
Long-term advances	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,792,136	\$ 134,711	\$ 1,768,804	\$ 2,100	\$ 152,240	\$ 65,727	\$ 211,793	\$ 214,604	\$ 4,342,115
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ 16,284	\$ 2,506	\$ 166,483	\$ -	\$ 2,104	\$ -	\$ -	\$ 13,960	\$ 201,337
Accrued liabilities	22,352	1,425	430	-	-	-	-	1,216	25,423
Due to other funds	-	-	-	36,552	-	-	-	-	36,552
Total liabilities	38,636	3,931	166,913	36,552	2,104	-	-	15,176	263,312
DEFERRED INFLOWS OF RESOURCES									
Unearned & unavailable revenue	1,303,200	-	1,208,214	-	-	-	-	-	2,511,414
FUND BALANCES									
Nonspendable:									
Prepaid items	-	650	-	-	-	-	-	-	650
Restricted:									
Utility improvements	-	-	-	-	-	-	-	-	-
Development	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	150,136	-	-	-	150,136
Health services	-	-	-	-	-	-	-	199,428	199,428
Library services	450,300	130,130	-	-	-	-	-	-	580,430
Solid waste	-	-	393,677	-	-	-	-	-	393,677
Recreational services	-	-	-	-	-	65,727	-	-	65,727
Tourism Commission	-	-	-	-	-	-	211,793	-	211,793
Assigned:									
Capital projects	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	(34,452)	-	-	-	-	(34,452)
Total fund balances	450,300	130,780	393,677	(34,452)	150,136	65,727	211,793	199,428	1,567,389
Total liabilities, deferred inflows and fund balances	\$ 1,792,136	\$ 134,711	\$ 1,768,804	\$ 2,100	\$ 152,240	\$ 65,727	\$ 211,793	\$ 214,604	\$ 4,342,115

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2017

	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	\$ 361,349	\$ 2,312,040	\$ 3,860,654	\$ 286,266	\$ 1,259,706	\$ 4,221,232	\$ 12,301,247
Receivables	-	-	-	-	-	-	-
Accounts	-	-	78,490	-	-	-	78,490
Taxes	450,500	350,000	-	714,700	153,672	-	1,668,872
Special assessments	-	-	-	-	755,921	-	755,921
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Long-term advances	-	-	-	-	-	25,000	25,000
Total assets	\$ 811,849	\$ 2,662,040	\$ 3,939,144	\$ 1,000,966	\$ 2,169,299	\$ 4,246,232	\$ 14,829,530
	\$ 8,309	\$ 225	\$ 53,651	\$ -	\$ -	\$ 79,732	\$ 141,917
	-	-	90,000	-	-	-	90,000
	-	-	-	-	-	-	-
Total liabilities	8,309	225	143,651	-	-	79,732	231,917
	450,500	350,000	-	714,700	755,921	-	2,271,121
DEFERRED INFLOWS OF RESOURCES							
Unearned & unavailable revenue							4,782,535
FUND BALANCES							
Nonspendable:							
Prepaid items	-	-	-	-	-	-	650
Restricted:							
Utility improvements	-	-	-	-	1,413,378	-	1,413,378
Development	-	-	-	-	-	4,166,500	4,166,500
Donations	-	-	-	-	-	-	150,136
Health services	-	-	-	-	-	-	199,428
Library services	-	-	-	-	-	-	580,430
Solid waste	-	-	-	-	-	-	393,677
Recreational services	-	-	-	-	-	-	65,727
Tourism Commission	-	-	-	-	-	-	211,793
Assigned:							
Capital projects	353,040	2,311,815	3,795,493	286,266	-	-	6,746,614
Unassigned (deficit)	-	-	-	-	-	-	(34,452)
Total fund balances	353,040	2,311,815	3,795,493	286,266	1,413,378	4,166,500	13,893,881
Total liabilities, deferred inflows and fund balances	\$ 811,849	\$ 2,662,040	\$ 3,939,144	\$ 1,000,966	\$ 2,169,299	\$ 4,246,232	\$ 14,829,530

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue Funds								Total	
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Fund	St Martin's Fair Fund	Donation Fund	Celebrations Fund	Civic Fund	Tourism Commission Fund		Grant Fund
REVENUE										
Taxes	\$ 1,296,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,793	\$ -	\$ 1,508,393
Intergovernmental revenue	88,601	-	68,838	-	-	-	-	-	224,564	382,003
Public charges for services	-	8,906	1,561,305	-	-	-	114,255	-	-	1,684,466
Licenses and permits	-	-	-	25,285	-	-	600	-	-	25,885
Special assessments	-	-	-	-	-	-	-	-	-	-
Investment earnings	7,081	100	8,011	-	-	-	-	-	-	15,192
Miscellaneous revenue	-	59,211	35	450	51,616	25,838	-	-	8,745	145,895
Total revenue	<u>1,392,282</u>	<u>68,217</u>	<u>1,638,189</u>	<u>25,735</u>	<u>51,616</u>	<u>140,693</u>	<u>211,793</u>	<u>233,309</u>	<u>8,745</u>	<u>3,761,834</u>
EXPENDITURES										
Current:										
Public safety	-	-	-	-	31,101	-	-	-	5,000	36,101
Public works	-	-	1,575,395	-	-	-	-	-	-	1,575,395
Health and human services	-	-	-	-	588	-	-	-	181,978	182,566
Culture and recreation	1,215,212	45,282	-	52,717	2,104	136,352	-	-	-	1,451,667
Capital outlay	98,141	16,444	-	-	45,020	-	-	-	8,474	168,079
Total expenditures	<u>1,313,353</u>	<u>61,726</u>	<u>1,575,395</u>	<u>52,717</u>	<u>78,813</u>	<u>136,352</u>	<u>-</u>	<u>195,452</u>	<u>37,857</u>	<u>3,413,808</u>
Excess (deficiency) of revenue over expenditures	<u>78,929</u>	<u>6,491</u>	<u>62,794</u>	<u>(26,982)</u>	<u>(27,197)</u>	<u>4,341</u>	<u>211,793</u>	<u>37,857</u>	<u>348,026</u>	
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	11,000	-	13,000	-	-	-	24,000
Transfers out	-	-	-	-	-	-	-	-	-	-
General obligation debt issued	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	<u>11,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Net change in fund balances	<u>78,929</u>	<u>6,491</u>	<u>62,794</u>	<u>(15,982)</u>	<u>(27,197)</u>	<u>17,341</u>	<u>211,793</u>	<u>37,857</u>	<u>372,026</u>	
Fund balances (deficit) - beginning	<u>371,371</u>	<u>124,289</u>	<u>330,883</u>	<u>(18,470)</u>	<u>177,333</u>	<u>48,386</u>	<u>-</u>	<u>161,571</u>	<u>1,195,363</u>	
Fund balances (deficit) - ending	<u>\$ 450,300</u>	<u>\$ 130,780</u>	<u>\$ 393,677</u>	<u>\$ (34,452)</u>	<u>\$ 150,136</u>	<u>\$ 65,727</u>	<u>\$ 211,793</u>	<u>\$ 199,428</u>	<u>\$ 1,567,389</u>	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Capital Projects Funds						Total	
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund		Total
REVENUE								
Taxes	\$ 444,300	\$ 348,300	\$ -	\$ 704,900	\$ -	\$ -	\$ 1,497,500	\$ 3,005,893
Intergovernmental revenue	7,849	-	-	-	-	-	7,849	389,852
Public charges for services	148,000	200,000	370,758	133,000	-	-	851,758	2,536,224
Licenses and permits	-	-	-	-	-	-	-	25,885
Special assessments	-	-	-	-	143,537	281,413	424,950	424,950
Investment earnings	4,432	19,015	22,955	6,250	45,651	40,848	139,151	154,343
Miscellaneous revenue	401	750	-	-	-	-	1,151	147,046
Total revenue	604,982	568,065	393,713	844,150	189,188	322,261	2,922,359	6,684,193
EXPENDITURES								
Current:								
Public safety	-	-	-	-	-	-	-	36,101
Public works	-	-	-	-	-	-	-	1,575,395
Health and human services	-	-	-	-	-	-	-	182,566
Culture and recreation	-	-	-	-	-	-	-	1,451,667
Capital outlay	650,726	655,454	1,003,191	815,212	-	99,665	3,224,248	3,392,327
Debt service - debt issuance costs	-	-	40,442	-	-	-	40,442	40,442
Total expenditures	650,726	655,454	1,043,633	815,212	-	99,665	3,264,690	6,678,498
Excess (deficiency) of revenue over expenditures	(45,744)	(87,389)	(649,920)	28,938	189,188	222,596	(342,331)	5,695
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	53,674	28,201	97,480	-	-	-	179,355	179,355
Transfers in	33,138	-	661	-	-	-	33,799	57,799
Transfers out	(26,950)	-	-	-	-	(114,658)	(141,608)	(141,608)
General obligation debt issued	-	-	1,630,000	-	-	-	1,630,000	1,630,000
Total other financing sources (uses)	59,862	28,201	1,728,141	-	-	(114,658)	1,701,546	1,725,546
Net change in fund balances	14,118	(59,188)	1,078,221	28,938	189,188	107,938	1,359,215	1,731,241
Fund balances (deficit) - beginning	338,922	2,371,003	2,717,272	257,328	1,224,190	4,058,562	10,967,277	12,162,640
Fund balances (deficit) - ending	\$ 353,040	\$ 2,311,815	\$ 3,795,493	\$ 286,266	\$ 1,413,378	\$ 4,166,500	\$ 12,326,492	\$ 13,893,881

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Revenues and Transfers In - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
TAXES				
General property taxes	\$ 16,423,500	\$ 16,423,500	\$ 16,415,435	\$ (8,065)
Water Utility - tax equivalent	1,050,000	1,050,000	1,032,843	(17,157)
Cable TV franchise fees	530,000	530,000	482,833	(47,167)
Hotel/Room Tax	174,358	174,358	174,358	-
Mobile home assessments	22,600	22,600	20,999	(1,601)
	18,200,458	18,200,458	18,126,468	(73,990)
INTERGOVERNMENTAL REVENUE				
State shared revenue	482,400	482,400	502,707	20,307
State expenditure restraint revenue	207,900	207,900	207,922	22
Fire insurance - dues	141,500	141,500	153,400	11,900
Local, state and federal grants and aids				
Computer aid	220,600	220,600	219,437	(1,163)
Transportation aids	1,100,000	1,100,000	1,093,339	(6,661)
Other	85,000	85,000	88,156	3,156
	2,237,400	2,237,400	2,264,961	27,561
LICENSES, FEES AND PERMITS				
Licenses:				
Beer and liquor	33,800	33,800	42,256	8,456
Bartenders	16,500	16,500	17,221	721
Amusement and related	9,700	9,700	9,830	130
Peddlers	2,500	2,500	5,024	2,524
Food and related	1,850	1,850	6,215	4,365
Dog and cat	9,500	9,500	11,749	2,249
Health	59,600	59,600	61,537	1,937
Other	14,850	14,850	14,160	(690)
Permits:				
Building	648,865	648,865	423,900	(224,965)
Electrical	105,500	105,500	72,183	(33,317)
Plumbing	105,500	105,500	58,745	(46,755)
Sign	7,500	7,500	12,482	4,982
Park	14,300	14,300	19,071	4,771
Fire	4,500	4,500	3,940	(560)
Other	17,400	17,400	15,554	(1,846)
	1,051,865	1,051,865	773,877	(277,988)
FINES, FORFEITURES AND PENALTIES	500,000	500,000	485,407	(14,593)

(Continued)

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Revenues and Transfers In - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
PUBLIC CHARGES FOR SERVICES				
General government	\$ 13,000	\$ 13,000	\$ 13,059	\$ 59
Property reports and document fees	1,450	1,450	1,778	328
Clerk Services	7,500	7,500	7,024	(476)
Public safety	1,141,000	1,141,000	1,054,026	(86,974)
Police Department and related	81,000	81,000	49,693	(31,307)
Ambulance service	43,300	43,300	43,000	(300)
Fire Department and related	8,000	8,000	8,597	597
Quarry reimbursement				
Weights and measures				
Public works	12,000	12,000	5,823	(6,177)
Weed cutting	10,500	10,500	9,703	(797)
Street lighting	25,750	25,750	23,560	(2,190)
Engineering and DPW fees	255,000	255,000	186,487	(68,513)
Landfill tippage fees				
Health and human services	90,750	101,750	108,767	7,017
Health clinics and other health fees				
Conservation and development	64,000	64,000	91,730	27,730
Zoning, subdivision and other filing fees	1,753,250	1,754,250	1,603,247	(161,003)
	203,200	203,200	172,796	(30,404)
INTERGOVERNMENTAL CHARGES FOR SERVICES	220,000	220,000	189,275	(30,725)
INVESTMENT EARNINGS				
MISCELLANEOUS REVENUE				
Municipal property rental	45,000	45,000	53,041	8,041
Property sales	11,850	11,850	9,334	(2,516)
Refunds and reimbursements	22,500	22,500	36,586	14,086
Insurance dividend	45,000	45,000	45,087	87
Other revenue	1,500	1,500	4,795	3,295
	125,850	125,850	148,853	23,003
Total Revenues	24,291,823	24,302,823	23,764,884	(537,939)
Transfers from other funds	-	26,950	26,950	-
Total Revenues and Transfers In	\$ 24,291,823	\$ 24,329,773	\$ 23,791,834	\$ (537,939)

CITY OF FRANKLIN, WISCONSIN
General Fund

Schedule of Expenditures and Transfers Out - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

CURRENT	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
General Government				
Mayor - Personnel Services	\$ 18,508	\$ 18,508	\$ 18,501	\$ 7
Mayor - Other Services	6,350	6,350	5,206	1,144
Aldermen - Personnel Services	47,471	47,471	47,439	32
Aldermen - Other Services	24,760	24,760	22,231	2,529
Municipal court - Personnel Services	190,061	190,061	183,914	6,147
Municipal court - Other Services	47,150	74,850	69,969	4,881
City clerk - Personnel Services	302,038	316,538	299,862	16,676
City clerk - Other Services	28,000	28,000	26,551	1,449
Elections - Personnel Services	31,082	31,082	19,166	11,916
Elections - Other Services	9,600	9,600	6,940	2,660
Information services - Personnel Services	119,720	120,220	119,792	428
Information services - Other Services	363,067	390,017	358,432	31,585
Administration - Personnel Services	289,457	289,457	288,416	1,041
Administration - Other Services	138,015	138,015	85,575	52,440
Finance - Personnel Services	416,898	421,898	416,961	4,937
Finance - Other Services	96,724	96,724	95,867	857
Independent Audit	36,500	36,500	37,955	545
Assessor - Other Services	222,375	222,375	219,593	2,782
Legal counsel	337,532	337,532	324,065	13,467
Municipal buildings - Personnel Services	125,159	125,159	125,157	2
Municipal buildings - Other Services	119,215	119,215	111,428	7,787
Refunded Taxes	82,500	82,500	20,139	62,361
Property and liability insurance	93,575	93,575	65,454	28,121
Anticipated Underexpenditure	(455,820)	(455,820)	-	(455,820)
Contingency	625,000	292,262	25,488	266,714
Total General Government	3,314,937	3,058,848	2,984,101	64,748
Public Safety				
Police - Personnel Services	7,285,049	7,360,549	7,355,168	5,381
Police - Other Services	1,145,626	1,145,436	1,062,261	83,175
Dispatch - Personnel Services	1,095,593	1,095,593	1,021,964	74,029
Fire - Personnel Services	5,679,632	5,626,632	5,818,793	7,839
Fire - Other Services	473,100	473,100	404,553	68,547
Fire protection service charge	283,900	283,900	280,267	3,633
Building inspection - Personnel Services	788,275	788,275	734,075	54,200
Building inspection - Other Services	29,550	29,550	22,460	7,090
Sealer of weights and measures	7,600	7,600	7,600	-
Total Public Safety	16,768,325	17,010,635	16,706,741	303,894

(Continued)

CITY OF FRANKLIN, WISCONSIN
General Fund

Schedule of Expenditures and Transfers Out - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

CURRENT	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
Public Works				
Engineering - Personnel Services	624,790	624,790	519,893	104,897
Engineering - Other Services	21,820	28,220	18,610	10,610
Highway - Personnel Services	2,399,102	2,379,102	2,261,670	117,432
Highway - Other Services	790,797	790,797	722,294	68,503
Street lighting	344,800	344,800	308,168	36,632
Weed control	15,050	15,050	4,973	10,077
Total Public Works	4,196,359	4,183,759	3,835,608	348,151
Health and Human Services				
Public health - Personnel Services	581,507	586,507	576,488	10,019
Public health - Other Services	68,790	74,790	65,644	9,146
Animal control	34,500	34,500	33,743	757
Total Health and Human Services	684,797	695,797	675,875	19,922
Culture and Recreation				
Senior activities and travel program	21,400	23,686	20,277	3,409
Parks - Personnel Services	109,093	129,093	126,945	2,148
Parks - Other Services	41,725	41,725	39,747	1,978
Total Culture and Recreation	172,218	194,504	186,969	7,535
Conservation and Development				
Planning - Personnel Services	336,310	336,310	335,317	993
Planning - Other Services	60,550	60,550	56,525	4,025
Economic development - Personnel Services	102,617	102,617	100,391	2,226
Economic development - Other Services	124,200	124,200	35,281	88,919
Total Conservation and Development	623,677	623,677	527,514	96,163
Total Expenditures	25,760,313	25,767,221	24,926,808	840,413
Transfers to Other Funds	24,000	57,138	57,138	-
Total Expenditures and Transfers Out	\$25,784,313	\$25,824,359	\$24,983,946	\$840,413

CITY OF FRANKLIN, WISCONSIN
 Debt Service Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE				
Taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ -
Special assessments	-	-	106,779	106,779
Investment earnings	-	-	11,613	11,613
Total revenue	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,418,392</u>	<u>118,392</u>
EXPENDITURES				
Debt service				
Principal	1,355,000	1,355,000	1,355,000	-
Interest	272,463	272,463	144,736	127,727
Total expenditures	<u>1,627,463</u>	<u>1,627,463</u>	<u>1,499,736</u>	<u>127,727</u>
Excess (deficiency) of revenue over expenditures	<u>(327,463)</u>	<u>(327,463)</u>	<u>(81,344)</u>	<u>246,119</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	327,113	327,113	113,997	(213,116)
Premium (discount) on debt issued	-	-	51,071	51,071
Total other financing sources (uses)	<u>327,113</u>	<u>327,113</u>	<u>165,068</u>	<u>(162,045)</u>
Net change in fund balances	<u>(350)</u>	<u>(350)</u>	83,724	<u>84,074</u>
Fund balances - beginning			<u>651,288</u>	
Fund balances - ending			<u>\$ 735,022</u>	

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, and Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	Library Operating Fund			Library Auxiliary Fund			Variance with Final Budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUE							
Taxes	\$ 1,296,600	\$ 1,296,600	\$ 1,296,600	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	90,000	90,000	88,601	-	-	-	(1,399)
Charges for Services	-	-	-	9,600	9,600	8,906	(694)
Investment earnings	8,500	8,500	7,081	100	100	100	-
Miscellaneous revenue	-	-	-	60,050	60,050	59,211	(839)
Total revenue	1,395,100	1,395,100	1,392,282	69,750	69,750	68,217	(1,533)
EXPENDITURES							
Current:							
Culture and recreation	1,366,871	1,365,871	1,215,212	46,250	46,250	45,282	968
Capital outlay	88,500	98,500	98,141	23,500	23,500	16,444	7,056
Total expenditures	1,455,371	1,464,371	1,313,353	69,750	69,750	61,726	8,024
Net change in fund balances	\$ (60,271)	\$ (69,271)	78,929	\$ -	\$ -	6,491	\$ 6,491
Fund balances - beginning			371,371			124,289	
Fund balances - ending			\$ 450,300			\$ 130,780	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, and Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	Solid Waste Fund			St Martin's Fair Fund			Variance with Final Budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUE							
Intergovernmental revenue	\$ 69,200	\$ 69,200	\$ 68,838	\$ -	\$ -	\$ -	\$ (362)
Public charges for services	1,549,200	1,561,200	1,561,305	-	-	-	105
Licenses and permits	-	-	-	37,400	37,400	25,285	(12,115)
Investment earnings	2,500	2,500	8,011	-	-	-	5,511
Miscellaneous revenue	500	500	35	3,600	3,600	450	(465)
Total revenue	1,621,400	1,633,400	1,638,189	41,000	41,000	25,735	4,789
EXPENDITURES							
Current:							
Public works	1,550,216	1,577,216	1,575,395	-	-	-	1,821
Culture and recreation	-	-	-	51,632	54,132	52,717	1,415
Total expenditures	1,550,216	1,577,216	1,575,395	51,632	54,132	52,717	1,415
Excess (Deficiency) of Revenue Over (Under) Expenditures	71,184	56,184	62,794	(10,632)	(13,132)	(26,982)	6,610
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	11,000	11,000	11,000	-
Net change in fund balances	\$ 71,184	\$ 56,184	62,794	\$ 368	\$ (2,132)	(15,982)	\$ (13,850)
Fund balances (deficit) - beginning			330,883			(18,470)	
Fund balances (deficit) - ending			\$ 393,677			\$ (34,452)	

(Continued)

CITY OF FRANKLIN, WISCONSIN

Special Revenue Funds
 Schedule of Revenue, and Expenditures and Changes in Fund Balances -
 Budget and Actual (on a Budgetary Basis)
 For the Year Ended December 31, 2017

	Donations Fund				Civic Celebrations Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with Final Budget - Excess (Deficiency)
REVENUE								
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600	\$ 600
Charges for services	-	-	-	-	77,000	97,000	114,256	17,256
Miscellaneous revenue	30,825	50,825	51,616	791	20,000	20,000	25,838	5,838
Total revenue	30,825	50,825	51,616	791	97,000	117,000	140,694	23,694
EXPENDITURES								
Current:								
Public works	79,600	76,500	31,101	45,399	-	-	-	-
Health and human services	600	600	588	12	-	-	-	-
Culture and recreation	-	2,000	2,104	(104)	108,837	129,337	136,353	(7,016)
Capital outlay	47,750	70,850	45,020	25,830	-	-	-	-
Total expenditures	127,950	149,950	78,813	71,137	108,837	129,337	136,353	(7,016)
Excess (deficiency) of revenue over (under) expenditures	(97,125)	(99,125)	(27,197)	71,928	(11,837)	(12,337)	4,341	16,678
OTHER FINANCING SOURCES (USES)								
Transfers in	-	(1,500)	-	1,500	13,000	13,000	13,000	-
Transfers out	(1,500)	(1,500)	-	1,500	-	-	-	-
Net change in fund balances	\$ (98,625)	\$ (100,625)	(27,197)	73,428	\$ 1,163	\$ 663	17,341	\$ 16,678
Fund balances - beginning			177,333				48,386	
Fund balances - ending			\$ 150,136				\$ 65,727	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, and Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	Grant Fund			Variance with
	Original	Final	Actual	Final Budget -
	Budget	Budget		Excess
				(Deficiency)
REVENUE				
Intergovernmental revenue	\$ 217,500	\$ 237,613	\$ 224,564	\$ (13,049)
Miscellaneous revenue	8,500	8,500	8,745	245
Total revenue	<u>226,000</u>	<u>246,113</u>	<u>233,309</u>	<u>(12,804)</u>
EXPENDITURES				
Current:				
Public safety	-	5,000	5,000	-
Health and human services	263,374	276,237	181,978	94,259
Capital outlay	18,500	20,750	8,474	10,026
Total expenditures	<u>281,874</u>	<u>301,987</u>	<u>195,452</u>	<u>104,285</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(55,874)</u>	<u>(55,874)</u>	<u>37,857</u>	<u>91,481</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
Net change in fund balances	<u>\$ (57,874)</u>	<u>\$ (57,874)</u>	<u>\$ 37,857</u>	<u>\$ 93,481</u>
Fund balances - beginning			<u>161,571</u>	
Fund balances - ending			<u>\$ 199,428</u>	

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, and Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	Capital Outlay Fund			Equipment Replacement Fund				
	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE								
Taxes	\$ 444,300	\$ 444,300	\$ 444,300	\$ -	\$ 348,300	\$ 348,300	\$ 348,300	\$ -
Intergovernmental revenue	-	-	7,849	7,849	-	-	-	-
Public charges for services - Landfill siting	148,000	148,000	148,000	-	200,000	200,000	200,000	-
Investment earnings (loss)	6,000	6,000	4,432	(1,568)	25,000	19,015	19,015	(5,985)
Miscellaneous revenue	-	-	401	401	-	750	750	750
Total revenue	<u>598,300</u>	<u>598,300</u>	<u>604,982</u>	<u>6,682</u>	<u>573,300</u>	<u>568,065</u>	<u>568,065</u>	<u>(5,235)</u>
EXPENDITURES								
Capital outlay	696,868	944,213	660,381	283,832	650,000	686,891	622,563	64,328
Total expenditures	<u>696,868</u>	<u>944,213</u>	<u>660,381</u>	<u>283,832</u>	<u>650,000</u>	<u>686,891</u>	<u>622,563</u>	<u>64,328</u>
Excess (deficiency) of revenue over expenditures	(98,568)	(345,913)	(55,399)	290,514	(76,700)	(113,591)	(54,498)	59,093
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	25,000	58,470	53,674	(4,796)	15,000	15,000	28,201	13,201
Transfers in	3,500	36,638	33,138	(3,500)	-	-	-	-
Transfers out	-	(26,950)	(26,950)	-	-	-	-	-
Net changes in fund balances	<u>\$ (70,068)</u>	<u>\$ (277,755)</u>	<u>4,463</u>	<u>\$ 282,218</u>	<u>\$ (61,700)</u>	<u>\$ (98,591)</u>	<u>(26,297)</u>	<u>\$ 72,294</u>
Adjustments to generally accepted accounting principles basis								
2016 encumbrances			(78,837)				(36,891)	
2017 encumbrances			88,492				4,000	
Fund balances - beginning			<u>338,922</u>				<u>2,371,003</u>	
Fund balances - ending			<u>\$ 353,040</u>				<u>\$ 2,311,815</u>	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, and Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	Capital Improvement Fund				Street Improvement Fund			
	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 704,900	\$ 704,900	\$ 704,900	\$ -
Intergovernmental revenue	-	638,000	-	(638,000)	-	-	-	-
Public charges for services - Landfill siting	389,500	389,500	370,758	(18,742)	133,000	133,000	133,000	-
Investment earnings (loss)	5,000	5,000	22,955	17,955	5,500	5,500	6,250	750
Miscellaneous revenue	-	110,000	-	(110,000)	-	-	-	-
Total revenue	<u>394,500</u>	<u>1,142,500</u>	<u>393,713</u>	<u>(748,787)</u>	<u>843,400</u>	<u>843,400</u>	<u>844,150</u>	<u>750</u>
EXPENDITURES								
Capital outlay	24,246,001	26,646,507	455,012	26,191,495	940,000	940,000	815,212	124,788
Debt issuance costs	170,000	170,000	40,442	129,558	-	-	-	-
Total expenditures	<u>24,416,001</u>	<u>26,816,507</u>	<u>495,454</u>	<u>26,321,053</u>	<u>940,000</u>	<u>940,000</u>	<u>815,212</u>	<u>124,788</u>
Excess (deficiency) of revenue over expenditures	(24,021,501)	(25,674,007)	(101,741)	25,572,266	(96,600)	(96,600)	28,938	125,538
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	-	97,480	97,480	-	-	-	-	-
Transfers in	14,628,975	15,018,975	661	(15,018,314)	-	-	-	-
Transfers out	-	(113,516)	-	113,516	-	-	-	-
General obligation debt issued	8,500,000	8,500,000	1,630,000	(6,870,000)	-	-	-	-
Net changes in fund balances	<u>\$ (892,526)</u>	<u>\$ (2,171,068)</u>	<u>1,626,400</u>	<u>\$ 3,797,468</u>	<u>\$ (96,600)</u>	<u>\$ (96,600)</u>	<u>28,938</u>	<u>\$ 125,538</u>
Adjustments to generally accepted accounting principles basis								
2016 encumbrances			(1,145,025)					
2017 encumbrances			596,846					
Fund balances - beginning			<u>2,717,272</u>				<u>257,328</u>	
Fund balances - ending			<u>\$ 3,795,493</u>				<u>\$ 286,266</u>	

(continued)

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, and Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	Development Fund			Utility Development Fund		
	Original Budget	Final Budget	Actual	Original and final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE						
Special assessments	\$ 791,000	\$ 791,000	\$ 281,413	\$ 162,100	\$ 143,537	\$ (18,563)
Investment earnings	36,618	36,618	40,848	44,400	45,651	1,251
Total revenue	<u>827,618</u>	<u>827,618</u>	<u>322,261</u>	<u>206,500</u>	<u>189,188</u>	<u>(17,312)</u>
EXPENDITURES						
General government	5,000	8,320	-	-	-	-
Capital outlay	500,000	500,000	99,665	-	-	-
Total expenditures	<u>505,000</u>	<u>508,320</u>	<u>99,665</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenditures	322,618	319,298	222,596	206,500	189,188	(17,312)
OTHER FINANCING SOURCES (USES)						
Transfers out	(3,345,635)	(3,345,635)	(114,658)	(900,000)	-	900,000
Net changes in fund balances	<u>\$ (3,023,017)</u>	<u>\$ (3,026,337)</u>	<u>107,938</u>	<u>\$ (693,500)</u>	<u>189,188</u>	<u>\$ 882,688</u>
Adjustments to generally accepted accounting principles basis						
2016 encumbrances			(3,321)		-	-
2017 encumbrances			3,321		-	-
Fund balances - beginning			<u>4,058,562</u>		<u>1,224,190</u>	
Fund balances - ending			<u>\$ 4,166,500</u>		<u>\$ 1,413,378</u>	

CITY OF FRANKLIN, WISCONSIN
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended December 31, 2017

PROPERTY TAX AGENCY FUND	12/31/16	Additions	Deductions	12/31/17
ASSETS				
Cash and investments	\$ 56,624,473	\$ 97,711,107	\$ 96,316,774	\$ 58,018,806
Receivables				
Taxes receivable	15,012,442	122,796,698	123,812,135	13,997,006
Accounts receivable	63,846	39,453	58,871	44,428
Total assets	\$ 71,700,761	\$ 220,547,259	\$ 220,187,780	\$ 72,060,240
LIABILITIES				
Accounts payable	\$ 261,971	\$ 168,231,126	\$ 168,070,137	\$ 100,982
Due to other governments	71,438,790	71,557,998	72,078,466	71,959,258
Total liabilities	\$ 71,700,761	\$ 239,789,124	\$ 240,148,603	\$ 72,060,240
OTHER AGENCY FUND				
ASSETS				
Cash and investments	\$ 9,419	\$ 33,265	\$ 30,991	\$ 11,693
Accounts receivable	3,827	22,359	22,500	3,685
Total assets	\$ 13,246	\$ 55,624	\$ 53,491	\$ 15,378
LIABILITIES				
Accounts payable	\$ 1,888	\$ 23,055	\$ 22,827	\$ 1,660
Special deposits	11,358	31,286	33,646	13,718
Total liabilities	\$ 13,246	\$ 54,341	\$ 56,473	\$ 15,378
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 56,633,892	\$ 97,744,372	\$ 96,347,765	\$ 58,030,499
Receivables				
Taxes receivable	15,012,442	122,796,698	123,812,135	13,997,006
Accounts receivable	67,673	61,812	81,371	48,113
Total assets	\$ 71,714,007	\$ 220,602,882	\$ 220,241,271	\$ 72,075,618
LIABILITIES				
Accounts payable	\$ 263,859	\$ 168,254,181	\$ 168,092,964	\$ 102,642
Due to other governments	71,438,790	71,557,998	72,078,466	71,959,258
Special deposits	11,358	31,286	33,646	13,718
Total liabilities	\$ 71,714,007	\$ 239,843,465	\$ 240,205,076	\$ 72,075,618

CITY OF FRANKLIN, WISCONSIN
TIF Districts Fund
Combining Balance Sheet
As of December 31, 2017

	District #3	District #4	District #5	Total
ASSETS				
Cash and investments	\$ 1,288,477	\$ 2,407,183	\$ 820	\$ 3,696,480
Taxes receivable	1,381,191	1,059,413	30,500	2,471,104
Total assets	\$ 2,669,668	\$ 3,466,596	\$ 31,320	\$ 6,167,584
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,323,600	\$ 1,184	\$ -	\$ 1,324,784
Due to other funds	50,000	-	24,695	24,695
Advances from Other Funds	1,373,600	1,184	75,000	125,000
Total liabilities	\$ 1,373,600	\$ 1,184	\$ 99,695	\$ 1,474,479
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	1,381,191	1,059,413	30,500	2,471,104
FUND BALANCES (DEFICIT)				
Restricted	-	2,405,999	-	2,405,999
Unassigned (deficit)	(85,123)	-	(88,875)	(183,998)
Total fund balances (deficit)	(85,123)	2,405,999	(88,875)	2,222,001
Total liabilities, deferred inflows and fund balances	\$ 2,669,668	\$ 3,466,596	\$ 31,320	\$ 6,167,584

CITY OF FRANKLIN, WISCONSIN
TIF Districts Fund
Combining Schedule of TIF Districts Revenue, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2017

	District #3	District #4	District #5	Total
REVENUE				
Taxes	\$ 1,253,575	\$ 1,162,066	\$ -	\$ 2,415,641
Intergovernmental revenue	458,196	15,960	-	474,156
Investment earnings (loss)	23,049	18,283	-	41,332
Total revenue	<u>1,734,820</u>	<u>1,196,309</u>	<u>-</u>	<u>2,931,129</u>
EXPENDITURES				
Current:				
General government	50,637	10,285	150	61,072
Public works	-	22,307	15,071	37,378
Conservation and development	7,950	-	31,808	39,758
Capital outlay	1,353,609	-	-	1,353,609
Debt service	-	-	-	-
Principal	1,675,000	-	-	1,675,000
Interest and fiscal charges	74,152	-	-	74,152
Total expenditures	<u>3,161,348</u>	<u>32,592</u>	<u>47,029</u>	<u>3,240,969</u>
Net change in fund balances	<u>(1,426,528)</u>	<u>1,163,717</u>	<u>(47,029)</u>	<u>(309,840)</u>
Fund balances (deficit) - beginning	1,341,405	1,242,282	(51,846)	2,531,841
Fund balances (deficit) - ending	\$ (85,123)	\$ 2,405,999	\$ (98,875)	\$ 2,222,001

CITY OF FRANKLIN, WISCONSIN
TIF Districts

Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	District 3			District 4			Variance with final budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUE							
Taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,253,575	\$ 1,079,000	\$ 1,096,000	\$ 1,162,066	\$ 66,066
Intergovernmental revenue	464,300	464,300	458,196	16,200	16,200	15,960	(240)
Investment earnings (loss)	3,000	3,000	23,049	19,200	19,200	18,283	(917)
Total revenue	<u>1,767,300</u>	<u>1,767,300</u>	<u>1,734,820</u>	<u>1,114,400</u>	<u>1,131,400</u>	<u>1,196,309</u>	<u>64,909</u>
EXPENDITURES							
General government	12,720	51,920	50,637	9,075	26,075	25,284	791
Public works	-	-	-	-	80,000	58,501	21,499
Conservation and development	-	7,950	7,950	-	980,000	-	980,000
Capital outlay	-	1,645,124	14,973	-	-	-	-
Debt Service							
Principal	1,675,000	1,675,000	1,675,000	-	-	-	-
Interest	74,575	74,575	74,152	-	-	-	-
Total expenditures	<u>1,762,295</u>	<u>3,454,569</u>	<u>1,822,712</u>	<u>9,075</u>	<u>1,086,075</u>	<u>83,785</u>	<u>1,002,290</u>
Excess (deficiency) of revenue over expenditures	5,005	(1,687,269)	(87,892)	1,105,325	45,325	1,112,524	1,067,199
OTHER FINANCING SOURCES (USES)							
Transfers in	-	113,516	-	-	-	-	-
Net changes in fund balances	<u>\$ 5,005</u>	<u>\$ (1,573,753)</u>	<u>(87,892)</u>	<u>\$ 1,105,325</u>	<u>\$ 45,325</u>	<u>1,112,524</u>	<u>\$ 1,067,199</u>
Adjustments to generally accepted accounting principles basis							
2016 encumbrances		(1,341,608)				51,193	
2017 encumbrances		2,972					
Fund balances - beginning		<u>1,341,405</u>				<u>1,242,282</u>	
Fund balances (deficit) - ending		<u>\$ (85,123)</u>				<u>\$ 2,405,999</u>	(Continued)

CITY OF FRANKLIN, WISCONSIN
TIF Districts

Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2017

	District 5			Variance with
	Original	Final	Actual	final budget -
	Budget	Budget		Excess
				(Deficiency)
REVENUE				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
EXPENDITURES				
General government	35,370	42,870	7,650	35,220
Public works	4,000	26,648	20,000	6,648
Conservation and development	21,900	51,900	48,121	3,779
Debt Service				
Interest	127,125	127,125	-	127,125
Debt issuance costs	79,575	79,575	-	79,575
Total expenditures	267,970	328,118	75,771	252,347
Excess (deficiency) of revenue over expenditures	(267,970)	(328,118)	(75,771)	252,347
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,949,250)	(10,949,250)	-	10,949,250
General obligation debt issued	11,575,000	11,575,000	-	(11,575,000)
Premium on debt issued	144,688	144,688	-	(144,688)
Net changes in fund balances	\$ 502,468	\$ 442,320	(75,771)	\$ (518,091)
Adjustments to generally accepted accounting principles basis				
2017 encumbrances			28,742	
Fund balances (deficit) - beginning			(51,846)	
Fund balances (deficit) - ending			\$ (98,875)	

CITY OF FRANKLIN, WISCONSIN
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source
 As of December 31, 2017

Governmental funds capital assets:	
Land	\$ 25,072,951
Buildings and improvements	26,860,342
Machinery and equipment	18,562,309
Infrastructure improvements	104,393,847
Construction in process	442,804
Total governmental funds capital assets	\$ 175,332,253
Investment in governmental capital assets by source:	
General Fund	\$ 614,851
Special Revenue Funds	3,216,907
Capital Projects Funds	94,962,982
Donations	76,537,513
Total governmental funds capital assets	\$ 175,332,253

CITY OF FRANKLIN, WISCONSIN
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 For the Year Ended December 31, 2017

Function and Activity	Buildings and Improvements		Machinery and Equipment		Infrastructure Improvements		Construction In Process		Total
	Land	Improvements	Equipment		Improvements		In Process		
General Government:									
Mayor	-	\$ -	\$ 2,202		\$ -		\$ -		2,202
Advisers	-	-	9,584		-		-		9,584
Municipal court	-	-	35,210		-		-		35,210
City clerk	-	-	21,416		-		-		21,416
Elections	-	-	24,610		-		-		24,610
Information services	-	-	733,899		-		-		733,899
Administration	-	-	261,310		-		-		261,310
Human resources	-	-	9,617		-		-		9,617
Finance	-	-	189,179		-		-		189,179
Assessor	-	-	46,080		-		-		46,080
Attorney	-	-	906		-		-		906
Municipal buildings	597,437	3,472,282	499,539		-		-		4,569,258
Total General Government	597,437	3,472,282	1,833,552		-		-		5,903,271
Public Safety:									
Police	1,201,829	8,401,443	2,447,585		-		-		12,050,857
Fire	63,248	4,351,456	3,734,300		-		-		8,149,004
Building inspection	-	-	322,657		-		-		322,657
Total Public Safety	1,265,077	12,752,899	6,504,542		-		-		20,522,518
Public Works:									
Engineering	-	-	334,980		-		-		334,980
Highway	357,407	2,845,202	6,239,882		-		-		9,442,491
Street Lighting	-	-	1,097		-		-		1,097
Infrastructure	18,857,376	-	-		104,393,847		-		123,251,223
Construction in process	-	-	-		-		442,804		442,804
Total Public Works	19,214,783	2,845,202	6,575,959		104,393,847		442,804		133,472,595
Health & Human Services:									
Health	-	-	131,833		-		-		131,833
Culture and Recreation:									
Library	-	4,969,004	2,697,053		-		-		7,666,057
Parks	3,995,654	2,820,955	771,185		-		-		7,587,794
Total Culture and Recreation	3,995,654	7,789,959	3,468,238		-		-		15,253,851
Conservation and Development:									
Planning	-	-	48,185		-		-		48,185
Total Conservation and Development	-	-	48,185		-		-		48,185
Total governmental funds capital assets	\$ 25,072,951	\$ 26,860,342	\$ 18,562,309		\$ 104,393,847		\$ 442,804		\$ 175,332,253

CITY OF FRANKLIN, WISCONSIN
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 For the Year Ended December 31, 2017

Function and Activity	Governmental Funds Capital Assets			
	12/31/16	Additions	Deletions	Transfers
General Government:				
Mayor	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	9,584	-	-	9,584
Municipal court	35,210	-	-	35,210
City clerk	21,416	-	-	21,416
Elections	24,610	-	-	24,610
Information services	660,460	73,439	-	733,899
Administration	261,310	-	-	261,310
Human resources	9,617	-	-	9,617
Finance	167,549	21,630	-	189,179
Assessor	46,080	-	-	46,080
Attorney	906	-	-	906
Municipal buildings	4,569,258	-	-	4,569,258
Total General Government	5,808,202	95,069	-	5,903,271
Public Safety:				
Police	12,036,610	182,380	163,156	12,050,857
Fire	8,033,703	212,806	102,482	8,149,004
Building inspection	273,105	49,552	-	322,657
Total Public Safety	20,343,418	444,738	265,638	20,522,518
Public Works:				
Engineering	334,980	-	-	334,980
Highway	8,993,741	507,000	58,250	9,442,491
Street lighting	1,097	-	-	1,097
Infrastructure	116,827,325	6,452,369	28,471	123,251,223
Construction in process	1,019,925	1,964,332	2,541,453	442,804
Total Public Works	127,177,068	8,923,701	2,628,174	133,472,595
Health & Human Services:				
Health	131,833	-	-	131,833
Culture and Recreation:				
Library	7,671,638	107,155	112,736	7,666,057
Parks	7,577,018	10,776	-	7,587,794
Total Culture and Recreation	15,248,656	117,931	112,736	15,253,851
Conservation and Development:				
Planning	48,185	-	-	48,185
Total Conservation and Development	48,185	-	-	48,185
Total governmental funds capital assets	\$ 168,757,362	\$ 9,581,439	\$ 3,006,548	\$ 175,332,253

STATISTICAL SECTION

Statistical Section

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

Financial Trends

Table 1

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

Revenue Capacity

Table 5

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

Debt Capacity

Table 11

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

Demographic and Economic Information

Table 14

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

Operating Information

Table 17

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

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

Table 1

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 115,417,617	\$ 110,638,152	\$ 107,184,603	\$ 106,031,877	\$ 104,721,982	\$ 104,097,426	\$ 94,637,222	\$ 88,776,271	\$ 84,178,261	\$ 71,753,307
Restricted										
Debt service	552,375	658,091	482,773	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238	8,550,662
Utility improvements	2,169,298	2,103,487	1,998,759	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220	1,353,540
Development	4,166,500	4,058,562	3,851,653	4,170,339	5,052,168	4,614,731	3,895,040	3,620,826	3,051,562	3,083,708
Library	581,080	495,660	524,137	598,752	582,292	541,825	492,473	488,302	442,509	414,428
Donations and other	3,426,760	3,301,960	602,281	560,306	507,955	541,755	300,582	311,101	279,730	286,114
Unrestricted (deficit)	11,303,345	14,522,376	16,401,941	8,848,660	4,889,704	1,487,025	2,582,464	2,311,078	(2,085,981)	(791,175)
Total governmental activities net position	\$ 137,616,975	\$ 135,778,188	\$ 131,047,147	\$ 122,708,989	\$ 118,000,800	\$ 113,442,058	\$ 107,969,822	\$ 100,281,181	\$ 89,772,539	\$ 84,650,584
Business-type activities										
Net investment in capital assets	\$ 86,584,568	\$ 88,115,672	\$ 88,861,706	\$ 88,567,257	\$ 89,095,184	\$ 89,398,082	\$ 89,550,594	\$ 90,202,124	\$ 90,828,559	\$ 90,842,486
Restricted										
Sewer equipment replacement	178,590	394,227	356,106	313,558	277,230	334,508	293,844	261,852	227,388	231,384
Long term receivable - RCI	20,014,692	21,200,228								
Unrestricted	4,179,263	3,450,718	2,853,728	4,015,630	3,017,842	2,518,834	3,171,123	2,763,610	2,875,722	2,309,236
Total business-type activities net position	\$ 110,957,113	\$ 113,160,845	\$ 92,071,540	\$ 92,896,445	\$ 92,390,256	\$ 92,251,424	\$ 93,015,561	\$ 93,227,586	\$ 93,931,669	\$ 93,383,106
Total										
Net investment in capital assets	\$ 201,846,895	\$ 198,334,454	\$ 196,046,309	\$ 194,599,134	\$ 193,817,166	\$ 193,495,508	\$ 184,187,816	\$ 178,978,395	\$ 175,006,820	\$ 162,595,793
Restricted										
Debt service	552,375	658,091	482,773	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238	8,550,662
Utility improvements	2,169,298	2,103,487	1,998,759	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220	1,353,540
Development	4,166,500	4,058,562	3,851,653	4,170,339	5,052,168	4,614,731	3,895,040	3,620,826	3,051,562	3,083,708
TIF Districts	581,080	495,660	524,137	598,752	582,292	541,825	492,473	488,302	442,509	414,428
Donations and grants	3,426,760	3,301,960	602,281	560,306	507,955	541,755	300,582	311,101	279,730	286,114
Sewer replacement	178,590	394,227	356,106	313,558	277,230	334,508	293,844	261,852	227,388	231,384
Intergovernmental Cooperation	20,014,692	21,200,228								
Unrestricted	15,637,898	18,392,464	19,255,669	12,864,290	7,907,546	4,005,859	5,753,587	5,074,688	789,741	1,518,061
Total net position	\$ 248,574,088	\$ 248,939,033	\$ 223,118,687	\$ 215,605,434	\$ 210,391,056	\$ 205,693,482	\$ 200,985,383	\$ 193,508,767	\$ 183,704,208	\$ 178,033,690

Notes:

(1) Ryan Creek Interceptor Sewer brought on Sewer Fund Balance Sheet in 2016

(2) 2012 and prior years have been reclassified to be consistent with the current year presentation

(3) Amounts do not crossfoot related to Business-type assets financed by Government debt - see footnotes

Table 2

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 3,310,893	\$ 3,202,942	\$ 2,990,355	\$ 2,919,940	\$ 2,915,267	\$ 2,794,497	\$ 2,749,207	\$ 2,897,491	\$ 2,948,713	\$ 3,028,903
Public safety	18,839,063	18,398,830	16,959,091	16,194,631	16,484,847	17,228,769	16,622,386	16,003,898	15,528,031	15,598,642
Public works	7,478,288	8,432,828	8,304,583	7,231,238	6,550,808	6,182,036	6,596,316	6,208,391	6,034,720	6,900,408
Health and human services	889,434	794,502	726,000	673,332	698,088	730,499	649,656	698,944	708,084	663,262
Culture and recreation	2,202,090	1,872,691	1,969,297	1,865,832	1,838,700	1,870,573	1,890,350	1,919,689	1,753,139	1,803,155
Conservation and development	586,622	547,060	576,421	459,884	422,095	412,066	957,877	529,833	600,099	718,032
Interest on long term debt	165,294	313,301	405,022	582,211	802,562	1,272,721	1,553,257	1,920,023	2,253,215	2,654,969
Total governmental activities expenses	33,471,644	33,562,154	31,930,769	29,927,068	29,712,367	30,491,161	31,019,049	30,178,269	29,824,001	31,367,371
Business-type activities										
Water	5,429,943	5,632,322	5,766,088	5,077,744	5,051,835	5,064,149	4,251,187	4,076,409	4,216,453	3,928,578
Sewer	5,724,633	5,758,112	4,148,420	4,180,946	4,133,632	3,640,106	3,373,459	3,376,505	3,226,261	3,089,523
Total business-type activities expenses	11,154,576	11,390,434	9,914,508	9,258,690	9,185,467	8,704,255	7,624,646	7,452,914	7,442,714	6,998,101
Total expenses	\$ 44,626,220	\$ 44,952,588	\$ 41,845,277	\$ 39,185,758	\$ 38,897,834	\$ 39,195,416	\$ 38,643,695	\$ 37,631,183	\$ 37,266,715	\$ 38,365,472
Program Revenue										
Governmental activities:										
Charges for services:										
General government	\$ 150,998	\$ 138,723	\$ 150,787	\$ 213,328	\$ 251,573	\$ 163,947	\$ 217,360	\$ 270,412	\$ 305,232	\$ 210,433
Public safety	2,371,577	2,325,154	2,362,176	2,268,334	2,459,946	2,226,209	2,173,060	2,154,618	2,068,413	2,267,580
Public works	2,699,691	2,828,139	2,719,888	2,638,717	2,388,273	2,417,109	1,490,348	1,230,437	660,670	739,948
Health and human services	181,625	184,304	164,674	115,650	118,702	126,516	105,686	54,385	69,855	86,439
Culture and recreation	204,845	176,065	146,594	118,008	113,217	45,992	181,414	311,757	146,256	143,797
Conservation and development	152,247	122,264	152,588	51,917	63,366	73,530	78,667	64,168	67,051	305,299
Operating grants and contributions	1,829,490	1,882,406	1,809,520	1,901,262	1,838,950	2,144,164	2,136,106	1,921,805	2,080,213	2,285,275
Capital grants and contributions	3,143,577	3,677,886	1,144,757	1,437,524	1,659,859	1,240,439	1,334,285	2,570,564	1,190,090	1,735,333
Total governmental activities program revenue	10,734,050	11,334,941	8,650,984	8,744,740	8,893,886	8,437,906	7,716,926	8,578,146	6,587,780	7,774,104
Business-type activities										
Charges for services:										
Water	6,057,085	6,054,573	5,609,928	5,421,719	5,403,994	5,361,646	4,539,066	4,395,269	4,454,495	4,218,653
Sewer	3,313,854	3,328,550	3,340,382	3,266,897	3,243,737	3,142,062	3,124,786	3,052,486	2,994,024	2,706,583
Capital grants and contributions	-	349,952	566,251	238,557	-	-	-	210,668	337,667	734,367
Total business-type activities program revenue	9,370,939	9,733,075	9,516,561	8,927,173	8,647,731	8,503,708	7,663,852	7,668,423	7,786,186	7,659,603
Total program revenue	\$ 20,104,989	\$ 21,068,016	\$ 18,167,545	\$ 17,671,913	\$ 17,541,617	\$ 16,941,614	\$ 15,380,778	\$ 16,246,569	\$ 14,373,966	\$ 15,433,707

** Restated - in 2012 the Solid Waste Fee began
 *** Implemented GASB 68
 **** Implemented GASB 75

continued

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	(4)	(3)	(2)			(1)				
Net (Expense)/Revenue										
Governmental activities	\$ (22,737,594)	\$ (22,227,213)	\$ (23,279,785)	\$ (21,182,328)	\$ (20,818,481)	\$ (22,053,255)	\$ (23,302,123)	\$ (21,600,123)	\$ (23,236,221)	\$ (23,593,267)
Business-type activities	(1,783,637)	(1,657,359)	(397,947)	(331,517)	(537,736)	(200,547)	39,206	215,509	343,472	661,502
Total net expense	\$ (24,521,231)	\$ (23,884,572)	\$ (23,677,732)	\$ (21,513,845)	\$ (21,356,217)	\$ (22,253,802)	\$ (23,262,917)	\$ (21,384,614)	\$ (22,892,749)	\$ (22,931,765)
General Revenue and other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 19,209,536	\$ 19,057,468	\$ 19,022,087	\$ 18,905,872	\$ 18,884,009	\$ 18,695,907	\$ 19,058,282	\$ 18,523,570	\$ 18,237,375	\$ 17,534,150
Property taxes levied for debt service	1,300,000	1,500,000	1,600,000	1,600,000	1,650,000	1,750,000	1,900,000	1,900,000	1,900,000	2,000,000
Property taxes levied for TIF Districts	2,415,640	3,111,557	2,690,637	2,526,925	2,410,131	2,560,324	5,645,805	7,457,955	4,829,216	4,685,811
Other taxes	1,020,027	863,735	785,195	726,774	723,985	708,832	673,736	699,431	666,767	472,575
Intergovernmental revenue										
not restricted to specific programs	1,404,222	1,350,257	1,804,045	1,519,848	1,620,331	1,590,209	2,292,529	1,485,982	1,380,418	1,320,286
Investment earnings	406,902	315,376	411,650	695,541	87,278	784,932	973,349	907,723	1,401,560	1,862,688
Miscellaneous revenue	27,612	54,447	48,685	43,170	66,191	394,032	40,091	58,885	43,566	14,451
Gain on sale of capital assets	99,668	106,934	13,106	16,988	2,024	32,129	58,871	64,070	-	-
Transfers	989,602	391,099	1,044,459	(144,601)	(66,726)	1,009,126	348,101	1,011,149	(100,726)	424,212
Total governmental activities	26,873,209	26,750,873	27,419,864	25,890,517	25,377,223	27,525,491	30,990,764	32,108,765	28,358,176	28,314,173
Business-type activities:										
Investment earnings	529,004	437,909	593,128	642,227	569,444	318,669	32,320	41,393	46,738	67,617
Miscellaneous revenue	85,943	136,782	73,601	50,878	40,398	126,867	64,550	50,164	57,627	267,819
Transfers	(989,602)	(391,099)	(1,044,459)	144,601	66,726	(1,009,126)	(348,101)	(1,011,149)	100,726	(424,212)
Total business-type activities	(374,655)	183,592	(377,730)	837,706	676,568	(563,590)	(251,231)	(919,592)	205,091	(88,776)
Total General Revenue and other Changes in Net Position	\$ 26,498,554	\$ 26,934,465	\$ 27,042,134	\$ 26,728,223	\$ 26,053,791	\$ 26,961,901	\$ 30,739,533	\$ 31,189,173	\$ 28,563,267	\$ 28,225,397
Change in Net Position										
Governmental activities	\$ 4,135,615	\$ 4,523,660	\$ 4,140,079	\$ 4,708,189	\$ 4,558,742	\$ 5,472,236	\$ 7,688,641	\$ 10,508,642	\$ 5,121,955	\$ 4,720,906
Business-type activities - prior period adjustment	(2,296,828)	-	4,196,079	-	-	-	-	-	-	-
Business-type activities:	(2,158,292)	(1,473,767)	(775,677)	506,189	138,832	(764,137)	(212,025)	(704,083)	548,563	572,726
Business-type activities - prior period adjustment	(45,440)	22,451,460	(49,228)	-	-	-	-	-	-	-
Total	\$ (364,945)	\$ 25,501,353	\$ 7,513,253	\$ 5,214,378	\$ 4,697,574	\$ 4,708,099	\$ 7,476,616	\$ 9,804,559	\$ 5,670,518	\$ 5,293,632

(1) Restated - in 2012 the Solid Waste Fee began
(2) Implemented GASB 66
(3) Restated for Ryan Creek Interceptor Sewer
(4) Implemented GASB 75

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

	2017	2015	2014	2013	2012	2011	2010	2009	2008
General Fund									
Nonspendable:									
Inventories and prepaid items	\$ 15,848	\$ 41,186	\$ 78,455	\$ 45,866	\$ 62,936	\$ 55,820	\$ 75,673	\$ 24,927	\$ 25,109
Advances to other funds	230,700	2,198,616	2,198,616	505,040	-	-	-	-	-
Assigned - Purchase Orders	150,565	147,121	207,270	-	-	-	-	-	-
Unassigned	6,190,398	6,662,986	6,148,771	7,230,661	6,439,199	6,065,053	5,400,912	5,079,711	5,519,932
Total general fund	6,587,511	9,049,909	8,633,112	7,781,567	6,502,135	6,120,873	5,476,585	5,104,638	5,545,041
All other governmental funds:									
Nonspendable:									
Prepaids	650	730	900	2,475	21,800	10,313	10,181	15,707	-
Restricted:									
Debt service	735,022	507,283	546,238	6,801,945	7,423,733	7,876,755	8,393,278	8,845,900	12,091,660
Utility improvements	1,413,378	1,224,190	672,431	443,438	543,408	640,787	356,798	147,317	12,640
Development	4,166,500	4,058,562	4,170,339	5,052,168	4,614,731	7,633,040	6,408,826	5,869,562	9,383,708
TIF Districts	2,405,999	2,583,687	347,978	-	-	552,904	1,804,838	536,476	184,257
Donations	150,136	177,333	122,550	102,326	105,238	299,982	311,101	279,730	286,114
Health services	199,428	161,571	175,220	165,846	179,239	-	-	-	-
Library services	580,430	494,366	523,237	579,817	520,775	492,473	488,302	442,509	414,428
Solid waste	393,677	330,883	216,385	188,307	100,546	-	-	-	-
Recreational services	65,727	47,656	46,151	51,476	52,244	72,857	179,224	165,348	132,206
Tourism Commission	211,793	-	-	-	-	-	-	-	-
Assigned:									
Capital projects	6,746,614	4,906,594	4,699,459	2,791,111	2,724,764	2,372,072	2,710,245	1,378,971	3,640,970
Unassigned	(218,450)	(150,927)	(2,196,383)	(5,180,799)	(5,965,890)	(3,663,211)	(4,009,430)	(5,904,216)	(5,891,813)
Total all other government funds	16,850,904	12,144,314	9,397,545	10,998,110	10,320,588	16,287,972	16,653,363	11,777,304	20,254,170
Total fund balances	\$ 23,438,415	\$ 21,194,223	\$ 18,030,657	\$ 18,779,677	\$ 16,822,723	\$ 22,408,845	\$ 22,129,948	\$ 16,881,942	\$ 25,799,211

Notes:
 * 2012 and prior years have been reclassified to be consistent with the current year presentation

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue										
Taxes	\$23,815,159	\$24,532,761	\$24,097,919	\$23,759,571	\$23,668,125	\$23,715,063	\$27,277,823	\$28,580,956	\$25,633,358	\$24,692,536
Intergovernmental revenue	3,128,969	3,158,596	3,490,037	3,408,075	3,438,041	3,757,618	4,380,850	3,704,159	3,299,648	3,536,635
Licenses and permits	799,762	692,524	706,977	808,302	912,357	755,027	702,674	729,432	609,278	723,225
Fines, forfeitures and penalties	485,407	498,653	484,957	421,976	411,795	457,499	433,106	422,506	385,427	362,928
Public charges for services	4,139,471	4,042,515	4,065,334	3,799,898	3,791,279	3,612,576	2,589,786	2,211,119	1,600,313	1,908,473
Special assessments	531,729	904,147	642,256	1,057,088	1,483,350	1,236,114	1,305,578	1,119,230	817,736	1,114,498
Intergovernmental charges for services	172,796	194,806	192,188	136,372	162,308	103,615	245,000	237,319	291,584	206,156
Investment earnings	396,563	284,180	426,018	739,930	223,806	661,976	938,226	878,978	1,276,600	1,797,738
Miscellaneous revenue	295,899	481,943	419,464	411,301	288,465	674,305	365,129	597,611	655,424	723,724
Total revenue	33,765,755	34,790,125	34,525,150	34,542,513	34,379,526	34,973,793	38,238,172	38,481,310	34,549,368	35,065,913
Expenditures										
Current										
General government	3,001,970	2,969,747	2,783,745	2,786,740	2,710,650	2,631,419	2,586,581	2,694,374	2,780,444	2,825,835
Public safety	16,696,452	15,813,354	16,006,187	15,390,139	15,465,617	16,429,496	16,000,393	15,206,317	15,043,628	15,236,640
Public works	5,465,245	5,302,766	4,587,108	5,140,650	4,855,870	4,848,568	4,817,644	4,521,991	4,504,611	4,632,957
Health and human services	858,441	766,249	716,169	666,711	668,711	719,447	681,984	629,499	701,821	666,364
Culture, recreation and education	1,639,626	1,710,037	1,606,027	1,575,381	1,514,668	1,539,040	1,575,825	1,565,093	1,427,945	1,490,936
Conservation and development	560,072	523,268	568,364	461,181	416,765	409,996	964,610	524,705	603,961	729,274
Capital outlay	4,745,936	4,689,147	2,097,046	3,967,446	3,172,706	2,915,159	3,343,196	1,953,999	6,061,625	7,627,455
Debt service										
Principal	3,030,000	1,950,000	615,000	10,265,000	3,790,000	10,825,000	7,395,000	5,275,000	10,915,000	6,000,000
Interest	218,888	375,697	460,072	731,288	1,033,519	1,334,958	1,618,615	1,939,762	2,350,882	2,543,194
Debt issuance costs	40,442	53,789	-	73,091	-	-	-	-	-	65,650
Total expenditures	36,257,072	34,154,054	32,439,718	41,057,391	33,628,506	41,653,063	38,993,848	34,310,740	44,389,917	41,818,305
Excess of revenue over (under) expenditures	(2,491,317)	636,071	2,085,432	(6,514,878)	751,020	(6,679,290)	(755,676)	4,170,570	(9,840,549)	(6,752,392)
Other financing sources (uses)										
Debt issued	1,630,000	-	-	5,320,000	-	-	-	-	-	10,000,000
Refunding debt issued	-	5,770,000	-	-	-	-	-	-	-	-
Premium on debt issued	51,071	154,202	-	232,827	-	-	-	-	-	83,583
Principal payment on current refunding	-	(5,895,000)	-	-	-	-	-	-	-	-
Sale of capital assets	179,355	126,585	33,675	39,894	75,559	32,129	58,871	64,070	-	-
Transfers in	1,231,589	2,859,364	2,408,253	2,125,007	2,769,157	2,398,454	2,415,916	1,389,654	2,229,036	5,786,181
Transfers out	(198,746)	(1,808,982)	(1,363,794)	(1,951,870)	(1,638,782)	(1,337,416)	(1,440,214)	(376,288)	(1,305,756)	(4,929,161)
Net change in fund balances	\$ 401,952	\$ 1,842,240	\$ 3,163,566	\$ (749,020)	\$ 1,956,954	\$ (5,586,123)	\$ 278,897	\$ 5,248,006	\$ (8,917,269)	\$ 4,188,211
Debt service as a percentage of non capital expenditures *	10.1%	7.5%	3.7%	29.3%	15.1%	30.9%	24.6%	22.2%	33.4%	23.8%

** Restated - In 2012, the Solid Waste Fee began

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

Value As of 1/1	Real property		Personal property		Total Assessed Value	Total Direct Tax Rate	Total Estimated Actual Value	Ratio of Assessed to Estimated Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value				
2017 #	\$ 3,780,102,600	\$ 3,815,928,100	\$ 74,663,600	\$ 72,998,100	\$ 3,854,766,200	\$ 5.61	\$ 3,888,926,200	99.12%
2016 #	3,623,999,925	3,658,026,300	80,479,000	70,976,800	3,704,478,925	5.69	3,729,003,100	99.07%
2015	3,320,368,500	3,558,087,200	76,174,600	91,098,700	3,396,543,100	6.22	3,649,185,900	92.74%
2014	3,279,586,200	3,498,464,700	85,006,600	91,229,400	3,364,592,800	6.28	3,589,694,100	93.73%
2013 #	3,265,704,200	3,314,653,800	94,023,900	99,622,800	3,359,728,100	6.29	3,414,276,600	98.40%
2012	3,557,806,088	3,436,681,800	95,404,700	87,424,100	3,653,210,788	5.78	3,524,105,900	103.66%
2011 *	3,555,065,388	3,587,535,800	90,644,700	88,843,900	3,645,710,088	5.79	3,676,379,700	99.17%
2010	3,550,822,488	3,573,233,300	93,921,500	97,275,400	3,644,743,988	6.22	3,670,508,700	99.30%
2009	3,671,323,540	3,820,400,500	90,861,600	92,242,100	3,762,185,140	5.93	3,912,642,600	96.15%
2008	3,621,224,940	3,821,063,800	75,804,600	77,323,500	3,697,029,540	5.78	3,898,387,300	94.83%

* Reassessment year
Revaluation year

Assessed Valuation by School District - 2017

Oak Creek/		Whitnall School District	Total Assessed Value
Franklin School District	Franklin School District		
\$ 2,904,150,200	\$ 722,693,900	227,922,100	\$ 3,854,766,200

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

CITY OF FRANKLIN, WISCONSIN
 Estimated Actual Values and TID Values
 Last Ten Years

Value As of 1/1	Total Estimated Actual Value	Value of TID's					Pct of Total	Total TID's	Net of TID's Estimated Actual Value	Equalized Tax Rate
		TID 2	TID 3	TID 4	TID 5					
2017 #	\$ 3,888,926,200		\$ 62,049,100	\$ 47,593,400	\$ 1,211,500		2.85%	\$ 110,854,000	\$ 3,778,072,200	5.65
2016 #	3,729,003,100		55,256,200	44,691,300			2.68%	99,947,500	3,629,055,600	5.82
2015	3,649,185,900		72,829,900	54,274,300			3.48%	127,104,200	3,522,081,700	5.90
2014	3,589,694,100		72,785,000	43,675,900			3.24%	116,460,900	3,473,233,200	6.19
2013 #	3,414,276,600		64,305,700	39,050,100			3.03%	103,355,800	3,310,920,800	5.99
2012	3,524,105,900		63,917,800	33,693,500			2.77%	97,611,300	3,426,494,600	5.74
2011 *	3,676,379,700		72,652,600	40,050,300			3.07%	112,702,900	3,563,676,800	6.18
2010	3,670,508,700	178,745,000	61,434,700	36,501,900			7.54%	276,681,600	3,393,827,100	5.70
2009	3,912,642,600	167,279,300	105,902,300	58,527,200			8.48%	331,708,800	3,580,933,800	5.48
2008	3,898,387,300	139,260,500	74,882,500	10,805,900			5.77%	224,948,900	3,673,438,400	

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

Fiscal Year	(1) Estimate Actual Property value				(2)			(2)	
	Residential	% of Total	Commercial and Manufacturing	Agricultural, Swamp and Other	Total	Residential Construction		Nonresidential Construction	
						# of Units	Value	# of Permits	Value
2017	\$ 2,870,690,200	75.2%	\$ 920,578,100	\$ 24,659,800	3,815,928,100	18	\$ 8,991,610	13	\$ 28,861,659
2016	2,726,337,800	74.5%	907,823,500	23,865,000	3,658,026,300	34	13,912,735	3	7,350,000
2015	2,628,835,800	73.9%	905,420,400	23,831,000	3,558,087,200	34	13,454,139	44	16,589,580
2014	2,580,859,500	73.8%	894,256,900	23,348,300	3,498,464,700	44	14,780,900	68	19,734,951
2013	2,418,991,400	73.0%	871,715,000	23,947,400	3,314,653,800	65	19,942,795	17	2,902,692
2012	2,498,514,100	72.7%	914,654,100	23,513,600	3,436,681,800	55	19,322,659	44	27,991,474
2011	2,619,125,600	73.0%	948,708,000	19,702,200	3,587,535,800	30	9,995,820	41	17,794,034
2010	2,637,514,100	73.8%	917,720,700	17,998,500	3,573,233,300	27	6,559,696	40	22,533,497
2009	2,774,343,200	72.6%	1,026,852,400	19,204,900	3,820,400,500	25	6,709,653	35	14,193,522
2008	2,862,287,800	74.9%	939,436,600	19,339,400	3,821,063,800	52	11,030,933	61	28,323,674

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

(2) Source: City's Building Inspection Department. - from Building Permits issued

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

Budget Year	City of Franklin Direct Rates										Overlapping Rates					Total Rate (**)
	Debt Service					Capital Outlay					Milwaukee Area					
	General	Library	Debt Service	Capital Outlay	Equipment Replacement	Street Improvement	Total	Franklin	Oak Creek	Whitnall	School Credits	Technical College	Milwaukee County	Metropolitan Sewerage District	State	
2018 *	\$ 4.52	\$ 0.35	\$ 0.34	\$ 0.12	\$ 0.09	\$ 0.19	\$ 5.61	\$ 11.64	\$ 8.82	\$ 10.29	\$ (2.08)	\$ 1.27	\$ 5.10	\$ 1.74	\$ -	\$ 23.28
2017 *	4.56	0.36	0.36	0.12	0.10	0.20	5.69	12.03	9.38	10.08	(1.97)	1.27	5.13	1.76	0.17	24.09
2016	4.97	0.39	0.45	0.13	0.10	0.21	6.26	13.29	10.57	10.88	(2.14)	1.35	5.52	1.87	0.18	26.33
2015	4.96	0.38	0.49	0.13	0.10	0.21	6.28	13.21	9.76	11.11	(1.88)	1.36	5.44	1.83	0.18	26.42
2014 #	4.98	0.38	0.49	0.13	0.10	0.21	6.29	13.26	9.10	10.67	(1.86)	2.16	5.21	1.73	0.17	26.97
2013	4.60	0.35	0.47	0.11	0.08	0.17	5.78	11.72	9.09	9.72	(1.69)	2.04	4.87	1.57	0.16	24.45
2012	4.59	0.35	0.49	0.11	0.08	0.17	5.79	11.62	8.83	9.56	(1.70)	1.96	4.76	1.52	0.17	24.12
2011 *	5.04	0.35	0.56	0.11	0.04	0.12	6.22	12.22	8.69	10.40	(1.72)	1.93	4.49	1.45	0.17	24.76
2010	4.61	0.33	0.54	0.14	0.08	0.23	5.93	11.33	8.86	10.11	(1.67)	1.98	4.31	1.38	0.18	23.44
2009	4.46	0.33	0.55	0.13	0.08	0.23	5.78	10.96	7.80	9.65	(1.68)	1.93	4.17	1.36	0.18	22.70

Note: * Reassessment impact
 # Revaluation year

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

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

Source: City of Franklin budget documents

Table 8

CITY OF FRANKLIN, WISCONSIN
Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	Type of Business	2017			2008		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Northwestern Mutual	Insurance Services	\$ 116,324,800	1	3.02%	\$ 118,015,100	1	3.19%
Wal-Mart	Retailer	25,220,600	2	0.65%	18,970,100	6	0.51%
Wheaton Health Care System	Medical facilities	25,124,400	3	0.65%	34,999,300	2	0.95%
VTLC Development	Packaging manufacturing	24,359,800	4	0.63%	20,522,200	3	0.56%
Whitnall Pointe Apartments	Apartments	22,021,500	5	0.57%	20,334,300	4	0.55%
Manchester Oaks	Apartments	19,820,700	6	0.51%	19,345,600	5	0.52%
Baptista's Bakery, Inc	Manufacturing	14,637,700	7	0.38%			
Menard Inc	Retail - Home Improvement	13,406,300	8	0.35%	15,066,800	7	0.41%
Franklin Wyndham, LLC	Land held for Development	13,217,700	9	0.34%			
All Glass Aquarium	Aquariums and fluorescent lights	12,557,300	10	0.33%	14,453,500	9	0.39%
Harley Davidson	Motorcycle manufacturing				14,469,300	8	0.39%
Waste Management	Landfill and refuse collection				13,086,400	10	0.35%
		<u>\$ 286,690,800</u>		<u>7.44%</u>	<u>\$ 289,262,600</u>		<u>7.82%</u>

Source: City of Franklin Assessor's Office

Table 9

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

Fiscal Year	City Tax levy			Total collections	% of levy collected	Outstanding combined delinquent PP taxes
	Tax increment financing	Local	Total			
2017	\$ 2,267,466	\$ 20,509,000	22,776,466	\$ 22,772,580	99.98%	\$ 3,886
2016	3,020,350	20,509,000	23,529,350	23,567,148	100.16%	2,603
2015	2,690,637	20,509,000	23,199,637	23,212,140	100.05%	57,995
2014	2,526,924	20,509,000	23,035,924	23,016,525	99.92%	52,069
2013	2,363,758	20,509,000	22,872,758	22,851,675	99.91%	52,481
2012	2,560,324	20,467,000	23,027,324	22,981,469	99.80%	75,184
2011	6,737,305	20,965,000	27,702,305	27,695,587	99.98%	53,589
2010	7,457,956	20,426,000	27,883,956	27,851,459	99.88%	39,718
2009	4,829,216	20,142,000	24,971,216	24,966,369	99.98%	36,945
2008	4,685,811	19,555,000	24,240,811	24,219,148	99.91%	45,243

Source: City of Franklin

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

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

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

Levy Year	State of Wisconsin	Milwaukee County	School Districts				City of Franklin				
			Franklin	Whitnall	Oak Creek-Franklin	MATC	MMSD	Local	Tax Increment	Special Charges	Total
2017	\$ -	\$ 19,090,000	\$ 33,783,303	\$ 2,346,376	\$ 5,425,692	\$ 4,750,585	\$ 6,519,552	\$ 21,027,849	\$ 2,471,104	\$ 1,672,640	\$ 97,087,101
2016	632,834	18,496,951	33,404,863	2,224,862	5,748,697	4,571,805	6,354,128	20,509,000	2,267,467	1,758,435	95,969,042
2015	619,289	18,083,210	33,404,871	2,223,327	5,928,300	4,428,322	6,145,125	20,509,000	3,020,350	1,727,974	96,089,767
2014	609,193	17,713,835	32,782,988	2,285,650	5,557,471	4,411,951	5,955,818	20,509,000	2,690,638	1,767,143	94,283,685
2013	579,423	16,986,670	32,784,606	2,174,991	5,254,726	7,043,487	5,638,269	20,509,000	2,526,924	1,796,214	95,294,310
2012	598,062	17,287,141	31,787,042	2,237,434	5,553,401	7,258,001	5,582,906	20,509,000	2,363,758	1,799,510	94,976,255
2011	623,904	16,812,497	31,435,718	2,208,503	5,268,377	6,934,559	5,188,886	20,467,000	2,560,324	1,900,389	93,400,157
2010	622,907	15,112,830	31,535,755	2,404,637	4,816,333	6,512,551	4,718,481	20,965,000	6,737,305	758,894	94,184,693
2009	664,000	14,854,113	30,632,223	2,424,105	4,403,920	6,842,077	4,574,057	20,426,000	7,457,956	818,455	93,096,906
2008	661,580	14,548,992	29,476,874	2,312,202	4,264,165	6,742,019	4,575,710	20,142,000	4,829,216	738,020	88,290,778

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

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

Table 11

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

Fiscal Year	General Bonded Debt				(Discount) Premium	Total General Bonded Debt	Less Debt Service Fund Balances	Less Amounts due from Tax Incremental Financing Districts	Less Amounts due from Other Taxing Districts	Net Bonded Debt	(1) Percent of Estimated Actual Property Value	(2) Percent of Personal Income	(2) Per Capita
	Governmental	Business-type		Water									
	General Obligation Bonds	General Obligation Notes	Sewer General Obligation Notes	Water General Obligation Bonds									
2017	\$4,560,000	\$4,285,000	\$20,014,693	\$1,125,000	\$ 207,197	\$30,191,890	\$ (735,022)	(\$985,000)	(\$20,014,693)	\$8,457,175	0.79%	n/a	838
2016	5,770,000	4,475,000	21,200,228	1,180,000	246,576	32,871,804	(651,298)	(2,660,000)	(21,200,228)	8,360,278	0.90%	2.44%	920
2015	7,095,000	5,225,000	22,357,276	1,235,000	191,221	36,103,497	(507,283)	(3,310,000)	(22,357,276)	9,928,938	1.01%	2.81%	1,013
2014	7,815,000	5,320,000	23,486,522	1,290,000	252,273	37,963,795	424,721	(3,330,000)	(23,486,522)	11,571,994	1.09%	3.03%	1,063
2013	8,185,000	9,695,000	24,565,423	-	21,387	42,466,810	1,491,385	(9,695,000)	(24,565,423)	9,697,772	1.28%	3.54%	1,186
2012	8,805,000	12,865,000	22,064,833	-	-	43,734,833	2,553,267	(12,865,000)	(22,064,833)	11,368,267	1.27%	3.59%	1,231
2011	9,525,000	22,970,000	-	-	-	32,495,000	(4,094,755)	(15,520,000)	-	12,880,245	0.91%	2.96%	915
2010	9,730,000	30,160,000	-	-	-	39,890,000	(3,021,278)	(21,860,000)	-	15,008,722	1.12%	3.67%	1,125
2009	9,880,000	35,285,000	-	-	-	45,165,000	(2,078,900)	(26,285,000)	-	16,801,100	1.18%	4.34%	1,340
2008	10,030,000	46,050,000	-	-	-	56,080,000	(8,339,240)	(29,400,000)	-	18,340,760	1.47%	5.08%	1,672

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

(2) Population and personal income can be found in Table 14

Notes: Debt Service Fund balances represent amounts received that are restricted to future payments of outstanding debt.

Amounts due from tax incremental financing districts represent future receipt of non-repealable property tax levies restricted to the payment of debt service. Amounts due from future development represent future impact fees collected under a 2002 ordinance from residents and restricted for the purpose of retiring debt on a portion of the police station, fire station, library and a eligible road project.

In 2017 the City issued \$1,630,000 of notes to finance the 2018 Capital Improvement plan excluding the City Hall roofing project.

In 2016 the City issued \$5,770,000. Proceeds were used to refinance existing general obligation bonds issued in 2007.

In 2014 the Water Utility issued \$1,290,000 of 20 Year bonds. Proceeds were used to finance the Water Building.

In 2012 the City issued \$5,320,000. Proceed were used to provide funding for TIF projects and Capital Improvement projects

In 2008 the City issued \$27,562,754. Proceeds were used to provide funding for Ryan Creek Sewer extension with repayment scheduled to be completed in 2031.

In 2008 the City issued \$10,000,000. Proceeds were used to provide funding for TIF Districts with repayment scheduled to be completed in 2014.

CITY OF FRANKLIN, WISCONSIN
 Schedule of Direct and Overlapping Debt - Governmental Activities
 December 31, 2017

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to City	Amount applicable to City
Milwaukee County ¹	\$ 607,000,000	6.5007%	\$ 39,459,338
Whitnall School District	115,000	14.2072%	16,338
Oak Creek - Franklin School District	108,915,000	16.4821%	17,951,517
Franklin School District ^{2,3}	69,155,000	100.0000%	69,155,000
Milwaukee Area Technical College	105,455,000	5.1840%	5,466,807
Milwaukee Metropolitan Sewerage District	880,192,821	6.6269%	58,329,568
Total Overlapping Debt	1,770,832,821		190,378,568
City of Franklin	<u>9,062,622</u>	100.0000%	<u>9,062,622</u>
Total	\$ 1,779,895,443		\$ 199,441,190

2/9/2017

History	Milwaukee County		School Districts		MATC	MMSD	Overlapping Debt Total	City of Franklin	Total
	Franklin	Whitnall	Oak Creek/Franklin	Franklin					
2017	\$ 39,459,338	\$ 69,155,000	\$ -	\$ 17,951,517	\$ -	\$ 58,329,568	\$ 184,895,423	\$ -	\$ 184,895,423
2016	41,064,057	29,120,000	76,706	16,756,664	5,289,102	56,916,164	149,222,693	10,491,576	159,714,269
2015	41,616,636	31,360,000	31,330	17,132,063	7,686,624	61,464,077	159,290,730	12,511,221	171,801,951
2014	42,750,442	33,940,000	39,011	7,614,274	5,531,580	58,752,848	148,628,155	13,187,273	161,815,428
2013	43,757,820	36,275,000	46,013	7,680,950	5,659,039	59,969,813	153,388,635	17,901,387	171,290,022
2012	46,023,745	5,105,000	56,142	8,444,593	5,929,102	63,513,083	129,071,665	21,670,000	150,741,665
2011	49,686,048	6,885,000	1,175,097	8,483,031	5,266,621	58,187,207	129,683,004	32,495,000	162,178,004
2010	49,485,672	8,590,000	366,516	8,804,319	4,624,047	53,906,419	125,776,973	39,890,000	165,666,973
2009	48,685,158	9,860,000	398,980	9,860,000	2,930,822	49,520,701	121,255,661	45,165,000	166,420,661
2008	24,814,695	13,335,000	498,112	8,825,309	2,930,822	50,315,201	100,719,139	56,080,000	156,799,139

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

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

- 1 In 2009 Milwaukee County issued \$400,000,000 in pension obligation debt.
- 2 In 2013 Franklin Public Schools issued \$33,000,000 of Debt to renovate the high school.
- 3 In 2017 Franklin Public Schools issued \$41,390,000 to build a new middle school

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

Fiscal Year	(1) Equalized Valuation	5% of Equalized Value	Total Debt Applicable to Limit	Legal Debt Margin	Percent Used	City Policy**		
						2% of Equalized Value	Debt Margin	Percent Used
2017	\$ 3,888,926,200	\$ 194,446,310	\$ 29,984,693	\$ 164,461,617	15.42%	\$ 77,778,524	\$ 47,793,831	38.55%
2016	3,729,003,100	186,450,155	32,625,228	153,824,927	17.50%	74,580,062	41,954,834	43.75%
2015	3,649,185,900	182,459,295	35,912,276	146,547,019	19.68%	72,983,718	37,071,442	49.21%
2014	3,589,694,100	179,484,705	37,711,522	141,773,183	21.01%	71,793,882	34,082,360	52.53%
2013	3,414,276,600	170,713,830	42,445,423	128,268,407	24.86%	68,285,532	25,840,109	62.16%
2012	3,524,105,900	176,205,295	43,734,833	132,470,462	24.82%	70,482,118	26,747,285	62.05%
2011	3,676,379,700	183,818,985	32,495,000	151,323,985	17.68%	73,527,594	41,032,594	44.19%
2010	3,670,508,700	183,525,435	39,890,000	143,635,435	21.74%	73,410,174	33,520,174	54.34%
2009	3,912,642,600	195,632,130	45,165,000	150,467,130	23.09%	78,252,852	33,087,852	57.72%
2008	3,898,387,300	194,919,365	56,080,000	138,839,365	28.77%	77,967,746	21,887,746	71.93%

(1) From Table 5

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

** The City Debt Policy limits debt to 40% of Legal Limit - adopted by Resolution 2008-6481

Table 14

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

Fiscal Year	(1) Population	(2) Personal Income		(2) Per capita adjusted gross income			(3) Unemployment rates		
		City of Franklin	Milwaukee County	City of Franklin	Milwaukee County	State of Wisconsin	City of Franklin	Milwaukee County	State of Wisconsin
2017	36,046	N/A	N/A	N/A	N/A	N/A	3.2%	3.1%	3.2%
2016	35,741	\$1,346,060,081	\$ 37,662	\$ 23,939	\$ 29,145	\$ 29,145	3.4%	3.9%	4.1%
2015	35,655	1,286,727,609	36,088	23,939	29,145	29,145	4.0%	5.2%	4.3%
2014	35,702	1,252,194,890	35,074	22,507	27,671	27,671	4.2%	6.0%	5.2%
2013	35,810	1,199,623,750	33,500	22,411	26,963	26,963	4.8%	7.2%	6.3%
2012	35,520	1,218,584,060	34,307	21,433	26,271	26,271	5.6%	8.0%	6.9%
2011	35,504	1,098,257,160	30,933	20,681	24,942	24,942	5.4%	8.0%	7.0%
2010	35,451	1,085,585,506	30,622	20,486	24,218	24,218	6.2%	8.1%	7.8%
2009	33,700	1,039,533,497	30,847	20,195	23,211	23,211	7.2%	9.7%	9.1%
2008	33,550	1,103,807,365	32,900	21,233	24,329	24,329	4.5%	6.5%	6.5%

- (1) Bureau of Census, State of Wisconsin
- (2) Wisconsin Department of Revenue, Division of Research and Analysis
- (3) US Bureau of Labor Statistics
- N/A Not Available

CITY OF FRANKLIN, WISCONSIN
Principal Employers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2017			2008		
		Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Northwestern Mutual	Insurance/Investment Services	2,380	1	12.82%	1,100	1	6.13%
Krones, Incorporated	High speed labeling/filler machines	619	2	3.33%	390	5	2.17%
Baptista's Bakery	Commercial Bakery	565	3	3.04%	580	2	3.23%
Franklin Public Schools	K-12 Education	549	4	2.96%			
Milwaukee County							
County Corrections South	Government	471	5	2.54%	465	3	2.59%
Vesta Inc	Medical Device Contract Manufacturer	403	6				
Carlisle Interconnect Technologies	Wire harnesses	308	7	1.66%			
Senior Flexonics - GA Precision	Off-road engine components mfg.	299	8	1.61%	400	4	2.23%
Strauss Veal & Lamb Int'l Inc	Animal Processing	274	9	1.48%			
Wheaton Franciscan Healthcare	Medical & surgical hospital	273	10	1.47%			
Waste Management	Landfill and refuse collection				340	6	1.89%
Conway Trucking	Trucking				300	7	
City of Franklin	Government	-		-	256	8	1.43%
Wal-Mart	Retailer				250	9	1.39%
Harley Davidson	Distribution Center				200	10	1.11%
		6,141		33.08%	4,281		23.84%

Source: Past Debt offering Official Statements and employer surveys

Table 16

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

<u>Department</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General government										
Common council										
Municipal Court										
Clerk	2.50	2.50	2.50	2.50	2.50	2.50	2.00	2.00	2.00	0.48
Information services	4.12	4.12	4.12	4.14	4.14	4.14	4.00	4.00	4.00	2.00
Administration	1.00	1.00	-	-	-	-	-	-	-	-
Finance	3.00	3.00	3.00	4.00	3.00	3.00	3.60	3.60	3.60	3.80
Assessor	6.60	6.60	6.60	6.60	7.10	7.10	7.03	7.10	7.10	7.10
Municipal buildings	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total general government	4.03	4.03	4.03	2.78	3.74	3.74	3.92	4.74	4.74	4.83
	21.25	21.25	21.25	21.02	21.48	21.48	21.55	22.44	22.44	22.74
Public safety										
Police	76.75	76.75	76.75	75.75	75.75	76.75	77.25	77.25	77.25	77.25
Fire	46.50	46.50	46.50	46.50	46.50	46.45	46.48	46.45	46.45	46.45
Building Inspection	8.30	8.00	8.00	7.00	7.00	7.00	8.00	8.00	8.00	10.00
Total public safety	131.55	131.25	131.25	129.25	129.25	130.20	131.73	131.70	131.70	133.70
Public works										
Engineering	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.80	8.80	9.80
Highway	22.00	22.00	22.00	22.48	22.00	22.00	22.00	22.00	22.00	22.00
Parks	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.27
Total public works	32.25	32.25	32.25	32.73	32.25	32.25	32.25	32.80	32.80	34.07
Public health										
Planning	7.50	6.75	6.75	6.75	6.15	6.25	6.25	6.15	6.15	6.50
Economic Development	4.00	4.00	4.00	4.00	4.00	4.60	5.60	5.60	5.60	7.60
Total general fund	1.00	1.00	1.00	0.58	-	-	-	-	-	-
	197.55	196.50	196.50	194.33	193.13	194.78	197.38	198.69	198.69	204.61
Public health - grant										
Library	16.68	16.94	16.94	17.19	17.70	16.82	17.12	17.11	17.11	17.20
Sewer & water	10.80	10.80	11.50	11.55	11.55	11.53	11.53	12.55	12.55	12.85
Total	225.03	224.24	224.94	223.07	222.38	223.13	226.03	228.35	228.35	234.66

Source: City of Franklin Budget Document

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Part 1 Major crimes	662	780	844	859	873	852	689	629	804	994
Arrests	1,350	1,265	1,312	1,290	1,117	1,799	1,554	1,606	1,235	1,467
Traffic & parking citations	8,692	6,866	7,859	8,163	7,431	9,449	11,093	9,125	7,793	6,880
Calls for service	29,578	30,699	30,259	30,040	28,093	29,542	28,847	37,273	28,267	27,107
Number of sworn officers	60	60	60	59	58	58	58	58	58	59
Fire										
Fire responses	650	641	689	621	679	594	540	574	496	704
EMS responses	3540	3406	2976	2,863	2754	2,688	2,605	2,546	2,515	2,790
Fire inspections	2650	2500	2509	2,480	2436	2,485	2,765	2,463	2,611	2,578
Number of full-time firefighters	45	45	45	45	45	45	45	45	46	46
Basic Life Support Transports	1080	966	1059	1,055	1162	1,137	1,099	1,141		
Paramedic Transports	1250	1185	1212	1,091	977	910	863	823		
Highway										
Miles of crack sealing	15	31	26	38	28	32	30	28	31	34
Trees pruned	1200	1326	1500	679	704	1,053	1,427	2,176	927	378
Vehicles maintained	171	170	168	167	167	167	165	165	165	165
Solid waste										
Non-recyclable refuse collected (tons)	8400	8179	8259	7,923	7972	8,205	8,353	8,320	7,762	8,519
Recyclables collected (tons)	2815	2766	2975	3,479	3114	2,737	2,813	2,693	2,676	2,825
Yard waste (tons)	320	340	332	221	322	335	274	295	375	214
Health										
Home visits	1100	767	951	1,180	1,276	1,435	1,213	1,383	1,616	1,280
Immunization clinic visits	1600	1334	2032	2,130	1,825	2,488	2,653	3,660	8,658	3,407
Sanitarian inspections	400	356	340	429	383	438	298	366	380	274
Animal control										
Animal control pickups	110	106	116	122	104	92	120	167	126	165
Library										
Circulation	404,600	439,962	474,658	465,656	477,991	502,989	514,163	519,580	519,054	490,843
Collection size	136,000	133,556	132,330	139,772	140,000	144,000	142,000	140,000	135,688	130,000
Internet use **	23,000	24,850	28,239	30,970	33,507	39,976	49,638	50,369	50,222	55,000
Sanitary sewer										
Number of customers	10,316	10,231	10,198	10,090	10,060	10,010	9,970	9,775	9,883	9,853
Feet of sewer cleaned	258,000	255,000	260,000	255,000	250,000	250,000	217,000	218,000	250,000	264,000
Water										
Number of customers -average	8,270	8,220	8,172	7,978	7,930	7,931	7,850	7,807	7,756	7,683
Average daily consumption	3	2,800,000	2,800,000	2,800,000	2,400,000	2,615,000	2,370,000	2,298,000	2,461,276	2,474,000
Peak daily consumption	4,001,000	4,788,000	4,888,200	4,969,000	6,770,000	6,770,000	5,604,000	4,212,000	4,803,000	5,681,000

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

Source: City Budget Document

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Area in square miles	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Area in acres:										
Taxable acres (approximate)	14,432	14,967	14,984	15,038	14,889	14,804	15,474	15,550	15,549	15,550
Acres developed (approximate)	9,175	9,679	9,681	9,694	9,540	9,410	11,336	11,329	11,287	11,233
Acres in park and open space	5,257	5,288	5,303	5,167	4,928	4,854	3,873	3,873	3,873	3,873
Miles of road:										
State	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85
County	19.49	21.24	23.24	23.74	23.74	23.74	23.74	23.74	23.74	23.74
Local	171.00	169.25	167.05	166.32	166.07	166.51	165.97	165.97	165.97	166.51
Fire protection and ambulance service:										
Number of manned fire stations	3	3	3	3	3	3	3	3	3	3
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of sub stations	1	1	1	1	1	1	1	1	1	1
Sewer and water service:										
Miles of sanitary sewer	195	194	193	191	185	185	185	185	185	182
Miles of watermain	171	170	169	168	167	167	167	166	166	164
Number of fire hydrants	2579	2565	2155	2,145	2,130	2,120	2,115	2,111	2,106	2,081
Recreation and culture:										
Number of trails	12	11	11	11	10	10	7	7	4	4
Number of city parks	13	12	12	12	12	12	12	12	12	12
Number of county parks	8	8	8	8	8	8	8	8	8	8
Number of libraries	1	1	1	1	1	1	1	1	1	1
Municipal buildings (square footage):										
City hall	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206
Law enforcement building	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300
Fire stations	37,750	37,750	37,750	37,750	37,750	37,750	37,750	37,750	32,392	26,480
Library	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Public works building	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450
Sewer & water building	23,215	23,215	23,215	6,620	6,620	6,620	6,620	6,620	6,620	6,620

Source: City of Franklin records

FORM OF LEGAL OPINION

(See following pages.)

Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, WI 53202

February 20, 2019

Re: City of Franklin, Wisconsin ("Issuer")
\$6,570,000* General Obligation Community Development Bonds, Series 2019B,
dated February 20, 2019 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on March 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2022	\$200,000	___%
2023	250,000	___
2024	300,000	___
2025	400,000	___
2026	535,000	___
2027	550,000	___
2028	565,000	___
2029	580,000	___
2030	600,000	___
2031	620,000	___
2032	635,000	___
2033	655,000	___
2034	680,000	___

Interest is payable semi-annually on March 1 and September 1 of each year commencing on September 1, 2019.

The Bonds maturing on March 1, 2027 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2026 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

* Preliminary, subject to change.

【The Bonds maturing in the years _____ are subject to mandatory redemption by lot as provided in the resolution awarding the Bonds, at the redemption price of par plus accrued interest to the date of redemption and without premium.】

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.
2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.
3. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages.)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Franklin, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$6,570,000* General Obligation Community Development Bonds, Series 2019B, dated February 20, 2019 (the "Securities"). The Securities are being issued pursuant to resolutions adopted on January 8, 2019 and February 5, 2019 (collectively, the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated February 6, 2019 delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

* Preliminary, subject to change.

"Issuer" means the City of Franklin, Milwaukee County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Clerk of the Issuer who can be contacted at 9229 West Loomis Road, Franklin, Wisconsin, 53132, phone (414) 425-7500, fax (414) 427-7627.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ended December 31, 2018, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - DIRECT DEBT
2. DEBT - DEBT LIMIT
3. VALUATIONS - CURRENT PROPERTY VALUATIONS
4. TAX LEVIES AND COLLECTIONS - TAX LEVIES AND COLLECTIONS

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 20th day of February, 2019.

(SEAL)

Stephen R. Olson
Mayor

Sandra L. Wesolowski
City Clerk

NOTICE OF SALE

**\$6,570,000* GENERAL OBLIGATION COMMUNITY DEVELOPMENT BONDS, SERIES 2019B
CITY OF FRANKLIN, WISCONSIN**

Bids for the purchase of \$6,570,000* General Obligation Community Development Bonds, Series 2019B (the "Bonds") of the City of Franklin, Wisconsin (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on February 5, 2019, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of paying the cost of providing financial assistance to community development projects under Section 66.1105 of the Wisconsin Statutes, in the City's Tax Incremental District No. 6. The Bonds are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

The Bonds will be dated February 20, 2019, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$200,000	2027	\$550,000	2032	\$635,000
2023	250,000	2028	565,000	2033	655,000
2024	300,000	2029	580,000	2034	680,000
2025	400,000	2030	600,000		
2026	535,000	2031	620,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on March 1 and September 1 of each year, commencing September 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City may designate a City officer or select a bank or trust company to act as paying agent (the "Paying Agent"). If a bank or trust company is selected as Paying Agent, the City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after March 1, 2027 shall be subject to optional redemption prior to maturity on March 1, 2026 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about February 20, 2019, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL MATTERS

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" found in Appendix B to the Preliminary Official Statement.)

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

SUBMISSION OF BIDS

Bids must not be for less than \$6,487,875 nor more than 6,964,200 plus accrued interest on the principal sum of \$6,570,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 11:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$131,400 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers and Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

The award of the Bonds will be made subject to expiration of the petition period provided for under Section 67.05, Wisconsin Statutes, without the filing of a sufficient petition for a referendum with respect to the initial resolution authorizing the Bonds.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the bidder. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the bidder on its bid form to determine the issue price for the Bonds. On its bid form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the bidder selects the 10% test, the bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Paul Rotzenberg, Director of Finance & Treasurer
City of Franklin, Wisconsin

BID FORM

**The Common Council
City of Franklin, Wisconsin**

February 5, 2019

RE: \$6,570,000* General Obligation Community Development Bonds, Series 2019B
DATED: February 20, 2019

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$6,487,875 nor more than \$6,964,200) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2022	_____	% due	2027	_____	% due	2032
_____	% due	2023	_____	% due	2028	_____	% due	2033
_____	% due	2024	_____	% due	2029	_____	% due	2034
_____	% due	2025	_____	% due	2030			
_____	% due	2026	_____	% due	2031			

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$131,400, to be held by the City pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers and Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers and Associates no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about February 20, 2019.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: NO: .

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from February 20, 2019 of the above bid is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Franklin, Wisconsin, on February 5, 2019.

By: _____ By: _____
Title: _____ Title: _____