

FINAL OFFICIAL STATEMENT DATED NOVEMBER 20, 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 Notes 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 Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating: Moody's Investors Service, Inc. "Aa2"

CITY OF FRANKLIN, WISCONSIN (Milwaukee County)

\$2,285,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2019D

PURPOSE/AUTHORITY/SECURITY: The \$2,285,000 General Obligation Promissory Notes, Series 2019D (the "Notes") of the City of Franklin, Wisconsin (the "City") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including projects listed in the City's 2019 Capital Improvement Program. The Notes 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 Notes 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 NOTES: December 4, 2019

DATE OF DELIVERY: December 4, 2019

SERIAL MATURITIES: March 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest</u>		<u>Yield</u>	CUSIP Base 355185	<u>Year</u>	<u>Amount</u>	<u>Interest</u>		<u>Yield</u>	CUSIP Base 355185
		<u>Rate</u>	<u>Rate</u>					<u>Rate</u>	<u>Rate</u>		
2020	\$100,000	3.000%	1.350%	RB7	2024	\$235,000	3.000%	1.500%	RF8		
2021	\$135,000	3.000%	1.370%	RC5	2025	\$470,000	3.000%	1.550%	RG6		
2022	\$360,000	3.000%	1.400%	RD3	2026	\$295,000	2.000%	1.650%	RH4		
2023	\$370,000	3.000%	1.450%	RE1	2027	\$320,000	2.000%	1.750%*	RJ0		

*Priced to call

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

INTEREST: March 1, 2020 and semiannually thereafter.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL & DISCLOSURE COUNSEL: Quarles & Brady LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein.

The Notes are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to the validity and tax exemption by Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, and certain other conditions. Quarles & Brady LLP will also act as Disclosure Counsel to the City. It is expected that delivery of the Notes will be made on or about December 4, 2019 against payment therefor. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends, but is not obligated, to effect secondary market trading in the Notes. For information with respect to the Underwriter, see "Underwriting" herein.

BOK FINANCIAL SECURITIES, INC.
Milwaukee, Wisconsin

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 the Final 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 Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Final Official Statement is not to be construed as a contract with the Underwriter. 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. ("Ehlers") prepared this Final Official Statement 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 Notes. Compensation of Ehlers, payable entirely by the City, is contingent upon the delivery of the Notes.

The Underwriter has reviewed the information in this Final Official Statement in accordance with, and as a part of, the Underwriter's responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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").

Final Official Statement: Copies of the Final Official Statement will be delivered to the Underwriter 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 an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Final Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Notes, the Underwriter 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 Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Final 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 Notes; (3) a certificate evidencing the due execution of the Notes, 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 Notes, (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 Notes 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 Notes 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 Dandrea	Common Council President	April 2022
Mike Barber	Aldersperson	April 2022
Daniel Mayer	Aldersperson	April 2022
John R. Nelson	Aldersperson	April 2020
Steve F. Taylor	Aldersperson	April 2020
Kristen Wilhelm	Aldersperson	April 2020

ADMINISTRATION

Mark W. Luberda, 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 Final Official Statement contains certain information regarding the City of Franklin, Wisconsin (the "City") and the issuance of its \$2,285,000 General Obligation Promissory Notes, Series 2019D (the "Notes"). Any descriptions or summaries of the Notes, 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 Notes included in the resolution authorizing the issuance and sale of the Notes (the "Authorizing Resolution") adopted by the Common Council on November 19, 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 Final Official Statement is available at emma.msrb.org.

THE NOTES

GENERAL

The Notes 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 December 4, 2019. The Notes will mature on March 1 in the years and amounts set forth on the cover of this Final Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2020, to the registered owners of the Notes 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").

Unless otherwise specified by the purchaser, the Notes 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 Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes 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 Notes shall be payable as provided in the Authorizing Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. 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 Notes maturing on March 1, 2027 are 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 Notes subject to prepayment. If redemption is in part, the selection of the amounts of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount 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 Note to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including projects listed in the City's 2019 Capital Improvement Program.

SOURCES AND USES

Sources

Par Amount of Notes	\$2,285,000	
Reoffering Premium	93,246	
Estimated Interest Earnings	<u>3,750</u>	
Total Sources		\$2,381,996

Uses

Total Underwriter's Discount	\$12,598	
Costs of Issuance	37,326	
Deposit to Borrowed Money Fund	2,250,000	
Premium Deposit to Debt Service Fund	80,648	
Rounding Amount	<u>1,424</u>	
Total Uses		\$2,381,996

SECURITY

For the prompt payment of the Notes 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 Notes when it becomes due and also to pay and discharge the principal on the Notes 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

The City received a rating of "Aa2" on the Notes from Moody's Investors Service, Inc. ("Moody's"), and bidders were 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 Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, 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 Notes any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Notes, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events. The Disclosure Undertaking includes the two new material events effective February 27, 2019 under the Rule.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

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, including the two new material events, to help ensure compliance in the future. Ehlers is currently engaged as dissemination agent for the City.

LEGAL MATTERS

An opinion as to the validity of the Notes 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 Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes 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 Notes. 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 Notes 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 Notes 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 Notes under existing law substantially in the following form:

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes 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 Notes

in order for interest on the Notes 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 Notes to be included in gross income retroactively to the date of issuance of the Notes. 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 Notes."

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

Prospective purchasers of the Notes should be aware that ownership of the Notes 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 Notes 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 Notes. 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 Notes may be enacted. Prospective purchasers of the Notes 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.

BOND PREMIUM

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

Any Premium Note purchased in the initial offering at the issue price will have "amortizable premium" within the meaning of Section 171 of the Code. The amortizable premium of each Premium Note is calculated on a daily basis from the issue date of such Premium Note 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 Note that has amortizable premium is not allowed any deduction for the amortizable premium; rather the amortizable premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Notes. During each taxable year, such an owner must reduce his or her tax basis in such Premium Note by the amount of the amortizable premium that is allocable to the portion of such taxable year during which the holder held such Premium Note. The adjusted tax basis in a Premium Note will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Note.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. 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

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.

UNDERWRITING

The Underwriter named on the cover page hereof (the "Underwriter") has agreed to purchase the Notes from the City for a purchase price of \$2,365,648.12 plus accrued interest to the date of closing. The Underwriter will be obligated to purchase all such Notes if any such Notes are purchased. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at prices lower than the offering prices derived from the coupons and yields for each maturity set forth on the cover page.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2018 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 Notes 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 Notes 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 Notes. 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 Notes 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 Notes may fall for purposes of resale. Noncompliance by the City with the covenants in the Authorizing Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Notes 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 Notes. 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 Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes 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 Notes.

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 Notes in the secondary market.

Secondary Market for the Notes: No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes 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 Notes. 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 Notes 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

2019 Equalized Value	\$4,360,269,000
2019 Equalized Value Reduced by Tax Increment Valuation	\$4,211,998,800
2019 Assessed Value	\$4,229,425,745

2019 EQUALIZED VALUE BY CLASSIFICATION

	2019 Equalized Value¹	Percent of Total Equalized Value
Residential	\$ 3,205,292,500	73.511%
Commercial	923,259,800	21.174%
Manufacturing	152,492,500	3.497%
Agricultural	869,600	0.020%
Undeveloped	5,205,600	0.119%
Ag Forest	205,200	0.005%
Forest	550,800	0.013%
Other	19,760,600	0.453%
Personal Property	52,632,400	1.207%
Total	<u>\$ 4,360,269,000</u>	<u>100.000%</u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
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%
2019	4,229,425,745	4,360,269,000	8.39%

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	Retail	25,170,021	0.63%
ET Franklin Pro-Packaging LLC	Light 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	Retail	13,375,822	0.33%
Snyder Foods	Light 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 ²		\$4,022,941,400	

Source: The City. 2019 data is not yet available.

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

² Includes tax increment valuation.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Notes and the Concurrent Obligations, as defined herein) \$ 58,390,341

Other Obligations

Name of Issue	Issue Date	Final Maturity	Amount Outstanding
Taxable Note Anticipation Notes, Series 2018A ²	5/1/2018	3/1/2023	\$ 9,480,000 ³

¹ Outstanding debt is as of the dated date of the Notes and excludes the obligations being refunded by the Concurrent Obligations.

² These Taxable Note Anticipation Notes 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.

³ Outstanding amount is after the refunding of the \$4,000,000 portion of the Taxable Note Anticipation Notes by the Concurrent Obligations.

City of Franklin, Wisconsin
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 12/04/2019)

Calendar Year Ending	GO Sewerage System Promissory Notes Series 2012*		GO Promissory Notes Series 2014A		GO Water Sys Bonds Series 2014B		GO Refunding Bonds Series 2016A		GO Promissory Notes Series 2017B			
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2020	1,275,272	01/25/2012	1,275,272	416,514	180,000	29,163	55,000	29,738	1,095,000	33,250	50,000	43,625
2021	1,306,669	\$24,588,635	1,306,669	384,730	180,000	25,113	60,000	28,288	1,115,000	11,150	50,000	42,125
2022	1,338,839		1,338,839	352,164	335,000	19,319	60,000	26,488			225,000	38,000
2023	1,371,802		1,371,802	318,796	330,000	11,838	60,000	24,688			235,000	31,100
2024	1,405,575		1,405,575	284,606	325,000	4,063	60,000	22,888			240,000	23,975
2025	1,440,181		1,440,181	249,575			65,000	21,013			250,000	16,625
2026	1,475,638		1,475,638	213,682			65,000	19,063			255,000	9,688
2027	1,511,968		1,511,968	176,904			65,000	17,113			260,000	3,250
2028	1,549,193		1,549,193	139,221			70,000	15,088				
2029	1,587,334		1,587,334	100,611			70,000	12,988				
2030	1,626,414		1,626,414	61,049			75,000	10,813				
2031	1,666,456		1,666,456	20,514			75,000	8,516				
2032							75,000	6,172				
2033							80,000	3,750				
2034							80,000	1,250				
2035												
2036												
2037												
			17,555,341	2,718,367	1,350,000	89,494	1,015,000	247,850	2,210,000	44,400	1,565,000	208,388

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

--Continued on next page

City of Franklin, Wisconsin
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 12/04/2019)

Calendar Year Ending	Taxable GO Corporate Purpose Bonds 2019A		GO Community Development Bonds Series 2019B		Taxable GO Corporate Purpose Bonds Series 2019C		GO Promissory Notes Series 2019D		Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest				
2020	665,000	02/20/2019	665,000	415,700	100,000	44,780	3,420,272	1,462,096	4,882,368	54,970,069	5.86%	2020
2021	965,000	02/20/2019	965,000	391,250	135,000	57,375	3,811,669	1,469,340	5,281,009	51,158,400	12.39%	2021
2022	1,495,000	02/20/2019	1,495,000	354,350	200,000	49,950	4,173,839	1,364,630	5,538,470	46,984,560	19.53%	2022
2023	940,000	02/20/2019	940,000	317,825	200,000	39,000	3,721,802	1,256,506	4,978,308	43,262,759	25.91%	2023
2024	1,000,000	02/20/2019	1,000,000	288,725	450,000	29,925	3,985,575	1,151,504	5,137,079	39,277,183	32.73%	2024
2025	1,000,000	02/20/2019	1,000,000	258,725	370,000	19,350	4,045,181	1,040,810	5,085,991	35,232,003	39.66%	2025
2026	1,020,000	02/20/2019	1,020,000	228,425	625,000	9,350	4,250,638	926,698	5,177,336	30,981,365	46.94%	2026
2027	1,100,000	02/20/2019	1,100,000	196,625	660,000	3,200	4,451,968	808,439	5,260,407	26,529,397	54.57%	2027
2028	1,100,000	02/20/2019	1,100,000	162,938	685,000		3,964,193	691,391	4,655,584	22,565,204	61.35%	2028
2029	1,100,000	02/20/2019	1,100,000	128,563	3,345,000		6,677,334	548,463	7,225,797	15,887,870	72.79%	2029
2030	1,100,000	02/20/2019	1,100,000	93,500	630,000		4,026,414	406,099	4,432,513	11,861,456	79.69%	2030
2031	1,100,000	02/20/2019	1,100,000	57,063	630,000		4,086,456	292,615	4,379,071	7,775,000	86.68%	2031
2032	1,100,000	02/20/2019	1,100,000	19,250	655,000		2,460,000	196,237	2,656,237	5,315,000	90.90%	2032
2033					775,000		1,505,000	135,460	1,640,460	3,810,000	93.47%	2033
2034					875,000		1,630,000	88,929	1,718,929	2,180,000	96.27%	2034
2035					850,000		850,000	52,348	902,348	1,330,000	97.72%	2035
2036					660,000		660,000	30,335	690,335	670,000	98.85%	2036
2037					670,000		670,000	10,218	680,218	0	100.00%	2037
	13,685,000		13,685,000	2,912,938	6,365,000	2,052,938	12,360,000	3,404,815	15,764,815	58,390,341		
							2,285,000	252,930	2,537,930	70,322,459		

**City of Franklin, Wisconsin
Schedule of Bonded Indebtedness
Special Obligation Debt Secured by Long Term GO Debt
(As of 12/04/2019)**

Taxable NAN
Series 2018A*

Dated Amount	05/01/2018 \$23,480,000	Maturity	03/01					
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2020	0	303,360	0	303,360	303,360	9,480,000	.00%	2020
2021	0	303,360	0	303,360	303,360	9,480,000	.00%	2021
2022	0	303,360	0	303,360	303,360	9,480,000	.00%	2022
2023	9,480,000	151,680	9,480,000	151,680	9,631,680	0	100.00%	2023
	9,480,000	1,061,760	9,480,000	1,061,760	10,541,760			

*Outstanding amount is after refunding of the \$4,000,000 portion of the Taxable Note Anticipation Notes by the Concurrent Obligations.

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	\$ 4,360,269,000
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 218,013,450
Less: General Obligation Debt (includes the Notes and the Concurrent Obligations)	(58,390,341) ¹
Less: Note Anticipation Note Debt Outstanding	<u>(9,480,000)²</u>
Unused Debt Limit	<u><u>\$ 150,143,109</u></u>

OVERLAPPING DEBT³

Taxing District	2019 Equalized Value ⁴	% In City	Total G.O. Debt ⁵	City's Proportionate Share
Milwaukee County	\$ 67,178,449,700	6.49%	\$ 532,465,597	\$ 34,568,699
Milwaukee Area Technical College District	83,891,800,999	5.20%	100,465,000	5,146,180
Franklin Public School District	3,306,017,548	100.00%	63,700,000	63,700,000
Oak Creek-Franklin Joint School District ⁶	4,624,824,289	17.16%	135,520,000	23,255,232
Whitnall School District	1,876,432,480	13.88%	14,592,984	2,025,506
Milwaukee Metro Sewer District	65,909,579,500	6.62%	769,033,581	<u>50,910,023</u>
City's Share of Total Overlapping Debt				<u><u>\$179,605,640</u></u>

¹ 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.

² The City has covenanted that it will maintain a debt limit capacity such that the outstanding principal balance of all general obligation debt plus the principal balance of all note anticipation notes shall at no time exceed the constitutional debt limit of the City.

³ Overlapping debt is as of the dated date of the Notes. 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.

⁶ Oak Creek-Franklin Joint School District is in the process of issuing \$25,935,000 in General Obligation School Building and Improvement Bonds, Series 2019D on December 5, 2019 and is scheduled to close on December 23, 2019. Issue amount is currently subject to change.

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$4,360,269,000	Debt/ Per Capita 35,996¹
Total General Obligation Debt	\$ 58,390,341	1.34%	\$ 1,622.13
City's Share of Total Overlapping Debt	<u>179,605,640</u>	<u>4.12%</u>	<u>4,989.60</u>
Total	\$237,995,981	5.46%	\$ 6,611.73

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 Notes, the City plans to issue \$12,360,000 Taxable General Obligation Corporate Purpose Bonds, Series 2019C (the "Concurrent Obligations"). The City may issue approximately \$9,500,000 of general obligation debt to finance capital projects in the City's tax incremental districts. Additionally, the City may refund the remaining \$9,480,000 of the Taxable Note Anticipation Notes, Series 2018A with general obligation debt in the next 12 months. Pursuant to a development agreement with a developer, the City expects to issue a \$14,980,000 obligation to said developer sometime in the next 12 months (the "MRO"). Under the development agreement, such MRO is a special, limited revenue obligation of the City payable solely from certain tax increment revenues that are appropriated by the Common Council. The City has previously entered into agreements in which they have issued obligations similar to the MRO and currently those obligations are outstanding in the amount of \$5,189,000. Similar to the MRO, such obligations are special, limited revenue obligations of the City payable solely from tax increment revenues of the related tax increment district. If such tax increment revenues are not generated and available, no payment is due on the related MRO. Aside from the preceding, the City has no current plans for additional financing in the next 12 months.

¹ Estimated 2019 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	100%	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	Schools¹	County	Local	Other²	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 prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

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

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 196 full-time and 48 part-time. All eligible 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, 2016 ("Fiscal Year 2016"), the fiscal year ended December 31, 2017 ("Fiscal Year 2017") and the fiscal year ended December 31, 2018 ("Fiscal Year 2018"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$869,137, \$1,074,037 and \$1,119,560, respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for the fiscal year ended December 31, 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, 2017, the total pension liability of the WRS was calculated as \$101.43 billion and the fiduciary net position of the WRS was calculated as \$104.4 billion, resulting in a net pension asset of \$2.97 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 2018, the City reported an asset of \$2,607,342 for its proportionate share of the net pension asset of the WRS. The net pension asset was measured as of December 31, 2017 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 0.08781536% of the aggregate WRS net pension asset as of December 31, 2017.

The calculation of the total pension asset 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 asset 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, 2021
Fire	December 31, 2020

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 26 retirees receiving benefits, 11 terminated vested retirees and 29 active plan members as of December 31, 2018, 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 September 2019 with an actuarial valuation date of December 31, 2018 (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 2018 was \$251,009. For Fiscal Year 2018, contributions to the plan totaled \$251,009, which was 100% 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, 2018, the total pension liability was \$11,268,865 and the fiduciary net position was \$9,110,866, resulting in net pension liability of \$2,157,999.

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 2018, the City contributed \$211,762 and employees contributed \$211,762 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 2018, the ADC for Fiscal Year 2018 was \$441,859. For Fiscal Year 2018, contributions to the plan totaled \$444,364, which was 100.57% of the ADC. The City's current funding practice is to at least fully fund the ADC.

As shown in the financial statements for Fiscal Year 2018, as of December 31, 2018 the total OPEB liability of the plan was \$7,733,557 and the plan fiduciary net position was \$5,229,404, resulting in a net OPEB liability of \$2,504,153.

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 Notes or otherwise questioning the validity of the Notes. 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 Notes.

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 Notes 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 Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes 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 Notes.

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 Notes would not occur.

FUNDS ON HAND (as of September 30, 2019)

Fund	Total Cash and Investments
General	\$ 12,866,357
Debt Service Funds	1,007,402
TIF Districts	15,504,594
Nonmajor Governmental Funds	18,306,647
Sewer Fund	1,413,070
Water Utility	2,123,485
Self Insurance Fund	2,423,401
Other Designated Funds	14,169
Total Funds on Hand	<u>\$ 53,659,125</u>

ENTERPRISE FUNDS

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

	2016	2017	2018
Water			
Total Operating Revenues	\$ 6,054,573	\$ 6,057,085	\$ 5,961,350
Less: Operating Expenses	<u>(5,514,241)</u>	<u>(5,393,413)</u>	<u>(5,476,438)</u>
Operating Income	\$ 540,332	\$ 663,672	\$ 484,912
Plus: Depreciation	1,344,829	1,194,029	1,204,485
Interest Income	<u>2,589</u>	<u>9,926</u>	<u>43,412</u>
Revenues Available for Debt Service	\$ 1,887,750	\$ 1,867,627	\$ 1,732,809
Less: PILOT Payment	<u>(1,047,053)</u>	<u>(1,029,649)</u>	<u>(1,008,038)</u>
Net Revenues	<u><u>\$ 840,697</u></u>	<u><u>\$ 837,978</u></u>	<u><u>\$ 724,771</u></u>
Sewer			
Total Operating Revenues	\$ 3,328,550	\$ 3,313,854	\$ 3,704,852
Less: Operating Expenses	<u>(5,197,869)</u>	<u>(5,222,142)</u>	<u>(5,476,724)</u>
Operating Income	\$ (1,869,319)	\$ (1,908,288)	\$ (1,771,872)
Plus: Depreciation	2,123,035	2,119,900	2,135,076
Interest Income	<u>134</u>	<u>16,587</u>	<u>31,810</u>
Revenues Available for Debt Service	<u><u>\$ 253,850</u></u>	<u><u>\$ 228,199</u></u>	<u><u>\$ 395,014</u></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 2018 audited financial statements.

GENERAL FUND	FISCAL YEAR ENDING DECEMBER 31				
	2016 Audited	2017 Audited ¹	2018 Audited	2019 Projected	2020 Proposed Budget
Revenues					
Taxes	\$ 17,161,004	\$ 17,093,625	\$ 17,611,739	\$ 18,827,500	\$ 19,691,600
Intergovernmental revenues	2,318,825	2,264,961	2,317,488	1,728,200	1,746,400
Licenses and permits	665,169	773,877	1,166,156	968,555	903,200
Penalties and forfeitures	498,653	485,407	475,840	500,000	546,000
Public charges for services	1,452,601	1,603,247	2,405,406	2,432,700	2,527,300
Intergovernmental charges for services	194,806	172,796	192,542	184,000	182,000
Investment earnings	161,281	189,275	241,398	508,800	343,580
Miscellaneous revenues	182,016	148,853	244,136	153,450	139,250
Total Revenues	\$ 22,634,355	\$ 22,732,041	\$ 24,654,705	\$ 25,303,205	\$ 26,079,330
Expenditures					
Current:					
General government	\$ 2,910,893	\$ 2,940,898	\$ 2,944,482	\$ 3,064,535	\$ 3,392,982
Public safety	15,787,827	16,660,351	17,077,275	17,436,502	18,446,978
Public works	3,745,146	3,852,472	3,388,370	3,931,315	4,151,677
Health and human services	646,870	675,875	670,131	647,670	737,635
Culture, recreation and education	179,933	187,959	240,916	175,365	210,448
Conservation and development	523,268	520,314	512,157	570,645	619,400
Contingency	0	0	0	0	1,145,000
Total Expenditures	\$ 23,793,937	\$ 24,837,869	\$ 24,833,331	\$ 25,826,032	\$ 28,704,120
Excess of revenues over (under) expenditures	\$ (1,159,582)	\$ (2,105,828)	\$ (178,626)	\$ (522,827)	\$ (2,624,790)
Other Financing Sources (Uses)					
Operating transfers in	1,050,382	1,059,793	1,011,392	1,139,125	1,050,000
Operating transfers out	(1,250,025) ²	(57,138)	(84,000)	(24,000)	(524,000)
Restricted Contingency ³	0	0	0	0	1,335,000
Total Other Financing Sources (Uses)	\$ (199,643)	\$ 1,002,655	\$ 927,392	\$ 1,115,125	\$ 1,861,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(\$1,359,225)	\$ (1,103,173)	\$ 748,766	\$592,298	(\$763,790)⁴
General Fund Balance January 1	9,049,909	7,690,684	6,587,511	7,336,277	7,928,575
General Fund Balance December 31	\$ 7,690,684	\$ 6,587,511	\$ 7,336,277	\$ 7,928,575	\$ 7,164,785
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	2,294,958	246,548	180,623		
Restricted	0	0	0		
Committed	0	0	0		
Assigned	61,626	150,565	271,970		
Unassigned	5,334,100	6,190,398	6,883,684		
Total	\$ 7,690,684	\$ 6,587,511	\$ 7,336,277		

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

² Deficit includes a one-time \$1.2 million transfer to the Capital Improvement Fund for capital expenditures.

³ The 2020 Budget includes as a budgeted expenditure a \$1,335,000 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.

⁴ The City is budgeting a deficit for 2020 for some non-recurring costs, including severance on retirees, tax refunds on assessments challenges and transfers to the capital improvement fund for security enhancements at City buildings.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 35,451, and a current estimated population of 35,996, 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	1,938
Krones, Inc.	High speed labeling/filler machines	625
Franklin Public Schools	K-12 education	558
Snyder Foods	Commercial bakery	519
Carlisle Interconnect Technologies	Wire harnesses	393
Milwaukee County Corrections South	Government	388
Ascension Healthcare	Medical and surgical hospital	300 ²
Wal-Mart	Retailer	300
Strauss Veal & Lamb Int'l Inc.	Animal processing	288
Senior Flexonics - GA Precision	Off-road engine components mfg.	273

Source: *ReferenceUSA, written and telephone survey (July 2019), Franklin 2018 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.

² Formerly known as Wheaton Franciscan.

BUILDING PERMITS

	2015	2016	2017	2018	2019 ¹
<u>New Single Family Homes</u>					
No. of building permits	26	23	18	30	40
Valuation	\$10,199,139	\$9,721,721	\$8,991,610	\$13,357,904	\$19,087,167
<u>New Multiple Family Buildings</u>					
No. of building permits	3	1	0	7	8
Valuation	\$1,110,000	\$5,550,000	\$0	\$27,972,154	\$32,715,000
<u>New Commercial/Industrial</u>					
No. of building permits	3	5	13	9	15
Valuation	\$1,961,261	\$154,300	\$28,861,659	\$8,677,160	\$16,739,561
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	300	267	251	267	199
Valuation	\$30,654,542	\$27,316,600	\$49,403,073	\$62,150,023	\$76,578,406

Source: The City.

¹ As of September 30, 2019.

U.S. CENSUS DATA

Population Trend: City

2000 U.S. Census	29,494
2010 U.S. Census	35,451
2019 Estimated Population	35,996
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>			<u>Average Unemployment</u>	
	City	Milwaukee County	City	Milwaukee County	State of Wisconsin
2015	17,566	449,639	4.4%	5.7%	4.6%
2016	17,804	453,900	3.8%	5.0%	4.0%
2017	17,920	457,018	3.2%	4.0%	3.3%
2018	17,863	455,544	2.9%	3.6%	3.0%
2019, September ¹	17,794	453,791	2.9%	3.9%	2.9%

Source: Wisconsin Department of Workforce Development.

¹ Preliminary

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 or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Official Statement, 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 Notes, 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.

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, 2018

**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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April 30, 2019

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, 2018, 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, 2018, 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. Baker Tilly Virchow Krause, LLP concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2018, 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 34.9 square miles in size and has a population of 35,779. Over the last ten years the City has experienced no real growth in population. The city is a residential community (75.1%) with a commercial and industrial component (24.9%). Median Family Income of \$102,206 is 144% 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. In 2015, the State mandated that a portion of hotel taxes be dedicated to tourism, as such the City formed a separate Tourism Commission which utilizes those tax resources to promote the City in the area. These 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 2018 compared to 2017 as evidenced by increased construction permit revenues. Prospects in 2019 for residential, commercial and industrial development are anticipated to be meaningfully higher.

Estimated actual property values have grown at an average annual rate of 0.42% since 2009. The new growth was \$34.6 million in 2018, \$19 million in 2017, and \$23 million in 2016. 2019 growth is expected to be in the \$60 to \$100 million dollar range reflecting the impact of Commercial activity. New growth has averaged less than 1% the last ten years, with eight of the ten years having less than 1% growth. Limits on levy increases are currently restricted to new growth, and this has meaningfully dampened tax levy increases, the largest resource to the City.

The City has been successful in restricting tax levy increases by utilizing tools the State provided regarding growth of employee benefits and the shifting tax levy from debt service to operating needs. This is a non-sustainable process.

Residential Growth

Over the past ten years, residential valuation has stagnated, rising just 0.8%. The recession of 2008 had longer impacts than many expected. The development activity increased in 2018, 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 (0.90) %.

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 \$51 and \$46 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 \$160+ million in new taxable development. In Q4 2018, TID6 was formed to aid the development of an industrial park on the southwest portion of the City. That project could generate \$54 million in new development.

Expansion of the commercial and industrial tax base is a goal of the City with respect to the overall tax rate. Currently 75.1% of the City's property value is residential compared to

72.6% ten years ago. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

2018 was a year where overall revenue of \$38.5 million grew 14.1% compared to last year. TID3 saw a increment decline as the result of a challenge to assessed values.

2018 and 2017 were revaluation years. The last reassessment was done in 2010. A revaluation 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 100.2% of fair value. The estimated actual value of City properties was approximately \$4.0 billion. The City recently rose to the third largest city in Milwaukee County based upon equalized value.

The challenge for the operating departments in 2018 was to continue to maintain service levels at a time of flat revenues and growth of 0.85% 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, 2018 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 2018.

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.

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, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the 25th 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 2018 Certificate.

Acknowledgments

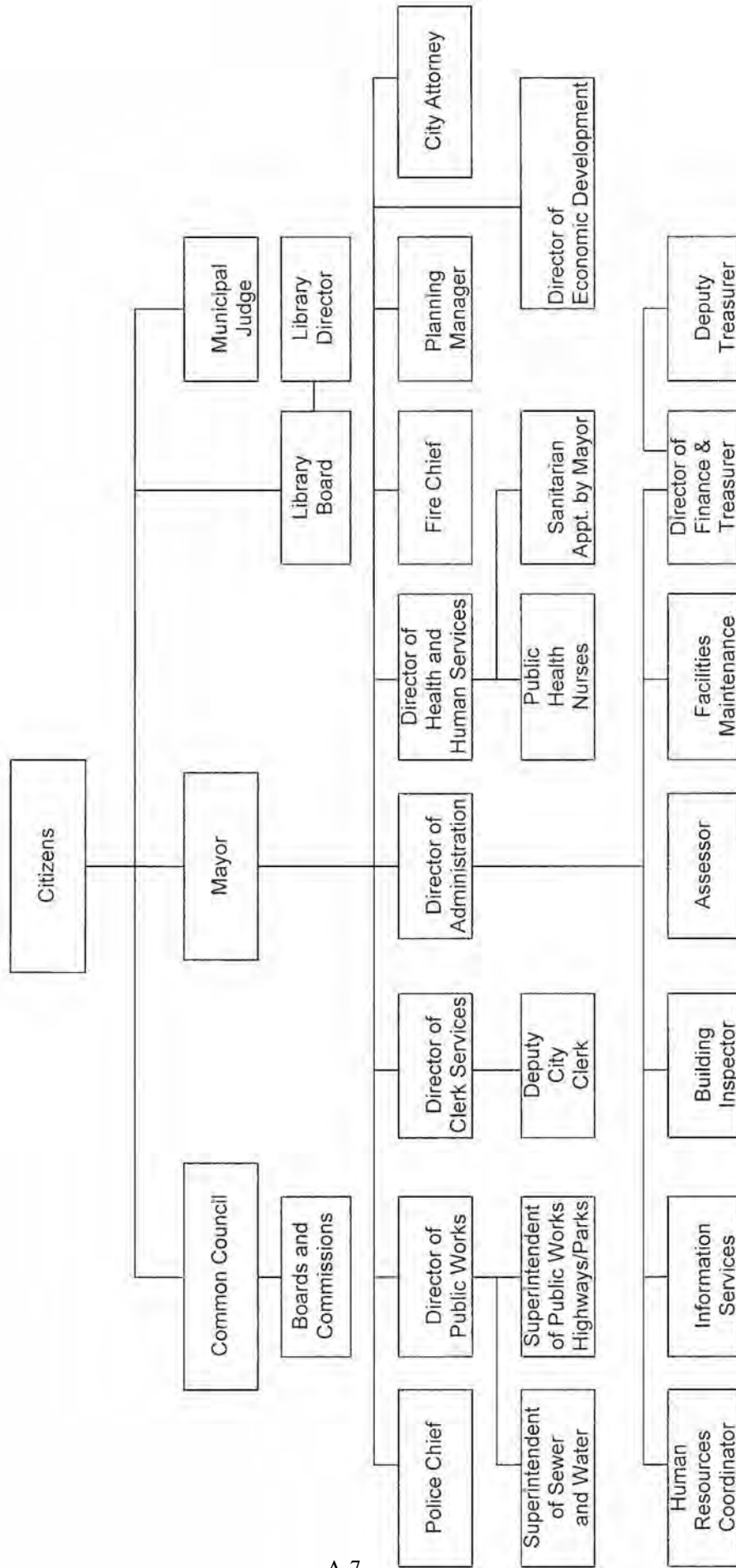
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. Thanks are also extended to the Mayor, Common Council, 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 Rozenberg, CPA
Director of Finance & Treasurer

**CITY OF FRANKLIN, WISCONSIN
Organization Chart**



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

Elected Officials

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

Non-elected Officials

Assessor	Mark Link
Building Inspector	Scott Satula
City Attorney	Jesse Wesolowski
City Clerk	Sandi Wesolowski
City Engineer/Public Works Director	Glen Morrow
Director of Administration	Mark Luberd
Director of Economic Development	Calli Berg
Director of Finance & Treasurer	Paul Rotzenberg
Director of Health & Human Services	Bill Wucherer
Fire Chief	Adam Remington
Human Resources Coordinator	Dana Zahn
Information Services Manager	James Matelski
Library Director	Jennifer Loeffel
Planning Manager	Joel Dietl
Police Chief	Rick Oliva
Superintendent of Public Works	Bill Dudash
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, 2017

Christopher P. Morrell

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, 2018, 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, 2018 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.

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 2017 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 May 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
April 30, 2019

**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, 2018. Readers are encouraged to consider this information in conjunction with additional information contained in the letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2018, by \$243.2 million (**net position**). Of this amount, \$1.5 million (**unrestricted net position**) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by a net amount of \$5.3 million. Net investment in capital assets decreased by \$4.9 million, while unrestricted net position decreased by \$14.1 million and restricted net position increased by \$13.7 million. The Ballpark Commons development in Tax Increment District #5 launched in 2018. The City borrowed \$23.5 million for project costs, more than half of which will result in a Developer's grant, the remainder in new City infrastructure. The significant grant funds impacted the City's unrestricted position.
- The City's governmental funds reported, as of December 31, 2018, combined ending fund balances of \$37.2 million, an increase of \$13.8 million from the prior year. Much of the increase was unspent proceeds on new debt to support TID 5. At the same time, TID's 3 & 4, generated additional fund balance, not having project costs, further increasing the restricted fund balance.
- The Nonspendable fund balances of \$180,623 did not change much. The restricted fund balances totaling \$23.1 million, (an increase of \$12.8 million), was driven by development activities; principally unspent debt proceeds and collections of impact fees.
- The assigned fund balances in total of \$7.0 million increased slightly from the prior year.
- The unassigned fund balance as of December 31, 2018 for the General Fund was \$6.9 million. This represents approximately 26.3 percent of total anticipated 2019 General Fund expenditures. An \$800,000 increase was the result of un-expected building permit revenues and not needing contingency appropriations. The City borrowed \$23.5 million in 2018, all of which was earmarked for TID 5 project costs. Debt payments of \$2.3 million were made in 2018. Total debt increased as a result of the large TID borrowing.
- The City's Business type activities generated a \$2.1 million loss, most of which is depreciation on 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, Tourism, 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 – 91 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 92 - 97 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 98 - 121 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 \$243 million and \$248 million at the end of 2018 and 2017, respectively.

**CITY OF FRANKLIN NET POSITION
December 31, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total
	2018	2017	2018	2017	
Current and other assets	\$ 71,044,675	\$ 64,462,094	\$ 7,905,215	\$ 7,417,875	\$ 78,046,890
Long term Note Rec	-	-	17,555,340	18,799,969	18,799,969
Capital assets	126,908,048	121,923,878	105,030,800	107,213,836	231,938,849
Total assets	197,952,724	176,385,972	130,491,355	133,931,680	328,444,079
Deferred Outflows	5,866,670	7,287,434	192,473	833,543	6,059,143
Current liabilities	4,216,583	3,612,319	1,493,373	1,639,382	5,708,956
Long-term liabilities	34,876,642	15,369,145	20,183,810	22,098,478	55,062,452
Total liabilities	39,093,225	18,981,464	21,677,183	23,737,860	60,771,408
Deferred Inflows	30,309,811	27,074,967	169,333	70,250	30,479,164
Net position:					
Net investment in capital assets	113,400,761	115,417,617	85,170,183	86,584,588	196,873,944
Restricted	25,989,242	10,895,013	18,799,969	20,183,282	44,789,211
Unrestricted	(4,974,545)	11,303,345	(4,861,140)	(4,179,263)	1,533,495
Total net position	\$ 134,415,358	\$ 137,615,975	\$ 108,831,292	\$ 110,957,113	\$ 243,246,650
					\$ 248,574,088

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 81 and 81 percent, in 2018 and 2017, respectively) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, net position is not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$197 million and \$201 million in 2018 and 2017, respectively of the year end net position.

In 2018, construction in progress rose to \$6.6 million related to the Ballpark Commons project. Other significant additions were a second salt dome, and the River Park trail bridge.

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.

In 2017, the City early adopted GASB 75 related to OPEB obligations. That added over \$2 million in long term obligations.

Deferred outflows decreased in 2018 related to changes in the WRS pension and Defined Benefit plan.

An additional portion of the City's net position (18% and 12% in 2018 and 2017, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$44.8 million and \$31.1 million, respectively in those net positions that were restricted to specific purposes.

The 2018 increase relates to TID activities – primarily those in Ballpark Commons and the net pension asset related to the WRS plan.

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

The remaining balance in unrestricted net position of \$1.6 million and \$15.6 million in 2018 and 2017, respectively, may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years the City reported positive balances in the unrestricted net position for both the governmental and for its business-type activities. The reduction in 2018 Unrestricted Net Position relates to Developer grants in Ballpark Commons.

Government-wide activities

The details of changes in net position follow:

**City of Franklin Changes in Net Position
For the Years Ending December 31, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total
	2018	2017	2018	2017	2018
Revenue					
Program revenue:					
Charges for services	\$ 6,951,359	\$ 5,760,983	\$ 9,866,202	\$ 9,370,959	\$ 16,817,561
Operating grants & contributions	1,832,199	1,829,490	-	-	1,829,490
Capital grants & contributions	2,655,553	3,143,577	-	-	2,655,553
General revenue	23,621,879	22,925,176	-	-	23,621,879
Property taxes	1,085,976	1,020,027	-	-	1,085,976
Other taxes	1,366,802	1,404,222	-	-	1,366,802
Intergovernmental	347,916	406,922	548,047	529,004	1,395,965
Investment earnings	111,751	127,280	134,958	86,943	246,679
Other	39,573,435	36,617,657	10,349,177	9,965,895	49,922,612
Total revenue	42,786,444	33,471,644	11,463,608	11,154,576	54,250,050
Expenses:					
General government	3,412,150	3,310,683	-	-	3,412,150
Public safety	16,429,273	18,838,063	-	-	16,429,273
Public works	9,042,112	7,478,288	-	-	9,042,112
Health & human services	906,003	886,434	-	-	906,003
Culture & recreation	2,073,116	2,202,090	-	-	2,073,116
Conservation & development	8,349,725	886,622	-	-	8,349,725
Interest on long-term debt	574,065	165,254	-	-	574,065
Water	-	-	5,514,057	5,429,943	5,514,057
Sewer	-	-	5,949,549	5,724,633	5,949,549
Total expenses	42,786,444	33,471,644	11,463,608	11,154,576	54,250,050
Increase in net position before transfers	(4,213,009)	3,146,013	(1,114,429)	(1,168,690)	1,977,323
Transfers	1,011,392	889,602	(1,011,392)	(889,602)	-
Change in net position	(3,201,617)	4,135,615	(2,125,821)	(2,158,292)	(5,327,439)
Net position - beginning	137,616,975	135,778,188	110,957,113	113,160,845	248,939,033
Restatement - pension	-	(2,286,638)	-	(45,440)	(2,342,288)
Net position - beginning (restated)	137,616,975	133,491,550	110,957,113	113,115,405	248,574,088
Net position - ending	\$ 134,415,358	\$ 137,616,975	\$ 108,831,292	\$ 110,957,113	\$ 243,246,650

The 2018 Governmental Activities decrease of \$3.2 million is the result of developer grants in Ballpark Commons. The City committed \$22.5 million of site preparation and infrastructure costs to the Developer, with approximately \$14.4 million spent in 2018. Much of those expenditures were classified as developer's grants.

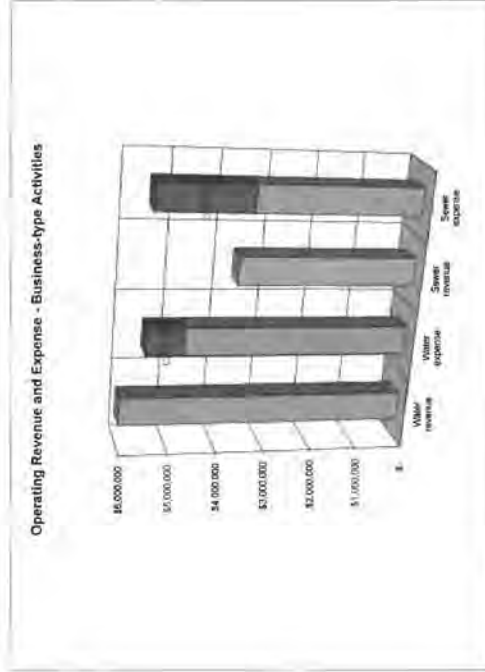
The 2017 Governmental Activities increase of \$4.1 million was principally generated by the \$2.8 million jurisdictional transfer of W St. Martin's Road by Milwaukee County. The Adoption of GASB 75 for OPEB obligations reduced the City Net Position by \$2.3 million.

Business-type activities

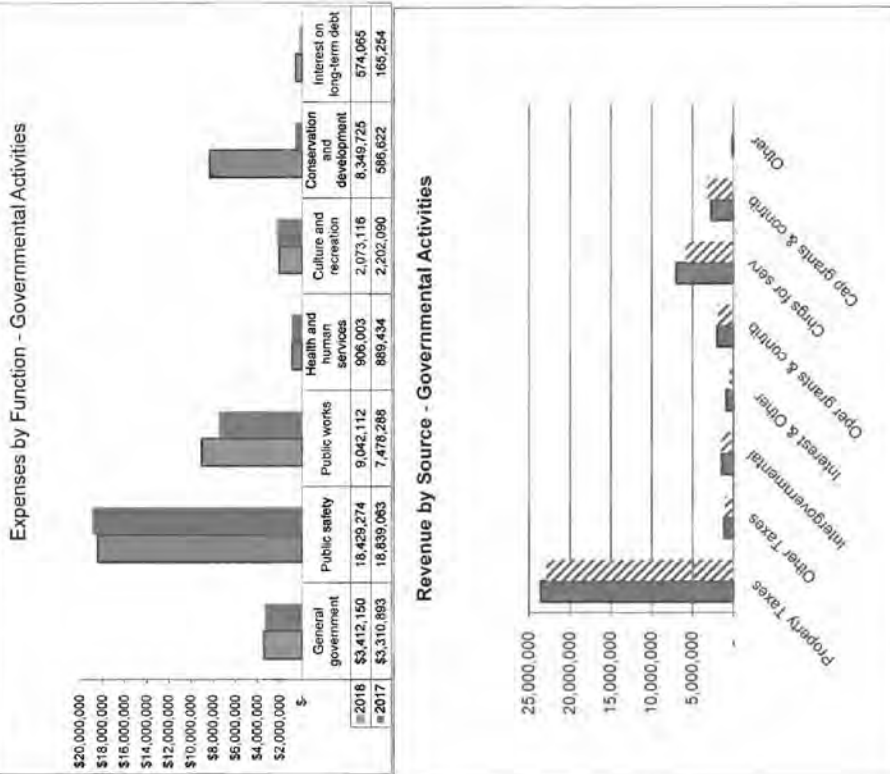
2018 business-type activities decreased the City's net position by \$2.1 million. Utility rates in both Water & Sewer do not recover the cost of contributed assets. As replacements of those assets occur, future rates will rise to recover the replacement costs. No major business-type assets were replaced in 2018, however, the 2019 budget includes a \$1.3 million water main project.

In 2017, business-type activities decreased the City's net position by \$2.1 million. 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. The Sewer Fund purchased a replacement camera truck for \$240,985, which exhausted its Restricted Cash reserve.

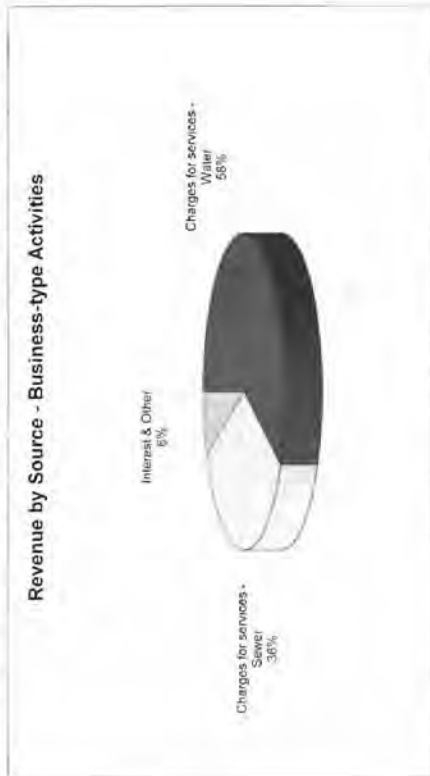
The following graph compares the 2018 charges for services to the operating expenses for water and sewer activities.



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 infrastructure that has been contributed is the reason for this policy. 88% of the Business-type assets have been contributed by developers or new growth resources (impact fees). When maintenance and replacement costs increase, this policy may need to be reevaluated. The City did not replace any infrastructure assets in 2017 or 2018, but plans a \$1.3 million water project in 2019 and a \$3 million sanitary sewer project in the next few years.



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).



2018 Water revenues decreased \$95,735 (1.6%) on lower volumes related to wetter weather conditions. Sewer revenues increased \$390,998 (11.8%) to recover a large cost increase from the sanitary sewer processor. There were no infrastructure contributions in 2018.

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 minimal capital contributions in 2017.

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 \$37.2 million, an increase of \$13.8 million from the prior year. At year end the unassigned fund balance was \$6.9 million. A small deficit in the TIF Fund represents organizational expenses in a recently created TIF #6.

The City has assigned fund balances for activities of the Capital Projects of \$6.8 million. In addition, \$270,000 of General Fund Balance has been assigned for purchase commitments into 2019.

Outside party restrictions have resulted in restricted fund balances:

- 1) to pay debt service \$982,719—collections of special assessments increased the balance by \$247,000.
- 2) for utility improvements - \$1,712,538 - a \$299,160 increase from utility assessment collections and interest on deferred assessment balances
- 3) for development purposes - \$6.1 million - a nearly \$2 million increase related to new development impact fee collections.
- 4) for TIF Districts of \$12.4 million - a \$10 million increase related to Ballpark Commons development activities, debt issuance and unspent project costs.
- 5) for library services \$630,290
- 6) for Solid Waste services \$430,747 and
- 7) for donations, health, grant funds, tourism and recreational activities - totaling \$794,928.

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 (\$57,423) and for advances to other funds (\$123,200). 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, 2018, the total fund balance of the General Fund was \$7.3 million of which \$6.88 million was unassigned. This unassigned fund balance represents approximately 27% of 2018 General Fund budgeted expenditures.

The total General fund balance increased by \$748,766 during fiscal year 2018. Much of the surplus came from increased Engineering inspection revenues for developer activities, and building permit fees. Un-used Public Safety appropriations also contributed to the surplus.

The **Debt Service Fund** has a total fund balance of \$982,719, restricted for the payment of debt service. The City cancelled a planned debt issue, which then negated the need for the debt service included in the tax levy. That resulted in a \$247,000 Debt Service surplus.

The **TIF Districts Fund** has total fund balance of \$12.4 million; included is a small deficit fund balance related to start-up costs in new TID 6 formed in October, 2018.

The **Nonmajor Governmental Funds** have a total fund balance of \$16.5 million. These funds had a collective \$2.6 million increase in fund balance. \$1.9 million of that was the collection of impact fees on new commercial development.

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 \$3.28 million, an increase of \$573,000 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 \$1.58 million, an increase of \$109,000 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.

An Internal Service Fund providing resources related to employee health benefits had a \$126,000 deficit, reducing the Fund Balance to \$1.8 million. The fund balance represents a significant percentage of annual health benefit costs (52%).

General Fund Budgetary Highlights

Revenue exceeded budget by \$671,532. The largest revenue increase (\$511,000) came from engineering fees on new development. Building permits generated \$60,000 more than budget on an increase in new development.

Actual expenditures were less than budgeted by \$1.4 million (5.3% of the amended budget). The City established a \$1.4 million contingency (subsequently amended to \$1.25 million) in the Adopted Budget \$1.28 million of that contingency was not spent.

A \$711,000 surplus before transfers out, compares favorably to the amended budgeted deficit of \$1.36 million. The total \$748,000 surplus after transfers and encumbrances compares favorably to the \$1.3 million amended deficit.

Capital assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to \$231.9 million, 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
	2018	2017	2018	2017	
Land	\$ 25,109,561	\$ 25,072,951	\$ 888,479	\$ 888,479	\$ 25,991,430
Buildings and Improvements	27,233,742	26,860,342	6,702,216	6,882,442	33,945,928
Improvements other than buildings	105,346,431	104,393,946	134,188,155	134,189,113	239,536,566
Machinery and equipment	18,894,992	18,562,309	5,809,997	5,749,838	24,312,147
Construction in process	6,611,711	442,805	63,054	-	6,674,765
Total capital assets	183,198,397	175,332,253	147,651,901	147,509,872	330,850,298
Less Accumulated depreciation	(56,290,348)	(53,408,375)	(42,621,101)	(39,796,036)	(95,911,449)
Capital assets net of depreciation	\$ 126,908,049	\$ 121,923,878	\$ 105,030,800	\$ 107,713,836	\$ 234,938,849

The total increase in the City's net investment in capital assets net of depreciation for the current fiscal year was \$2.3 million or 1.0%. Construction undertaken for the Ballpark Commons Development is the primary reason for the increase. The City did replace one snowplow.

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, 2018, the City had general obligation note and bond issues outstanding totaling \$49.8 million. The current legal debt limitation for the City is \$201.1 million. The City's current outstanding general obligation debt is 24.8% of the statutory debt limit.

By City policy, outstanding general obligation debt is limited to 2% of total equalized value or \$60.4 million. Outstanding debt represents 62% of this internal limit, leaving an internal debt limit margin of \$30.5 million.

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. The "Aa2" rating was affirmed with the 2018 debt issue.

In May, 2018 the City issued \$23.48 million in Note Anticipation Notes to finance projects in the Ballpark Commons development. The City agreed to reserve this much of the General Obligation Debt limit for the future refunding of this issue.

In December, 2017, the City issued \$1.6 million of notes. The notes financed the 2018 Capital Improvement programs.

City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total
	2018	2017	2018	2017	
General obligation					
Premium (Discount)	\$ 150,083	\$ 217,622	\$ (9,353)	\$ (10,425)	\$ 140,730
Note Anticipation Notes	23,480,000	-	-	-	23,480,000
Bonds	3,385,000	4,560,000	19,866,970	21,136,693	23,254,970
Notes	3,145,000	4,285,000	-	-	3,145,000
Total	\$ 30,160,083	\$ 9,062,622	\$ 19,866,617	\$ 21,126,268	\$ 50,020,700

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.

In 2018, the City issued two Municipal Revenue Obligations to developers. The first was a \$3.5 million incentive grant to the Ballpark Commons Developer, payable over the life of the TID. The note carries a 5.5% interest rate. The second was a \$2 million instrument payable over the remaining eight years of that TID. This note bears interest at 4.5%. A \$109,000 payment was made in 2018. The remaining balance of all the notes at December 31, 2018, was \$5,391,000.

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.

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, 2018 was \$7,733,557 and the plan fiduciary net position was \$5,229,404 for a net OPEB liability of \$2,504,153.

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, 2018 for the City was 2.5% and Milwaukee County which includes the City, was 3.0%. This compares with an unemployment rate of 3.0% for the State of Wisconsin.
- The 2018 Budget assessed tax rate of \$5.61 was down from \$6.69 from the prior year. Tax rates are declining as the State imposed levy limits are resulting in smaller increases in the tax levy, while property values are rising faster.
- The City's 2018 total tax levy rose from \$20.5 million the previous five years, to \$21.027 million in 2018. Much of the restrained total levy increase came by way a shift of debt service levy, which declined \$450,000 over that same period to operating and capital purchases levy.
- The 2019 tax levy increased another \$362,000 (1.7%) by use of a one-time tool in state levy limits.
- 2019 budgeted expenditures increased \$1.1 million (4.4% ignoring restricted contingency).
- This larger increase in expenditures compared to tax levy resources is not sustainable.

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 6229 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 41,339,568	\$ 4,114,647	\$ 45,454,215
Receivables			
Accounts	1,112,602	2,356,718	3,469,320
Taxes	24,954,332	282,280	25,236,612
Special assessments	720,062	-	720,062
Due from other governments	110,601	1,244,629	1,355,230
Prepaid items	32,886	4,582	37,468
Inventories	27,582	-	27,582
Long term advances	139,700	(139,700)	-
Restricted pension asset - WRS	2,607,342		2,607,342
Due from other governments - long term	-	17,555,340	17,555,340
Regulatory asset	-	42,059	42,059
Capital assets (net of accumulated depreciation)			
Land	25,109,551	888,479	25,998,030
Buildings and improvements	15,622,585	4,778,046	20,400,631
Machinery and equipment	6,791,865	2,145,873	8,937,738
Infrastructure	72,772,337	97,155,348	169,927,685
Construction in progress	6,611,711	63,054	6,674,765
Total assets	197,952,724	130,491,355	328,444,079
DEFERRED OUTFLOWS OF RESOURCES			
Pension and OPEB related	5,866,670	192,473	6,059,143
Total deferred outflow of resources	5,866,670	192,473	6,059,143
LIABILITIES			
Accounts payable	1,392,291	1,381,236	2,773,527
Accrued liabilities	2,329,619	29,798	2,359,417
Due to other governments	130,254	-	130,254
Accrued interest	304,517	88,339	392,856
Special deposits	58,902	-	58,902
Noncurrent liabilities			
Benefit obligations due within one year	674,885	82,364	757,249
Benefit obligations due in more than one year	4,043,674	240,829	4,284,503
General obligation debt due within one year	11,405,000	1,299,629	12,704,629
General obligation debt due in more than one year	18,755,083	18,560,988	37,316,071
Total liabilities	39,094,225	21,683,183	60,777,408
DEFERRED INFLOWS OF RESOURCES			
Pension and OPEB related	5,502,247	169,353	5,671,600
Subsequent year property taxes	24,807,564	-	24,807,564
Total Deferred Inflow of Resources	30,309,811	169,353	30,479,164
NET POSITION			
Net Investment in capital assets	113,400,761	85,170,183	196,873,944
Restricted for			
Debt service	586,594	-	586,594
Utility improvements	2,374,252	-	2,374,252
Development	6,140,196	-	6,140,196
TID Funds	12,430,497	-	12,430,497
Library	630,290	-	630,290
Solid Waste	430,747	-	430,747
Recreation services	70,139	-	70,139
Health	192,510	-	192,510
Donations	150,606	-	150,606
Tourism Commission	376,069	-	376,069
Intergovernmental Cooperation Agreement	-	18,799,969	18,799,969
Pensions	2,607,342	-	2,607,342
Unrestricted (deficit)	(4,974,645)	4,861,140	1,583,495
Total net position	\$ 134,415,358	\$ 108,831,292	\$ 243,246,650

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2018

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	\$ 3,412,150	\$ 195,685	\$ 40	\$ 20,625	\$ (3,195,800)	\$ -	\$ (3,195,800)
Public safety	18,429,274	2,895,777	329,531	386,486	(14,817,480)	-	(14,817,480)
Public works	9,042,112	3,296,931	1,290,053	1,085,411	(3,369,717)	-	(3,369,717)
Health and human services	906,003	210,718	199,577	-	(495,708)	-	(495,708)
Culture and recreation	2,073,116	191,991	112,998	1,163,031	(605,095)	-	(605,095)
Conservation and development	8,349,725	160,257	-	-	(8,189,468)	-	(8,189,468)
Interest on long term debt	574,065	-	-	-	(574,065)	-	(574,065)
Total governmental activities	42,786,444	6,951,359	1,932,199	2,655,553	(31,247,332)	-	(31,247,332)
Business-type activities:							
Water	5,514,057	5,961,350	-	-	-	447,293	447,293
Sewer	5,949,549	3,704,852	-	-	-	(2,244,697)	(2,244,697)
Total business-type activities	11,463,606	9,666,202	-	-	-	(1,797,404)	(1,797,404)
Total primary government	\$ 54,250,050	\$ 16,617,561	\$ 1,932,199	\$ 2,655,553	(31,247,332)	(1,797,404)	(33,044,736)
General revenue:							
Property taxes levied for general purposes					19,850,775	-	19,850,775
Property taxes levied for debt service					1,300,000	-	1,300,000
Property taxes levied for TIF Districts					2,471,104	-	2,471,104
Other taxes					1,085,976	-	1,085,976
Intergovernmental revenue not restricted to specific programs					1,366,802	-	1,366,802
Investment earnings					847,916	548,047	1,395,963
Miscellaneous revenue					13,895	134,928	148,823
Gain on sale of capital assets					97,856	-	97,856
Transfers					1,011,392	(1,011,392)	-
Total general revenue and transfers					28,045,716	(328,417)	27,717,299
Change in net position					(3,201,617)	(2,125,821)	(5,327,438)
Net position - beginning					137,616,975	110,957,113	248,574,088
Net position - ending					\$ 134,415,358	\$ 108,831,292	\$ 243,246,650

CITY OF FRANKLIN, WISCONSIN
Balance Sheet
Governmental Funds
As of December 31, 2018

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 7,618,420	\$ 953,192	\$ 14,025,979	\$ 16,755,483	\$ 39,353,074
Receivables					
Accounts	870,099	-	-	180,841	1,050,940
Taxes	18,184,498	1,329,527	2,156,858	3,283,449	24,954,332
Special assessments	-	58,473	-	661,589	720,062
Due from other governments	42,533	-	-	68,068	110,601
Prepaid items	29,841	-	-	-	29,841
Inventories	27,582	-	-	-	27,582
Advances to other funds	257,395	-	-	-	257,395
TOTAL ASSETS	\$ 27,030,368	\$ 2,341,192	\$ 16,182,837	\$ 20,949,430	\$ 66,503,827
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 504,899	\$ -	\$ 521,754	\$ 365,305	\$ 1,391,958
Accrued liabilities	820,503	-	969,377	249,039	2,038,919
Due to other governments	130,254	-	-	-	130,254
Special deposits	58,902	-	-	-	58,902
Advance from other funds	-	-	117,695	-	117,695
Total liabilities	1,514,558	-	1,608,826	614,344	3,737,728
DEFERRED INFLOWS OF RESOURCES					
Unearned & unavailable revenue	18,179,533	1,358,473	2,156,858	3,832,888	25,527,752
FUND BALANCES					
Nonspendable:					
Inventories and prepaid items	57,423	-	-	-	57,423
Advances to other funds	123,200	-	-	-	123,200
Restricted:					
Debt service	-	982,719	-	-	982,719
Utility improvements	-	-	-	1,712,538	1,712,538
Development	-	-	-	6,140,196	6,140,196
TIF Districts	-	-	12,430,497	-	12,430,497
Donations	-	-	-	150,606	150,606
Health services	-	-	-	192,510	192,510
Library services	-	-	-	630,290	630,290
Solid waste	-	-	-	430,747	430,747
Recreational services	-	-	-	75,743	75,743
Tourism	-	-	-	376,069	376,069
Assigned:					
Purchases on order	271,970	-	-	-	271,970
Capital projects	-	-	-	6,793,499	6,793,499
Unassigned (deficit)	6,883,684	-	(13,344)	-	6,870,340
Total fund balances	7,336,277	982,719	12,417,153	16,502,198	37,238,347
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 27,030,368	\$ 2,341,192	\$ 16,182,837	\$ 20,949,430	\$ 66,503,827

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, 2018

Fund balances - total governmental funds	\$	37,238,347
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and are therefore are not reported in the funds		
Capital assets, net of depreciation		126,908,049
Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenues when earned in the government-wide statements		
Special assessments		720,187
The net pension asset does not related to current financial resources and is not reported in the governmental funds.		
		2,607,342
Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are applicable to future periods, and, therefore are not reported in fund statements		
Deferred outflows		5,866,670
Deferred inflows		(8,211,653)
Internal Service Fund net position		1,760,168
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due		
General obligation debt		(30,010,000)
Compensated absences		(2,009,153)
Net pension and OPEB obligations		(150,083)
Unamortized debt premiums		(304,516)
Accrued Interest		(304,516)
Net position of governmental activities	\$	<u>134,415,358</u>

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$ 17,611,739	\$ 1,300,000	\$ 2,603,976	\$ 2,991,125	\$ 24,506,840
Intergovernmental revenue	2,317,488	-	481,126	472,264	3,270,878
Licenses and permits	1,166,156	-	-	22,940	1,189,096
Fines, forfeitures and penalties	475,840	-	-	-	475,840
Public charges for services	2,405,406	-	-	2,438,751	4,844,157
Special assessments	-	76,143	-	2,769,016	2,845,159
Intergovernmental charges for services	192,542	-	-	-	192,542
Investment earnings	241,398	18,198	289,188	269,800	818,584
Miscellaneous revenue	244,136	-	5	150,854	394,995
Total revenue	<u>24,654,705</u>	<u>1,394,341</u>	<u>3,374,295</u>	<u>9,114,750</u>	<u>38,538,091</u>
EXPENDITURES					
Current					
General government	2,944,482	-	77,053	1,388	3,022,923
Public safety	17,077,275	-	-	29,518	17,106,793
Public works	3,388,370	-	107,525	1,630,087	5,125,982
Health and human services	670,131	-	-	225,130	895,261
Culture, recreation and education	240,916	-	-	1,465,986	1,706,902
Conservation and development	512,157	-	12,155,000	12,040	12,679,197
Capital outlay	-	-	2,888,703	2,975,682	5,864,385
Debt service					
Principal	-	1,330,000	985,000	-	2,315,000
Interest	-	148,898	242,678	-	391,576
Debt issuance costs	-	-	203,184	-	203,184
Total expenditures	<u>24,833,331</u>	<u>1,478,898</u>	<u>16,659,143</u>	<u>6,339,831</u>	<u>49,311,203</u>
Excess (deficiency) of revenue over expenditures	<u>(178,626)</u>	<u>(84,557)</u>	<u>(13,284,848)</u>	<u>2,774,919</u>	<u>(10,773,112)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	81,652	81,652
Transfers in	1,011,392	332,254	-	395,039	1,738,685
Transfers out	(84,000)	-	-	(643,293)	(727,293)
General obligation debt issued	-	-	23,480,000	-	23,480,000
Total other financing sources and uses	<u>927,392</u>	<u>332,254</u>	<u>23,480,000</u>	<u>(166,602)</u>	<u>24,573,044</u>
Net change in fund balances	748,766	247,697	10,195,152	2,608,317	13,799,932
Fund balances - beginning	<u>6,587,511</u>	<u>735,022</u>	<u>2,222,001</u>	<u>13,893,881</u>	<u>23,438,415</u>
Fund balances - ending	<u>\$ 7,336,277</u>	<u>\$ 982,719</u>	<u>\$ 12,417,153</u>	<u>\$ 16,502,198</u>	<u>\$ 37,238,347</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, 2018

Net change in fund balances - total governmental funds	\$ 13,799,932
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	8,511,071
Depreciation	(3,576,906)
Contributed capital assets are reported as revenues in the statement of activities.	
	50,006
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net position.	
Principal paid on long-term debt	2,315,000
Proceeds from long-term debt, net of premium/discount	(23,480,000)
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, pensions and OPEB	(387,008)
Accrued interest payable and amortization of debt premium	(182,489)
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	(125,195)
Internal service fund change in net position	<u>(126,028)</u>
Net change in net position of governmental activities	<u>\$ (3,201,617)</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, 2018

	<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	\$ 18,693,149	\$ 18,693,149	\$ 18,623,131	\$ (70,018)
Intergovernmental revenue	2,432,926	2,432,926	2,317,488	(115,438)
Licenses and permits	1,043,490	1,043,490	1,166,156	122,666
Fines, forfeitures and penalties	500,000	500,000	475,840	(24,160)
Public charges for services	1,805,350	1,805,350	2,405,406	600,056
Intergovernmental charges for services	196,500	196,500	192,542	(3,958)
Investment earnings	205,000	205,000	241,398	36,398
Miscellaneous revenue	117,850	117,850	244,136	126,286
Total revenue	<u>24,994,265</u>	<u>24,994,265</u>	<u>25,666,097</u>	<u>671,832</u>
EXPENDITURES				
Current				
General government	4,181,627	4,072,089	2,937,641	1,134,448
Public safety	17,296,241	17,352,591	17,045,634	306,957
Public works	3,437,593	3,371,593	3,536,292	(164,699)
Health and human services	710,345	710,345	670,131	40,214
Culture and recreation	173,914	239,914	236,956	2,958
Conservation and development	595,345	615,345	528,082	87,263
Total expenditures	<u>26,395,065</u>	<u>26,361,877</u>	<u>24,954,736</u>	<u>1,407,141</u>
Excess (deficiency) of revenue over (under) expenditures	(1,400,800)	(1,367,612)	711,361	2,078,973
OTHER FINANCING SOURCES (USES)				
Transfers out	(24,000)	(84,000)	(84,000)	-
Net change in fund balance - budgetary basis	(1,424,800)	(1,451,612)	627,361	2,078,973
Adjustments to generally accepted accounting principles basis				
2018 encumbrances	-	271,970	271,970	-
2017 encumbrances	-	(150,565)	(150,565)	-
Net change in fund balance - generally accepted accounting principles basis	(1,424,800)	(1,330,207)	748,766	2,078,973
Fund Balances - beginning	<u>6,587,511</u>	<u>6,587,511</u>	<u>6,587,511</u>	<u>-</u>
Fund Balances - ending	<u>\$ 5,162,711</u>	<u>\$ 5,257,304</u>	<u>\$ 7,336,277</u>	<u>\$ 2,078,973</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
As of December 31, 2018
(with comparative information for December 31, 2017)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
ASSETS						
Current assets						
Cash and investments	\$ 2,731,422	\$ 1,900,126	\$ 1,383,225	\$ 1,508,191	\$ 4,114,647	\$ 1,986,494
Receivables						
Accounts receivable	1,399,959	1,474,084	956,759	853,366	2,356,718	61,662
Taxes receivable	173,394	161,856	108,886	97,015	282,280	-
Due from other funds	-	39,260	-	44,650	-	-
Due from other governments	-	-	1,244,629	1,214,723	1,244,629	-
Prepaid expenses	2,291	-	2,291	-	4,582	3,045
Total current assets	4,307,066	3,575,326	3,695,790	3,717,945	8,002,856	2,051,201
Noncurrent assets						
Restricted cash and investments	-	-	-	178,590	-	-
Due from other governments	-	-	17,555,340	18,799,969	17,555,340	-
Regulatory assets	42,059	171,767	-	-	42,059	-
Capital assets						
Land	162,885	162,885	725,594	725,594	888,479	-
Buildings and improvements	3,020,191	3,010,304	3,308,050	3,298,163	6,328,241	-
Improvements other than buildings	55,613,608	55,434,661	78,754,451	78,754,451	134,368,059	-
Machinery and equipment	4,821,896	5,067,718	1,182,171	1,056,096	6,004,067	-
Construction in progress	60,301	-	2,753	-	63,054	-
Less accumulated depreciation	(20,238,971)	(19,203,715)	(22,382,129)	(20,592,321)	(42,621,100)	-
Total capital assets (net of accumulated depreciation)	43,439,910	44,471,853	61,590,890	63,241,983	105,030,800	-
Total noncurrent assets	43,481,969	44,643,620	79,146,230	82,220,542	122,628,199	-
Total assets	47,789,035	48,218,946	82,842,020	85,938,487	130,631,055	2,051,201
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	102,915	447,267	89,558	386,276	192,473	-

Continued

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
As of December 31, 2018
(with comparative information for December 31, 2017)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
LIABILITIES						
Current liabilities						
Accounts payable	\$ 760,659	\$ 711,295	\$ 620,577	\$ 800,489	\$ 1,381,236	\$ 333
Accrued liabilities	689	6,558	29,109	28,084	29,798	290,700
Accrued interest payable	11,196	10,829	77,143	82,127	88,339	-
Due to other funds	-	49,145	-	20,908	-	-
Current portion of long-term advances	16,500	16,000	-	-	16,500	-
Current portion of long-term obligations	55,000	55,000	1,244,629	1,214,723	1,299,629	-
Total current liabilities	<u>844,044</u>	<u>848,827</u>	<u>1,971,458</u>	<u>2,146,331</u>	<u>2,815,502</u>	<u>291,033</u>
Noncurrent liabilities						
Net pension liability	66,480	418,383	57,415	361,331	123,895	-
Net OPEB liability	24,289	19,727	24,289	19,727	48,578	-
General obligation notes payable	1,005,647	1,059,575	17,555,341	18,799,970	18,560,988	-
Accrued compensated absences	75,360	75,021	75,360	75,021	150,720	-
Total noncurrent liabilities	<u>1,171,776</u>	<u>1,572,706</u>	<u>17,712,405</u>	<u>19,256,049</u>	<u>18,884,181</u>	<u>-</u>
Long-term advances	123,200	139,700	-	-	123,200	-
Total liabilities	<u>2,139,020</u>	<u>2,561,233</u>	<u>19,683,863</u>	<u>21,402,380</u>	<u>21,822,883</u>	<u>291,033</u>
DEFERRED INFLOWS OF RESOURCES						
Pension related	90,872	37,695	78,481	32,555	169,353	-
NET POSITION						
Net investment in capital assets	42,379,263	43,357,278	42,790,920	43,227,290	85,170,183	-
Restricted						
Sewer equipment replacement	-	-	-	178,590	-	-
Intergovernmental cooperation agreement	-	-	18,799,969	20,014,692	18,799,969	-
Unrestricted	3,282,795	2,710,007	1,578,345	1,469,256	4,861,140	1,760,168
Total net position	<u>\$ 45,662,058</u>	<u>\$ 46,067,285</u>	<u>\$ 63,169,234</u>	<u>\$ 64,889,828</u>	<u>\$ 108,831,292</u>	<u>\$ 1,760,168</u>

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, 2018
(with comparative information for December 31, 2017)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
OPERATING REVENUE						
Metered sales						
Residential	\$ 2,918,671	\$ 3,008,260	\$ 2,019,797	\$ 1,801,699	\$ 4,938,468	\$ -
Multi-Family	751,798	741,401	498,485	447,952	1,250,283	-
Commercial	829,217	848,981	584,945	492,742	1,414,162	-
Industrial	475,734	475,367	415,365	396,229	891,099	-
Public authority	248,797	258,312	152,553	143,731	401,350	-
Total metered sales	<u>5,224,217</u>	<u>5,332,321</u>	<u>3,671,145</u>	<u>3,282,353</u>	<u>8,895,362</u>	<u>-</u>
Group health & dental charges	-	-	-	-	-	3,257,788
Unmetered sales	17,155	7,355	-	-	17,155	-
Public fire protection service	542,668	541,486	-	-	542,668	-
Private fire protection service	123,381	122,350	-	-	123,381	-
Forfeited discounts, penalties and other	53,929	53,573	33,707	31,501	87,636	-
Total operating revenue	<u>5,961,350</u>	<u>6,057,085</u>	<u>3,704,852</u>	<u>3,313,854</u>	<u>9,666,202</u>	<u>3,257,788</u>
OPERATING EXPENSES						
Cost of sales and services	3,541,829	3,444,137	2,534,885	2,279,953	6,076,714	3,412,999
Depreciation	1,204,485	1,194,029	2,135,076	2,119,900	3,339,561	-
Amortization	130,666	130,666	-	-	130,666	-
Administration	599,458	624,581	806,763	822,289	1,406,221	-
Total operating expenses	<u>5,476,438</u>	<u>5,393,413</u>	<u>5,476,724</u>	<u>5,222,142</u>	<u>10,953,162</u>	<u>3,412,999</u>
Operating income (loss)	<u>484,912</u>	<u>663,672</u>	<u>(1,771,872)</u>	<u>(1,908,288)</u>	<u>(1,286,960)</u>	<u>(155,211)</u>
NONOPERATING REVENUE (EXPENSES)						
Investment earnings (loss)	43,412	9,926	504,635	519,078	548,047	29,183
Sundry	112,106	64,168	22,822	21,775	134,928	-
Interest expense	(37,619)	(36,530)	(472,825)	(502,491)	(510,444)	-
Total non-operating revenue (expenses)	<u>117,899</u>	<u>37,564</u>	<u>54,632</u>	<u>38,362</u>	<u>172,531</u>	<u>29,183</u>
Income (loss) before capital contributions and transfers	<u>602,811</u>	<u>701,236</u>	<u>(1,717,240)</u>	<u>(1,869,926)</u>	<u>(1,114,429)</u>	<u>(126,028)</u>
Capital contributions	-	14,461	-	28,780	-	-
Transfers out	(1,008,038)	(1,029,649)	(3,354)	(3,194)	(1,011,392)	-
Change in net position	<u>(405,227)</u>	<u>(313,952)</u>	<u>(1,720,594)</u>	<u>(1,844,340)</u>	<u>(2,125,821)</u>	<u>(126,028)</u>
Net position - beginning	46,067,285	46,403,957	64,889,828	66,756,888	110,957,113	1,886,196
Restatement	-	(22,720)	-	(22,720)	-	-
Net position - beginning (restated)	<u>46,067,285</u>	<u>46,381,237</u>	<u>64,889,828</u>	<u>66,734,168</u>	<u>110,957,113</u>	<u>1,886,196</u>
Net position - ending	<u>\$ 45,662,058</u>	<u>\$ 46,067,285</u>	<u>\$ 63,169,234</u>	<u>\$ 64,889,828</u>	<u>\$ 108,831,292</u>	<u>\$ 1,760,168</u>

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018
(with comparative information for December 31, 2017)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 6,181,203	\$ 6,070,881	\$ 3,634,238	\$ 3,385,447	\$ 9,815,441	\$ 3,246,772
Payments to suppliers	(3,382,687)	(3,426,397)	(2,921,813)	(2,288,910)	(6,304,500)	(3,414,526)
Payments to employees	(597,759)	(618,718)	(484,497)	(527,153)	(1,082,256)	-
Payments for interfund services used	(105,330)	(110,144)	(106,545)	(111,406)	(211,875)	-
Net cash flows provided by (used in) operating activities	<u>2,095,427</u>	<u>1,915,622</u>	<u>121,383</u>	<u>457,978</u>	<u>2,216,810</u>	<u>(167,754)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances from other funds	-	155,700	-	-	-	25,000
Transfer out - paid for tax equivalent	(1,008,038)	(1,029,649)	(3,354)	(3,194)	(1,011,392)	-
Net Cash Flows from Noncapital Financing Activities	<u>(1,008,038)</u>	<u>(873,949)</u>	<u>(3,354)</u>	<u>(3,194)</u>	<u>(1,011,392)</u>	<u>25,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances to other funds	(16,000)	-	-	-	(16,000)	-
Proceeds on disposal of asset	-	-	22,822	-	22,822	-
Payments on capital debt	(55,000)	(55,000)	(1,214,724)	(1,185,535)	(1,269,724)	-
Payments from other governments	-	-	1,214,723	3,940,408	1,214,723	-
Payment of advances from other funds	-	-	-	(2,198,616)	-	-
Interest on capital debt	(36,180)	(35,788)	(477,808)	(507,355)	(513,988)	-
Capital contribution received	-	14,461	-	28,780	-	-
Acquisition of capital assets	(192,326)	(264,151)	(471,233)	(278,291)	(663,559)	-
Net cash provided (used) by capital and related financing activities	<u>(299,506)</u>	<u>(340,478)</u>	<u>(926,220)</u>	<u>(200,609)</u>	<u>(1,225,726)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings	43,413	9,926	504,635	519,078	548,048	29,183
Net cash provided (used) by investing activities	<u>43,413</u>	<u>9,926</u>	<u>504,635</u>	<u>519,078</u>	<u>548,048</u>	<u>29,183</u>
Net increase (decrease) in cash and cash equivalents	831,296	711,121	(303,556)	773,253	527,740	(113,571)
Cash and cash equivalents - Beginning	<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 cash equivalents - Ending	<u>\$ 2,731,422</u>	<u>\$ 1,900,126</u>	<u>\$ 1,383,225</u>	<u>\$ 1,686,781</u>	<u>\$ 4,114,647</u>	<u>\$ 1,986,494</u>
Cash and Investments - Unrestricted	\$ 2,731,422	\$ 1,900,126	\$ 1,383,225	\$ 1,508,191	\$ 4,114,647	\$ 1,986,494
Cash and Investments - Restricted	-	-	-	178,590	-	-
	<u>\$ 2,731,422</u>	<u>\$ 1,900,126</u>	<u>\$ 1,383,225</u>	<u>\$ 1,686,781</u>	<u>\$ 4,114,647</u>	<u>\$ 1,986,494</u>

Continued

CITY OF FRANKLIN, WISCONSIN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

(with comparative information for December 31, 2017)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year	
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 484,912	\$ 663,672	\$ (1,771,872)	\$ (1,908,288)	\$ (155,211)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities					
Depreciation	1,204,485	1,194,029	2,135,076	2,119,900	3,339,561
Depreciation allocated to other funds	12,927	11,706	(12,750)	(11,706)	177
Amortization	130,666	130,666	-	-	130,666
Nonoperating revenues	118,006	64,168	-	21,775	118,006
(Increase) decrease in assets and deferred outflows of resources					
Accounts receivable	74,125	(58,993)	(103,322)	13,302	(29,197)
Taxes receivable	(11,538)	21,605	(11,871)	24,924	(23,409)
Prepaid expense	(2,291)	2,304	(2,291)	2,214	(4,582)
Due from other funds	39,260	(12,984)	44,579	-	83,839
Due from other governments	-	-	-	11,592	-
Deferred Outflows - OPEB	(4,960)	-	(4,960)	-	(9,920)
Increase (decrease) in liabilities and deferred inflow of resources					
Accounts payable	49,362	(19,237)	(179,912)	242,404	(130,550)
Accrued liabilities	339	955	1,364	1,101	1,703
Due to other funds	(55,014)	(15,885)	(20,908)	416	(75,922)
Pension obligations	50,586	(63,391)	43,688	(56,663)	94,274
Post employment retirement benefit	4,562	(2,993)	4,562	(2,993)	9,124
Total adjustments	1,610,515	1,251,950	1,893,255	2,366,266	3,503,770
Net cash flows provided by (used in) operating activities	\$ 2,095,427	\$ 1,915,622	\$ 121,383	\$ 457,978	\$ (167,754)
Noncash Capital Activities					
Cost of Utility plant installed and/or financed by external parties or the City	\$ -	\$ 14,461	\$ -	\$ 28,780	\$ -

CITY OF FRANKLIN, WISCONSIN
Statement of Fiduciary Net Position
Fiduciary Funds
As of December 31, 2018

	Agency Funds	City of Franklin Post Employment Benefits Trust
ASSETS		
Cash	\$ 54,907,946	\$ 216,935
Investments:		
Fixed Income Securities - Corporate Bonds	-	1,797,222
Domestic Equities	-	2,629,710
International Equities	-	675,710
Total Cash & Investments	54,907,946	5,319,577
Taxes receivable	18,039,794	-
Accounts receivable	418,830	40,582
Prepaid expense	-	345
Total assets	\$ 73,366,570	\$ 5,360,504
 LIABILITIES		
Accounts payable	\$ 604,796	\$ -
Accrued liabilities	-	131,100
Due to other governments	72,745,426	-
Special deposits	16,348	-
Total liabilities	\$ 73,366,570	131,100
Total net position restricted for post employment benefits		\$ 5,229,404

CITY OF FRANKLIN, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2018

	<u>City of Franklin Post Employment Benefits Trust</u>
ADDITIONS	
Contributions	
City of Franklin	\$ 444,364
Retirees	128,294
Net investment earnings (losses)	(294,824)
Total additions	<u>277,834</u>
DEDUCTIONS	
Incurred claims	456,297
Prescription drug claims	114,458
Claims fees	19,323
Stop loss premiums less claims received	32,115
Total deductions	<u>622,193</u>
Change in net position	(344,359)
NET POSITION HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:	
Beginning of year	<u>5,573,763</u>
End of year	<u>\$ 5,229,404</u>

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)

A. REPORTING ENTITY (continued)

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1993 to serve as a financing vehicle for certain Tax Incremental Districts (TID) development within the City. That District was closed in 2012. 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 2018, nor does the Authority own any assets or liable for any debt. Therefore, no financial statements are presented in this report. The Authority does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- a. Total assets 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 governmental 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Major Enterprise Funds (continued)

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

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

Nonmajor Governmental Funds

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally or policy restricted to expenditures for specified purposes. The funds include Library Operating, Library Auxiliary, Solid Waste Collection, 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, another agency fund that records the agency activity for emergency government, monitoring and siting activities funded by others, an escrow fund and a post-employment benefits trust fund for retiree group health costs.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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, 2018, there were \$378,649 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, 2018

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 incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability is removed from the balance sheet and revenue is recognized.

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

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

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

All Financial Statements

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

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 Aaa3 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, 2018**

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, 2018, 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, 2018**

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 – 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	March 31, 2019
Third installment due	May 31, 2019
Personal property taxes in full	January 31, 2019
Final tax settlement with County	August 20, 2019
Tax deed by County – 2018	
Delinquent real estate taxes	October 2021

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

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

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Inventories and Prepaid Items

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

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

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

4. Restricted Assets

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

5. 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.

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 (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 \$25,000 for infrastructure assets with estimated useful lives of two years or more. Capital assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at acquisition value at the date of donation. Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, and overhead.

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)

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)

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 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. Four series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$10,375,000 are outstanding with a December 31, 2018 balance of \$6,516,535.

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:

- 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.
- 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.
- Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 113,400,761	\$ 65,170,183	\$ (1,697,000)	\$ 196,873,944
Unrestricted	(4,974,645)	4,861,140	1,697,000	1,583,495

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)

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, 2018, the City exceeded the 30% upper level by 2.2%.

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, 2017 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, Tourism, Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Utility Improvement, Development, Sanitary Sewer and Water Utility funds.

The budget amounts presented include any amendments made during the year. The City may authorize transfers of budget amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds vote of the Common Council. Supplemental appropriations during the year were not significant. Appropriations lapse at the end of the year unless specifically carried over. Carryovers to the following year amounted to approximately \$76,000. Budgets are adopted for personnel and non-personnel expenditures at the function level.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the City's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue 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, 2018 the following fund functions had expenditures exceeding budget:

Fund/Function	Budget Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General Fund			
Fire Dept - Non-personnel	\$ 471,560	\$ 473,195	\$ 1,635
Engineering - Non-Personnel	28,700	428,704	400,004
Library Auxiliary Fund			
Culture, recreation, and education	46,100	46,693	593

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 institutions outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

The City's bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, although the fund had reserves available at December 31, 2018, 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 compiling 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.

The City maintains both Non-FDIC insured and collateralized balances with an investment manager that deposits funds with US Banks. The funds are held in accounts As Agent for its Customers.

Cash and investments as shown on the December 31, 2018 statement of net position are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 2,740,187	\$ 2,740,187	Credit
Money market funds	286,725	286,725	Custodial credit
U.S. treasuries	2,966,552	2,966,552	Custodial credit and interest rate
U.S. agencies	12,899,945	12,899,945	Credit, custodial credit, interest rate and concentration of credit
Corporate notes	998,480	998,480	Credit, custodial credit, interest rate and concentration of credit
Total fixed income investments	19,891,899	19,891,899	
Equity funds	3,305,420	3,305,420	Custodial credit
Fixed income funds	1,797,222	1,797,222	Credit and interest rate
Cash and demand deposits	80,687,197	81,069,658	Custodial credit
Total	\$ 105,681,738	\$ 106,064,199	

Reconciliation to the financial statements is shown below:

Per Statement of Net Position	
Primary Government	
Unrestricted cash and investments	\$ 45,454,215
Per Statement of Fiduciary Net Position - Fiduciary Funds	
Agency Fund	64,907,946
City of Franklin Post Employment Benefits Trust	5,319,577
	<u>\$ 105,681,738</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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, 2018, none of the City's total bank balances 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, 2018, 66.6% 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 5.8%. The portfolio makeup of fixed income investments was treasury and agency securities at 92.5%, corporate securities at 5.8%, Local Government Investment Pool at 11.0% and money market funds at 1.1%. The Local Government Investment Pool is not rated. Equities and fixed income mutual funds held in trust at 20.4% 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, 2018, 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, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

As of December 31, 2018, the City's investments exposed to interest rate risk were as follows:

Investment type	Fair Value	Investment Maturity in years			
		Less than 1	2 - 3	4 - 5	6 - 7
U.S. treasuries and agencies	\$ 15,866,507	\$ 2,964,025	\$ 10,396,558	\$ 2,505,926	\$ -
Corporate notes	998,480	-	-	-	-
Fixed income funds	1,797,222	172,797	392,365	363,920	868,139
Total	\$ 18,662,209	\$ 4,135,302	\$ 10,788,921	\$ 2,869,846	\$ 868,139

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, 2018:			Total
	Level 1	Level 2	Level 3	
US treasuries and agencies	\$ -	\$ 15,866,507	\$ -	\$ 15,866,507
Corporate notes	-	998,480	-	998,480
Total	-	16,864,987	-	16,864,987
Equity funds	3,305,420	-	-	3,305,420
Fixed income funds	1,797,222	-	-	1,797,222
Total	\$ 5,102,642	\$ 16,864,987	\$ -	\$ 21,967,629

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 \$ 54,109 at December 31, 2018. 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, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

Governmental funds report unavliable 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 unavliable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavliable	Unearned	Total
Governmental funds:			
Subsequent year property taxes	\$ 720,187	\$ 24,807,564	\$ 24,807,564
Special assessments not yet due	-	-	720,187
Total deferred inflows of resources for governmental funds	<u>\$ 720,187</u>	<u>\$ 24,807,564</u>	<u>\$ 25,527,751</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
2019	\$ 1,244,629	\$ 447,534
2020	1,275,272	416,514
2021	1,306,669	384,730
2022	1,338,839	352,164
2023	1,371,802	318,796
2024-2028	7,382,555	1,063,988
2029-2033	4,880,204	182,174
Total	<u>\$ 18,799,970</u>	<u>\$ 3,165,900</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 \$0.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated:				
Land	\$ 25,072,951	\$ 36,600	\$ -	\$ 25,109,551
Construction in progress	442,805	6,886,665	717,759	6,611,711
Total capital assets not depreciated	<u>25,515,756</u>	<u>6,923,265</u>	<u>717,759</u>	<u>31,721,262</u>
Capital assets depreciated:				
Buildings & improvements	26,860,342	373,370	-	27,233,712
Machinery & equipment	18,562,309	788,953	456,270	18,894,992
Infrastructure	104,393,846	1,193,248	238,663	105,348,431
Total capital assets depreciated	<u>149,816,497</u>	<u>2,355,571</u>	<u>694,933</u>	<u>151,477,135</u>
Less: Accumulated depreciation for:				
Buildings & improvements	10,909,452	701,675	-	11,611,127
Machinery & equipment	11,538,077	1,021,320	456,270	12,103,127
Infrastructure	30,960,846	1,853,911	238,663	32,576,094
Total accumulated depreciation	<u>53,408,375</u>	<u>3,576,906</u>	<u>694,933</u>	<u>56,290,348</u>
Net capital assets depreciated	<u>96,408,122</u>	<u>(1,221,335)</u>	<u>-</u>	<u>95,186,787</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 121,923,878</u>	<u>\$ 5,701,930</u>	<u>\$ 717,759</u>	<u>\$ 126,908,049</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	\$	147,538
General government		702,144
Public safety		2,231,284
Public works		1,707
Health & human services		492,853
Culture & recreation		1,380
Conservation & development		-
Total governmental activities depreciation expense	<u>\$</u>	<u>3,576,906</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Dispositions	Ending Balance
Business-Type Activities				
Capital Assets not depreciated:				
Land	\$ 888,479	\$ -	\$ -	\$ 888,479
Construction in progress	63,054	63,054	-	126,108
Total capital assets not depreciated	<u>951,533</u>	<u>126,108</u>	<u>-</u>	<u>1,077,641</u>
Capital assets depreciated:				
Buildings & improvements	6,682,442	19,774	373,975	6,328,241
Machinery & equipment	5,749,838	768,803	514,674	6,004,067
Infrastructure	134,189,113	179,505	958	134,368,060
Total capital assets depreciated	<u>146,621,393</u>	<u>968,582</u>	<u>889,607</u>	<u>146,700,368</u>
Leases - Accumulated depreciation for:				
Buildings & improvements	1,716,966	207,205	-	1,924,170
Machinery & equipment	3,897,829	280,991	514,496	3,664,324
Infrastructure	34,181,442	2,851,365	-	37,032,807
Total accumulated depreciation	<u>39,796,035</u>	<u>3,339,561</u>	<u>514,496</u>	<u>42,621,101</u>
Net capital assets depreciated	<u>106,825,357</u>	<u>(2,370,979)</u>	<u>375,111</u>	<u>104,079,267</u>
Business-Type Activities Capital Assets:				
Net of Accumulated Depreciation	<u>\$ 107,713,636</u>	<u>\$ (2,307,925)</u>	<u>\$ 375,111</u>	<u>\$ 105,030,800</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 1,204,485
Sewer	2,135,076
Total business-type activities depreciation expense	<u>\$ 3,339,561</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2018

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 \$ 199,948 for the year ended December 31, 2018. Future minimum lease payments receivable in conjunction with the leases are as follows.

Fiscal Year	Business-Type Activities		Total
	Governmental Activities	Business-Type Activities	
2019	\$ 47,178	\$ 47,178	\$ 94,356
2020	20,778	20,778	41,556
2021	1,913	1,913	3,826
2022	-	-	-
Totals	<u>\$ 69,869</u>	<u>\$ 69,869</u>	<u>\$ 139,738</u>

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.

There were no interfund receivables and payables at December 31, 2018.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

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

Advances

The City of Franklin provides short and long term advances to its TIF Districts and Water Utility. The amounts advanced are either from proceeds of a borrowing or from fund reserves. They are used to enable the TIF Districts to carry out approved project plans. The TIF Districts interest rate is based upon the interest rate incurred by the Debt Service Fund on its borrowings or the reinvestment rate available to other funds. The advances will be repaid as the TIF 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. The balances at December 31, 2018 were:

Payable Fund	Receivable Fund		Total	Due within one year
	General	Enterprise		
TIF Districts	\$ 117,695	\$ 117,695	\$ 117,695	\$ 117,695
Water Fund	139,700	139,700	139,700	16,500
	\$ 257,395	\$ 257,395	\$ 257,395	\$ 134,195

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, 2018 were as follows

Transfers in	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Fund Totals
General Fund	\$ -	\$ -	\$ 1,011,392
Debt Service Fund	84,000	332,254	532,254
Nonmajor Governmental Funds	84,000	311,039	395,039
Total	\$ 84,000	\$ 643,293	\$ 1,011,392

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

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, 2018 is as follows:

	Governmental Funds	Enterprise Funds
Transfers in per fund statements	\$ 1,738,685	\$ -
Transfers out per fund statements	(727,293)	(1,011,392)
Government Wide Transfers	\$ 1,011,392	\$ (1,011,392)

H. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2018 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 8,845,000	\$ 23,480,000	\$ 2,315,000	\$ 30,010,000	\$ 11,405,000
Premium	217,622	-	67,539	150,083	-
Sub-total	9,062,622	23,480,000	2,382,539	30,160,083	11,405,000
Compensated absences					
Accrued vacation pay	427,497	1,067,065	1,068,476	426,086	426,086
Accrued severance pay	1,411,246	141,755	145,535	1,407,466	73,200
Accrued compensatory time	183,360	262,929	270,688	175,601	175,600
Total compensated absences	2,022,103	1,471,749	1,484,699	2,009,153	674,886
Net pension obligation - WRS	682,662	-	882,662	-	-
City of Franklin Defined Benefit Retirement Plan	1,597,461	-	1,343,628	253,833	-
Net OPEB obligation	1,994,297	461,276	-	2,455,573	-
Total benefit obligations	6,306,523	1,933,025	3,520,989	4,718,559	674,885
Governmental activities					
Long-term liabilities	\$ 15,369,145	\$ 25,413,025	\$ 5,903,528	\$ 34,878,642	\$ 12,079,885

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Business-type Activities					
General obligation debt:	\$ 21,139,693	\$ -	\$ 1,269,723	\$ 19,869,970	\$ 1,299,629
Discount	(10,425)	-	(1,072)	(9,353)	-
Subtotal	21,129,268	-	1,268,651	19,860,617	1,299,629
Compensated absences	46,149	45,086	43,053	48,182	48,182
Accrued vacation pay	75,248	6,380	4,661	76,967	8,612
Accrued severance pay	28,646	5,392	8,468	25,570	25,570
Total compensated absence	150,043	56,858	56,182	150,719	82,364
Net OPEB obligation	39,454	9,124	-	48,578	-
Net pension obligation - City of Franklin Defined Benefit Retirement Plan	779,713	-	655,818	123,895	-
Total Benefit Obligations	989,210	65,982	712,000	323,192	82,364
Business-type activities Long-term liabilities	\$ 22,098,478	\$ 65,982	\$ 1,950,651	\$ 20,183,809	\$ 1,381,993

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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, 2018 are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance Outstanding 12/31
General obligation Refunding Bonds						
General obligation promissory notes	4/20/2016	2.0%	3/1/17-21	3/1 & 9/1	\$ 5,770,000	\$ 3,385,000
General obligation promissory notes	12/18/14	2.0% - 2.5%	3/1/15-24	3/1 & 9/1	5,320,000	1,515,000 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
Note Anticipation Note	5/1/18	2.5% - 3.2%	3/1/19 - 23	3/1 & 9/1	23,480,000	23,480,000 ⁶
Total Governmental Activities Debt						\$ 30,010,000
Business-type Activity Debt						
General obligation Clean Water Fund Loan	1/25/12	2.46%	5/1/14-31	5/1 & 11/1	27,562,754	\$ 18,799,970 ²
General obligation Bonds	12/18/14	2.0% - 3.125%	3/1/15-34	3/1 & 9/1	1,290,000	1,070,000 ³
Total Business-type Activities Debt						\$ 19,869,970

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. ⁵ Issued for capital TID 5 infrastructure and developer grant 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
2019	\$ 11,405,000	\$ 690,497	\$ 1,299,629	\$ 478,371
2020	1,325,000	537,397	1,330,272	448,251
2021	1,345,000	509,748	1,366,669	413,019
2022	560,000	488,679	1,398,939	378,651
2023	14,045,000	258,618	1,431,802	343,484
2024-28	1,330,000	57,600	7,707,555	1,159,151
2029-33	-	-	5,255,204	224,411
2034	-	-	80,000	1,250
Total	\$ 30,010,000	\$ 2,542,539	\$ 19,869,970	\$ 3,444,588

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

The City's statutory debt limit and margin of indebtedness at December 31, 2018 are \$201,147,070 and \$151,267,100, respectively. By City debt policy, the debt limit and margin of indebtedness limit are \$ 80,458,828 (40% of the limit prescribed by law) and \$30,578,858, respectively.

In 2018, the City issued a municipal revenue obligation (MRO) as part of a development agreement. The amount of the obligation was \$2 million, and is payable to the developer solely from tax increments collected from a development in TID #3. A \$109,000 payment was made in 2018. The MRO bears interest at 4.5% payable March 1 annually. The balance of the MRO was \$1,891,000 at December 31, 2018.

In 2018, the City issued a municipal revenue obligation (MRO) as part of a development agreement. The amount of the obligation was \$3.5 million, and is payable to the developer solely from tax increments collected from a development in TID #5. The MRO bears interest at 5.5% payable March 1 annually. No payments have been made on the MRO. The balance of the MRO was \$3.5 million at December 31, 2018.

The obligations do not constitute a charge upon any funds of the City. In the event that future tax increments are not sufficient to pay off the obligations, the obligations terminate with no further liability to the City. Since the amount of future payments is contingent on the collection of future TID increments, the obligation are not reported as a liability in the accompanying financial statements. The balance of the outstanding MRO principal at year end was \$5,391,000.

I. NET POSITION/FUND BALANCES

Governmental Activities

Governmental activities net position reported on the government-wide statement of net position at December 31, 2018 include the following:

Net investment in capital assets	\$ 25,109,551
Land	6,611,711
Construction in process	95,186,787
Other capital assets, net of accumulated depreciation	(13,507,288)
Less: related long term debt outstanding, net of unspent bond proceeds	<u>\$ 113,400,761</u>
Net investment in capital assets	

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Business-type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2018 include the following:

Net investment in capital assets	\$ 888,479
Land	63,054
Construction in process	104,079,267
Other capital assets, net of accumulated depreciation	<u>(19,860,617)</u>
Less: related long term debt outstanding	<u>\$ 85,170,183</u>
Net investment in capital assets	

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, 2018, include the following:

Nonspendable fund balances		
General Fund - advances	\$	123,200
General Fund - prepaid items and inventory		57,423
Total nonspendable fund balance	\$	<u>180,623</u>
Restricted fund balances	\$	982,719
Debt service		1,712,538
Utility improvements		6,140,196
Development		12,430,497
TIF Districts		150,606
Donations		192,510
Health services		630,290
Library services		430,747
Solid waste		75,743
Recreational services		376,069
Tourism Commission		
Total restricted fund balance	\$	<u>23,121,915</u>
Assigned Fund balances:		
General Fund - purchases on order	\$	271,970
Capital Projects:		
Capital outlay		425,043
Equipment replacement		2,645,695
Capital improvement		3,323,373
Street improvement		399,388
Total assigned fund balances	\$	<u>7,065,469</u>
Unassigned fund balances:		
General Fund	\$	6,883,684
TIF Districts (Deficit)		(13,344)
Total unassigned fund balances	\$	<u>6,870,340</u>

NOTE 4 - OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System (Protective Occupation Employees only)

General Information about the Pension Plan

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

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

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

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 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) 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 annual earning periods. 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 55 (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:

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

General Information about the Pension Plan (continued)

Year	Core Fund Adjustment	Variable Fund Adjustment
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	(6)
2017	2.0	4.0

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

During the reporting period, the WRS recognized \$951,221 in contributions from the employer.

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

Contribution rates as of December 31, 2018 are:

	Employee Category	Employee	Employer
Protective with Social Security		6.8%	10.6%

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)
Wisconsin Retirement System (continued)

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

At December 31, 2018, the City reported an asset of \$2,607,342 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.08781536%, which was an increase of 0.00377874%, from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$1,366,396, which includes amounts paid to WRS related to duty disability payments.

At December 31, 2018, 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	\$ 3,312,693	\$ 1,549,568
Changes in assumptions	515,159	-
Net differences between projected and actual earnings on pension plan investments	-	3,563,550
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,842	22,161
Employer contributions subsequent to the measurement date	1,119,560	-
Total	\$ 4,991,254	\$ 5,155,279

\$1,119,560 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset 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:

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)
Wisconsin Retirement System (continued)

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

Year ended December 31,	
2019	\$300,985
2020	(12,744)
2021	(899,273)
2022	(676,789)
2023	6,239
Thereafter	-

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

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Initiation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	
Post-retirement Adjustments*	Wisconsin 2012 Mortality Table 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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

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

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

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 %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
Variable Fund Asset Class			
US Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	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.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

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

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 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the city's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the city's proportionate share of the net pension liability (asset) calculated using the discount rate of 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)	\$ 6,746,084	\$ (2,607,342)	\$ (9,716,235)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://eff.wi.gov/publications/cafr.htm>.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan

General Information about the Pension Plan

Plan Description - The City 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.

The factors influencing the benefit are: (1) average compensation at retirement, (2) years of credible 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.

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)

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

Active employees	30
Terminated vested participants	7
Retirees	25
Total	<u>62</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 \$1,133,559 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, 2018, the City reported a liability of \$377,732 for its net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. 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, 2018

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, 2017	\$ 9,964,954	\$ 7,587,775	\$ 2,377,179
Changes for the year:			
Service cost	182,107	-	182,107
Interest	651,297	-	651,297
Difference between expected and actual experience	(154,963)	-	(154,963)
Changes of assumptions	(203,418)	-	(203,418)
Contributions - employer	1,133,559	1,133,559	(1,133,559)
Net investment income	1,372,321	1,372,321	(1,372,321)
Benefit payments	(370,146)	(370,146)	-
Administrative Expense	-	(31,410)	31,410
Balance at December 31, 2018	\$ 10,069,831	\$ 9,692,099	\$ 377,732

Plan fiduciary net position as a percentage of the total pension liability 96.25%

At December 31, 2018, 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	\$ 257,216	\$ 198,661
Changes in assumptions	214,349	-
Net differences between projected and actual earnings on pension plan investments	-	317,660
Employer contributions subsequent to measurement date	85,000	-
Total	\$ 556,565	\$ 516,321

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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 \$85,000 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. 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-	
2019	\$ 190,341
2020	86,586
2021	(165,627)
2022	(158,056)

Actuarial assumptions - The pension liability in the December 31, 2017 actuarial valuation was determined use the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Market Value
Long-Term Expected Rate of Return:	6.75%
Discount Rate:	6.75%
Salary increase - Inflation:	2.00%
Salary increase - Seniority/Merit:	3.00%
Mortality:	2017 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, 2017 is based upon the liability calculated from the December 31, 2016 actuarial valuation.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

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%	40.11%
US Equity - Mid Cap	8.10%	4.66%
US Equity - Small Cap	8.55%	2.31%
Non-US Equity	8.10%	14.37%
Core Bonds	3.75%	34.58%
High Yield	6.70%	3.97%

Discount rate - A discount rate of 6.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.75% and a long term bond rate of 3.74%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018**

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease to Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase to Discount Rate (7.75%)
City's net pension liability (asset)	\$ 1,480,489	\$ 377,732	\$ (570,896)

For the year ended December 31, 2018, the City recognized pension expense of \$287,423.

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 2018, total contributions of \$423,524 or 10% of covered payroll were made. The City contributed \$211,762 and employees \$211,762. 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, 2018

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, 2018, 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	37	75% of Premium at Retirement	62	20
Police	70	75% of Premium at Retirement	53	15
Dispatch	11	75% of 2005 Premium	62	20
Fire	52	75% of Premium at Retirement	53	20
DPW	33	75% of Premium at Retirement	60	15

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2018

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 2018 was -5.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2018, 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, 2018 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.

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, 2017	\$ 7,607,514	\$ 5,573,763	\$ 2,033,751
Charges for the year:			
Service cost	238,261	-	238,261
Interest	509,975	-	509,975
Contributions - employer	-	444,364	(444,364)
Contributions - employees	-	128,294	(128,294)
Net investment income	-	344,332	(344,332)
Benefit payments	(622,193)	(622,193)	-
Estimated Balance at December 31, 2018	\$ 7,733,557	\$ 5,868,560	\$ 1,864,997
Difference between estimated and actual Plan Fiduciary Net Position	-	(639,156)	639,156
Actual Balance at December 31, 2018	\$ 7,733,557	\$ 5,229,404	\$ 2,504,153

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

67.62%

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	\$ 3,232,934	\$ 2,504,154	\$ 1,848,057

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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.

	Healthcare Cost Trend Rates		
	1% Decrease to (6.0% Decreasing to 4.5%)	1% Increase to (8.0% Decreasing to 6.5%)	
City's net OPEB liability	\$ 1,907,193	\$ 2,504,153	\$ 3,179,969

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

For the year ended December 31, 2018, the City recognized negative OPEB expense of \$168,754. At December 31, 2018, the City reported deferred outflows of resources \$511,325 related to the net difference between projected and actual earnings. The City reported no deferred inflows of resources related to OPEB.

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

Year ended December 31	Deferred Outflow of Resources and Deferred Inflows of Resources (net)	
		\$
2019	\$	127,831
2020		127,831
2021		127,831
2022		127,831
2023		-
Thereafter		-

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 4 - OTHER INFORMATION (continued)

C. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Payable to the OPEB Plan

At December 31, 2018, 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, 2018.

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.

D. CONTINGENCIES AND COMMITMENTS (continued)

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.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 4 - OTHER INFORMATION (continued)

E. RISK MANAGEMENT (continued)

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, 2018 and 2017 are as follows:

Fiscal Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claims Payments	Balance End of Year
2018	\$ 290,700	\$ 3,412,999	\$ 3,412,999	\$ 290,700
2017	\$ 270,500	\$ 3,944,749	\$ 3,924,549	\$ 290,700

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 4 - OTHER INFORMATION (continued)

F. 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. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

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

H. SUBSEQUENT EVENT

On February 20, 2019, the City issued taxable general obligation bonds in the amount of \$13,685,000 with interest rates of 3.00% and 3.50%. The bonds refunded Note Anticipation Notes issued in 2018 used to finance project costs in TID 5 and a development grant in TID 3.

On February 20, 2019, the City issued tax exempt general obligation bonds in the amount of \$6,385,000 with interest rates of 3.25% to 4.00%. The Bonds are being used to finance project costs in TID 6.

CITY OF FRANKLIN, WISCONSIN

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2018**

WRS Fiscal Year Ending Date	Proportion of the Net Pension Asset	Proportionate Share of the Net Pension Liability (Asset)	Covered		Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
			Payroll	Payroll		
12/31/14	0.084116700%	\$ (2,065,567)	\$ 8,071,472	\$ 25,59%	102.74%	
12/31/15	0.082739220%	1,344,496	8,459,850	15.89%	98.20%	
12/31/16	0.084036620%	692,662	8,662,689	7.98%	99.12%	
12/31/17	0.087815360%	(2,607,342)	8,950,304	29.13%	102.93%	

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2018**

City Fiscal Year Ending Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Contributions as a Percentage of Covered Payroll	
				Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 689,692	\$ 689,692	\$ -	8,459,850	8.15%
12/31/16	869,137	869,137	-	8,662,689	10.01%
12/31/17	1,074,037	1,074,037	-	8,950,304	12.00%
12/31/18	1,119,560	1,119,560	-	9,094,719	12.31%

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN
For the Year Ended December 31, 2018

	Fiscal Year Ending		
	2015	2016	2017
Total Pension Liability			
Service Cost	\$ 165,130	\$ 180,074	\$ 154,589
Interest on the Total Pension Liability	531,850	603,514	606,747
Difference between Expected and Actual Experience	527,384	(460,357)	425,998
Assumption Changes	213,402	12,332	709,323
Benefit Payments	(191,375)	(239,861)	(206,465)
Net Change in Total Pension Liability	1,246,391	95,702	1,600,492
Total Pension Liability - Beginning	7,022,369	8,265,760	8,364,462
Total Pension Liability - Ending	\$ 8,268,760	\$ 8,364,462	\$ 9,964,954

Plan Fiduciary Net Position			
Employer Contributions	293,632	339,927	302,518
Pension Plan Net Investment Income	377,842	(41,577)	409,272
Benefit Payments	(191,375)	(239,861)	(286,465)
Pension Plan Administrative Expense	(27,941)	(22,802)	(20,307)
Net Change in Plan Fiduciary Net Position	462,159	35,687	395,018
Plan Fiduciary Net Position - Beginning	6,704,912	7,157,070	7,192,757

Plan Fiduciary Net Position - Ending	\$ 7,157,070	\$ 7,192,757	\$ 7,587,775
Net Pension Liability (Asset) Ending	\$ 1,111,690	\$ 1,171,705	\$ 2,377,179

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87%	86%	76%
Covered Payroll	\$ 1,792,628	\$ 1,876,995	\$ 1,876,995
Net Pension Liability as a Percentage of Covered Payroll	62%	62%	127%

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

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF CONTRIBUTIONS
CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN
For the Year Ended December 31, 2018

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%
12/31/18	233,559	1,133,559	(900,000)	1,792,628	63%

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, 2018

	Fiscal Year Ending	
	2017	2018
Total OPEB Liability		
Service Cost	\$ 223,719	\$ 238,261
Interest on the Total OPEB Liability	489,875	509,975
Benefit Payments	(418,905)	(622,193)
Net Change in Total OPEB Liability	294,689	126,043
Total OPEB Liability - Beginning	7,312,825	7,607,514
Total OPEB Liability - Ending	\$ 7,607,514	\$ 7,733,557
Plan Fiduciary Net Position		
Employer Contributions	422,684	444,364
Employee Contributions	91,969	128,294
OPEB Plan Net Investment Income	673,824	(294,824)
Benefit Payments	(500,350)	(622,193)
Net Change in Plan Fiduciary Net Position	687,927	(344,359)
Plan Fiduciary Net Position - Beginning	4,885,836	5,573,763
Plan Fiduciary Net Position - Ending	\$ 5,573,763	\$ 5,229,404
Net OPEB Liability Ending	\$ 2,033,751	\$ 2,504,153
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	73%	88%
Covered Payroll	\$ 13,879,886	\$ 14,188,222
Net OPEB Liability as a Percentage of Covered Payroll	15%	18%

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, 2018

	Fiscal Year Ending	
	2017	2018
Actuarially Determined Contribution	\$ 422,684	\$ 441,859
Actual Contribution	422,684	444,364
Contribution Deficiency (Excess)	\$ -	\$ (2,505)
Covered Payroll	\$ 13,879,886	\$ 14,188,222
Actual Contribution as a Percentage of Covered Payroll	3%	3%

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
As of and for the Year Ended December 31, 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 7.00% used in the previous actuarial study to 6.5 used in the current study.

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 these 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, 2018

	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	\$ 465,137	\$ 149,639	\$ 575,058	\$ 5,604	\$ 150,606	\$ 70,039	\$ 298,996	125,100	\$ 1,840,179
Receivables	-	-	29,786	-	-	100	77,073	72,635	179,594
Accounts	1,312,700	-	1,212,707	-	-	-	-	-	2,525,407
Taxes	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Due from other governments	68,068	-	-	-	-	-	-	-	68,068
Total assets	\$ 1,845,905	\$ 149,639	\$ 1,817,551	\$ 5,604	\$ 150,606	\$ 70,139	\$ 376,069	\$ 197,735	\$ 4,613,248
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ 17,469	\$ 6,880	\$ 173,747	\$ -	\$ -	\$ -	\$ -	\$ 3,648	\$ 201,744
Accrued liabilities	26,067	2,138	458	-	-	-	-	1,577	30,240
Total liabilities	43,536	9,018	174,205	-	-	-	-	5,225	231,984
DEFERRED INFLOWS OF RESOURCES									
Unearned & unavailable revenue	1,312,700	-	1,212,599	-	-	-	-	-	2,525,299
FUND BALANCES									
Restricted:									
Utility improvements	-	-	-	-	-	-	-	-	-
Development	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	150,606	-	-	-	150,606
Health services	-	-	-	-	-	-	-	192,510	192,510
Library services	489,669	140,621	-	-	-	-	-	-	630,290
Solid waste	-	-	430,747	-	-	-	-	-	430,747
Recreational services	-	-	-	5,604	-	70,139	-	-	75,743
Tourism Commission	-	-	-	-	-	-	376,069	-	376,069
Assigned:									
Capital projects	-	-	-	-	-	-	-	-	-
Total fund balances	489,669	140,621	430,747	5,604	150,606	70,139	376,069	192,510	1,855,965
Total liabilities, deferred inflows and fund balances	\$ 1,845,905	\$ 149,639	\$ 1,817,551	\$ 5,604	\$ 150,606	\$ 70,139	\$ 376,069	\$ 197,735	\$ 4,613,248

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2018

	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	\$ 477,524	\$ 2,721,048	\$ 3,435,380	\$ 399,388	\$ 1,600,496	\$ 6,281,468	\$ 14,915,304
Receivables							
Accounts	400	-	847	-	-	-	1,247
Taxes	452,800	175,000	-	18,200	112,042	-	758,042
Special assessments	-	-	-	-	661,589	-	661,589
Due from other governments	-	-	-	-	-	-	-
Total assets	\$ 930,724	\$ 2,896,048	\$ 3,436,227	\$ 417,588	\$ 2,374,127	\$ 6,281,468	\$ 16,336,182
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 52,881	\$ 75,353	\$ 33,939	\$ -	\$ -	\$ 1,388	\$ 163,561
Accrued liabilities	-	-	78,915	-	-	139,884	218,799
Total liabilities	52,881	75,353	112,854	-	-	141,272	382,360
DEFERRED INFLOWS OF RESOURCES							
Unearned & unavailable revenue	452,800	175,000	-	18,200	661,589	-	1,307,589
FUND BALANCES							
Restricted:							
Utility improvements	-	-	-	-	1,712,538	-	1,712,538
Development	-	-	-	-	-	6,140,196	6,140,196
Donations	-	-	-	-	-	-	150,606
Health services	-	-	-	-	-	-	192,510
Library services	-	-	-	-	-	-	630,290
Solid waste	-	-	-	-	-	-	430,747
Recreational services	-	-	-	-	-	-	75,743
Tourism Commission	-	-	-	-	-	-	376,069
Assigned:							
Capital projects	425,043	2,645,695	3,323,373	399,388	-	-	6,793,499
Total fund balances	425,043	2,645,695	3,323,373	399,388	1,712,538	6,140,196	14,646,233
Total liabilities, deferred inflows and fund balances	\$ 930,724	\$ 2,896,048	\$ 3,436,227	\$ 417,588	\$ 2,374,127	\$ 6,281,468	\$ 16,336,182
							\$ 20,949,430

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue Funds										Total
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	Tourism Commission Fund	Grant Fund			
REVENUE											
Taxes	\$ 1,303,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,725	\$ -	\$ 1,475,925		
Intergovernmental revenue	68,526	-	68,984	-	-	-	-	242,886	380,396		
Public charges for services	-	12,030	1,578,713	-	-	83,906	-	-	1,674,649		
Licenses and permits	-	-	-	22,915	-	25	-	-	22,940		
Special assessments	-	-	-	-	-	-	-	-	-		
Investment earnings	16,325	106	17,640	-	-	-	3,591	-	37,662		
Miscellaneous revenue	-	60,868	1,820	-	41,217	21,008	-	14,533	139,446		
Total revenue	<u>1,388,051</u>	<u>73,004</u>	<u>1,667,157</u>	<u>22,915</u>	<u>41,217</u>	<u>104,939</u>	<u>176,316</u>	<u>257,419</u>	<u>3,731,018</u>		
EXPENDITURES											
Current:											
Public safety	-	-	-	-	19,603	-	-	-	9,915	29,518	
Public works	-	-	1,630,087	-	-	-	-	-	1,630,087		
Health and human services	-	-	-	-	465	-	-	224,665	225,130		
Culture and recreation	1,251,907	46,693	-	53,859	-	113,527	-	-	1,465,986		
Conservation and development	-	-	-	-	-	-	12,040	-	12,040		
Capital outlay	96,775	16,470	-	-	20,679	-	-	29,757	163,681		
Total expenditures	<u>1,348,682</u>	<u>63,163</u>	<u>1,630,087</u>	<u>53,859</u>	<u>40,747</u>	<u>113,527</u>	<u>12,040</u>	<u>264,337</u>	<u>3,526,442</u>		
Excess (deficiency) of revenue over expenditures	<u>39,369</u>	<u>9,841</u>	<u>37,070</u>	<u>(30,944)</u>	<u>470</u>	<u>(8,588)</u>	<u>164,276</u>	<u>(6,918)</u>	<u>204,576</u>		
OTHER FINANCING SOURCES (USES)											
Sale of capital assets	-	-	-	-	-	-	-	-	-		
Transfers in	-	-	-	71,000	-	13,000	-	-	84,000		
Transfers out	-	-	-	-	-	-	-	-	-		
Total other financing sources (uses)	-	-	-	71,000	-	13,000	-	-	84,000		
Net change in fund balances	<u>39,369</u>	<u>9,841</u>	<u>37,070</u>	<u>40,056</u>	<u>470</u>	<u>4,412</u>	<u>164,276</u>	<u>(6,918)</u>	<u>288,576</u>		
Fund balances (deficit) - beginning	<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>		
Fund balances (deficit) - ending	<u>\$ 489,669</u>	<u>\$ 140,621</u>	<u>\$ 430,747</u>	<u>\$ 5,604</u>	<u>\$ 150,606</u>	<u>\$ 70,139</u>	<u>\$ 376,069</u>	<u>\$ 192,510</u>	<u>\$ 1,855,965</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, 2018

	Capital Projects Funds							Total
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	Total	
REVENUE								
Taxes	\$ 450,500	\$ 350,000	\$ -	\$ 714,700	\$ -	\$ -	\$ 1,515,200	\$ 2,991,125
Intergovernmental revenue	5,120	-	-	86,748	-	-	91,868	472,264
Public charges for services	147,000	200,000	284,102	133,000	-	-	764,102	2,438,751
Licenses and permits	-	-	-	-	-	-	-	22,940
Special assessments	-	-	-	-	250,217	2,518,799	2,769,016	2,769,016
Investment earnings	9,088	38,372	53,564	11,508	48,943	70,663	232,138	269,800
Miscellaneous revenue	323	-	11,085	-	-	-	11,408	150,854
Total revenue	612,031	588,372	348,751	945,956	299,160	2,589,462	5,383,732	9,114,750
EXPENDITURES								
Current:								
General government	-	-	-	-	-	1,388	1,388	1,388
Public safety	-	-	-	-	-	-	-	29,518
Public works	-	-	-	-	-	-	-	1,630,087
Health and human services	-	-	-	-	-	-	-	225,130
Culture and recreation	-	-	-	-	-	-	-	1,465,986
Capital outlay	655,576	321,596	921,910	832,834	-	80,085	2,812,001	2,975,682
Total expenditures	655,576	321,596	921,910	832,834	-	81,473	2,813,389	6,339,831
Excess (deficiency) of revenue over expenditures	(43,545)	266,776	(573,159)	113,122	299,160	2,507,989	2,570,343	2,774,919
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	22,548	59,104	-	-	-	-	81,652	81,652
Transfers in	101,000	8,000	202,039	-	-	-	311,039	395,039
Transfers out	(8,000)	-	(101,000)	-	-	(534,293)	(643,293)	(643,293)
Total other financing sources (uses)	115,548	67,104	101,039	-	-	(534,293)	(250,602)	(166,602)
Net change in fund balances	72,003	333,880	(472,120)	113,122	299,160	1,973,696	2,319,741	2,608,317
Fund balances (deficit) - beginning	353,040	2,311,815	3,795,493	286,266	1,413,378	4,166,500	12,326,492	13,893,881
Fund balances (deficit) - ending	\$ 425,043	\$ 2,645,695	\$ 3,323,373	\$ 399,388	\$ 1,712,538	\$ 6,140,196	\$ 14,646,233	\$ 16,502,198

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, 2018

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
TAXES				
General property taxes	\$ 16,918,049	\$ 16,918,049	\$ 16,899,503	\$ (18,546)
Water Utility - tax equivalent	1,050,000	1,050,000	1,011,392	(38,608)
Cable TV franchise fees	510,000	510,000	501,021	(8,979)
Hotel/Room Tax	181,600	191,600	191,600	-
Mobile home assessments	23,500	23,500	19,615	(3,885)
	<u>18,693,149</u>	<u>18,693,149</u>	<u>18,623,131</u>	<u>(70,018)</u>
INTERGOVERNMENTAL REVENUE				
State shared revenue	489,934	489,934	500,759	825
State expenditure restraint revenue	162,254	162,254	162,254	-
Fire insurance - ducs	137,500	137,500	151,565	14,065
Local, state and federal grants and aids				
Computer aid	220,000	220,000	222,663	2,663
Transportation aids	1,219,638	1,219,638	1,221,059	1,431
Other	193,600	193,600	59,178	(134,422)
	<u>2,432,926</u>	<u>2,432,926</u>	<u>2,317,488</u>	<u>(115,438)</u>
LICENSES, FEES AND PERMITS				
Licenses:				
Beer and liquor	33,840	33,840	32,195	(1,644)
Bar/tennis	16,500	16,500	16,715	215
Amusement and related	9,700	9,700	11,154	1,454
Peddlers	2,650	2,650	4,255	1,605
Food and related	4,050	4,050	10,008	5,958
Dog and cat	9,300	9,300	11,680	2,380
Health	78,100	78,100	76,171	(1,929)
Other	12,550	12,550	17,894	5,344
Permits:				
Building	610,000	610,000	660,745	50,745
Electrical	110,000	110,000	139,081	29,081
Plumbing	110,000	110,000	108,535	(1,465)
Sign	8,500	8,500	16,222	7,722
Perk	16,900	16,900	19,825	2,925
Fire	4,500	4,500	3,625	(875)
Other	16,900	16,900	38,038	21,138
	<u>1,043,490</u>	<u>1,043,490</u>	<u>1,165,156</u>	<u>122,666</u>
FINES, FORFEITURES AND PENALTIES	500,000	500,000	475,840	(24,160)

(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, 2018

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
PUBLIC CHARGES FOR SERVICES				
General government	\$ 12,900	\$ 12,900	\$ 14,509	\$ 1,609
Property reports and document fees	1,500	1,500	4,066	2,566
Clerk Services				
Public safety	8,600	8,600	6,244	(2,356)
Police Department and related	1,175,000	1,175,000	1,209,323	34,323
Ambulance service	89,000	89,000	86,634	(2,366)
Fire Department and related	44,600	44,600	35,500	(9,100)
Quarry reimbursement	7,600	7,600	8,576	976
Weights and measures				
Public works	9,000	9,000	6,058	(2,942)
Weed cutting	13,000	13,000	19,041	6,041
Street lighting	16,000	16,000	567,687	551,687
Engineering and DPW fees	256,500	256,500	246,742	(9,758)
Landfill tippage fees				
Health and human services	118,150	118,150	117,052	(1,098)
Health clinics and other health fees	53,500	53,500	101,964	48,464
Conservation and development	1,805,350	1,805,350	2,405,406	600,056
Zoning, subdivision and other filing fees				
	<u>196,500</u>	<u>196,500</u>	<u>192,542</u>	<u>(3,958)</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES	205,000	205,000	241,398	36,398
INVESTMENT EARNINGS				
MISCELLANEOUS REVENUE				
Municipal property rental	50,000	50,000	99,975	49,975
Property sales	11,850	11,850	9,867	(1,983)
Refunds and reimbursements	15,000	15,000	45,791	30,791
Insurance dividend	40,000	40,000	88,144	48,144
Other revenue	1,000	1,000	339	(661)
	<u>117,850</u>	<u>117,850</u>	<u>244,136</u>	<u>126,286</u>
Total Revenues	24,994,265	24,994,265	25,696,097	671,832
Transfers from other funds				
Total Revenues and Transfers In	<u>\$ 24,994,265</u>	<u>\$ 24,994,265</u>	<u>\$ 25,696,097</u>	<u>\$ 671,832</u>

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, 2018

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
CURRENT				
Public Works				
Engineering - Personnel Services	533,967	533,967	480,362	53,605
Engineering - Other Services	28,700	28,700	423,704	(400,004)
Highway - Personnel Services	1,732,456	1,666,456	1,573,847	92,609
Highway - Other Services	788,620	786,620	761,607	27,013
Street lighting	344,800	344,800	286,664	58,136
Weed control	9,050	9,050	5,108	3,942
Total Public Works	3,437,593	3,371,693	3,536,292	(164,699)
Health and Human Services				
Public health - Personnel Services	596,495	596,495	560,112	36,383
Public health - Other Services	73,250	73,250	70,064	3,186
Animal control	40,600	40,600	39,925	675
Total Health and Human Services	710,345	710,345	670,131	40,214
Culture and Recreation				
Senior activities and travel program	22,000	22,000	19,281	2,719
Parks - Personnel Services	108,989	174,489	174,300	189
Parks - Other Services	42,925	43,425	43,375	50
Total Culture and Recreation	173,914	239,914	236,956	2,958
Conservation and Development				
Planning - Personnel Services	345,230	345,230	324,477	20,753
Planning - Other Services	80,550	80,550	52,341	28,209
Economic development - Personnel Services	105,365	105,365	86,352	19,013
Economic development - Other Services	84,200	84,200	64,912	19,288
Total Conservation and Development	595,345	615,345	528,082	87,263
Total Expenditures	26,395,065	26,381,877	24,954,736	1,407,141
Transfers to Other Funds	24,000	84,000	84,000	-
Total Expenditures and Transfers Out	\$26,419,065	\$26,465,877	\$25,038,736	\$ 1,407,141

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, 2018

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
CURRENT				
General Government				
Mayor - Personnel Services	18,482	18,582	18,488	94
Mayor - Other Services	6,350	4,800	4,800	1,550
Aldermen - Personnel Services	47,409	47,409	47,409	6
Aldermen - Other Services	24,891	22,449	22,449	2,442
Municipal court - Personnel Services	193,929	193,929	181,191	12,738
Municipal court - Other Services	56,900	56,900	36,058	20,842
City clerk - Personnel Services	320,163	320,163	300,676	19,507
City clerk - Other Services	27,200	27,200	24,782	2,418
Elections - Personnel Services	58,480	58,480	54,640	3,840
Elections - Other Services	10,700	10,700	10,789	511
Information services - Personnel Services	125,397	125,397	124,969	428
Information services - Other Services	361,489	361,489	326,848	34,641
Administration - Personnel Services	297,298	297,298	297,077	221
Administration - Other Services	137,415	179,415	163,331	16,084
Finance - Personnel Services	432,136	432,136	427,138	4,998
Finance - Other Services	102,285	102,285	92,530	9,755
Independent Audit	30,000	30,500	30,255	245
Assessor - Other Services	226,150	226,150	223,081	3,069
Legal counsel	342,450	342,450	302,842	39,608
Municipal buildings - Personnel Services	90,543	90,543	89,771	772
Municipal buildings - Other Services	119,015	119,015	112,226	6,789
Refunded taxes	82,500	82,500	1,127	81,373
Property and liability insurance	81,745	81,745	77,508	4,237
Anticipated Underexpenditure	(413,320)	(413,320)	-	(413,320)
Contingency	1,405,000	1,249,862	(31,938)	1,281,800
Total General Government	4,181,627	4,072,089	2,937,641	1,134,448
Public Safety				
Police - Personnel Services	7,622,131	7,622,131	7,496,527	125,604
Police - Other Services	1,145,420	1,145,370	1,050,283	95,087
Dispatch - Personnel Services	1,107,336	1,023,736	984,833	38,903
Dispatch - Other Services	5,808,682	5,936,682	5,936,983	2,999
Fire - Personnel Services	461,560	471,560	473,195	(1,635)
Fire - Other Services	283,300	283,300	279,840	3,460
Fire protection service charge	830,662	830,662	795,768	34,894
Building inspection - Personnel Services	29,550	29,550	21,205	8,345
Building inspection - Other Services	7,600	7,600	7,600	-
Sealer of weights and measures	17,286,241	17,352,591	17,045,634	306,957
Total Public Safety	17,286,241	17,352,591	17,045,634	306,957

(Continued)

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, 2018

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE				
Taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ -
Special assessments	-	-	76,143	76,143
Investment earnings	-	-	18,198	18,198
Total revenue	1,300,000	1,300,000	1,394,341	94,341
EXPENDITURES				
Debt service				
Principal	1,330,000	1,330,000	1,330,000	-
Interest	481,613	481,613	148,898	332,715
Total expenditures	1,811,613	1,811,613	1,478,898	332,715
Excess (deficiency) of revenue over expenditures	(511,613)	(511,613)	(84,557)	427,056
OTHER FINANCING SOURCES (USES)				
Transfers in	328,644	328,644	332,254	3,610
Total other financing sources (uses)	328,644	328,644	332,254	3,610
Net change in fund balances	\$ (182,969)	\$ (182,969)	247,697	\$ 430,666
Fund balances - beginning			735,022	
Fund balances - ending			\$ 982,719	

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, 2018

	Library Operating Fund			Library Auxiliary Fund			Variance with Final Budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUE							
Taxes	\$ 1,303,200	\$ 1,303,200	\$ 1,303,200	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	75,000	75,000	68,526	-	-	-	(6,474)
Charges for Services	-	-	-	9,400	9,400	12,030	2,630
Investment earnings	8,500	8,500	16,325	100	100	106	6
Miscellaneous revenue	-	-	-	59,000	59,000	60,868	1,868
Total revenue	1,386,700	1,386,700	1,388,051	68,500	68,500	73,004	4,504
EXPENDITURES							
Current:							
Culture and recreation	1,293,918	1,314,918	1,258,147	46,100	46,100	46,693	(593)
Capital outlay	92,782	96,782	96,775	22,400	22,400	16,470	5,930
Total expenditures	1,386,700	1,411,700	1,354,922	68,500	68,500	63,163	5,337
Net change in fund balances - budgetary basis	\$ -	\$ (25,000)	\$ 33,129	\$ -	\$ -	\$ 9,841	\$ 9,841
Adjustments to generally accepted accounting principles basis							
2017 encumbrances			6,240				
2018 encumbrances							
Net change in fund balances - generally accepted accounting principles basis			39,369			9,841	
Fund balances - beginning			450,300			130,780	
Fund balances - ending			\$ 489,669			\$ 140,621	(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, 2018

	Solid Waste Fund				St Martin's Fair Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with Final Budget - Excess (Deficiency)
REVENUE								
Intergovernmental revenue	\$ 68,800	\$ 68,800	\$ 68,984	\$ 184	\$ -	\$ -	\$ -	\$ -
Public charges for services	1,561,000	1,578,000	1,578,713	713	-	-	-	-
Licenses and permits	-	-	-	-	26,550	26,550	22,915	(3,635)
Investment earnings	7,500	7,500	17,640	10,140	-	-	-	-
Miscellaneous revenue	-	-	1,820	1,820	500	500	-	(500)
Total revenue	<u>1,637,300</u>	<u>1,654,300</u>	<u>1,667,157</u>	<u>12,857</u>	<u>27,050</u>	<u>27,050</u>	<u>22,915</u>	<u>(4,135)</u>
EXPENDITURES								
Current:								
Public works	1,577,683	1,632,683	1,630,087	2,596	-	-	-	-
Culture and recreation	-	-	-	-	52,785	54,785	53,859	926
Total expenditures	<u>1,577,683</u>	<u>1,632,683</u>	<u>1,630,087</u>	<u>2,596</u>	<u>52,785</u>	<u>54,785</u>	<u>53,859</u>	<u>926</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>59,617</u>	<u>21,617</u>	<u>37,070</u>	<u>15,453</u>	<u>(25,735)</u>	<u>(27,735)</u>	<u>(30,944)</u>	<u>(3,209)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	11,000	71,000	71,000	-
Net change in fund balances	<u>\$ 59,617</u>	<u>\$ 21,617</u>	<u>\$ 37,070</u>	<u>\$ 15,453</u>	<u>\$ (14,735)</u>	<u>\$ 43,265</u>	<u>\$ 40,056</u>	<u>\$ (3,209)</u>
Fund balances (deficit) - beginning			<u>393,677</u>				<u>(34,452)</u>	
Fund balances - ending			<u>\$ 430,747</u>				<u>\$ 5,604</u>	

(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, 2018

	Donations Fund			Civic Celebrations Fund			Variance with Final Budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUE							
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ 25
Charges for services	-	-	-	77,000	83,000	83,906	906
Miscellaneous revenue	22,200	22,200	41,217	21,000	21,000	21,008	8
Total revenue	<u>22,200</u>	<u>22,200</u>	<u>41,217</u>	<u>98,000</u>	<u>104,000</u>	<u>104,939</u>	<u>939</u>
EXPENDITURES							
Current:							
Public Safety	63,516	63,516	19,603	-	-	-	-
Health and human services	1,000	1,000	465	-	-	-	-
Culture and recreation	-	-	-	96,694	116,694	113,527	3,167
Capital outlay	76,000	93,000	20,679	-	-	-	-
Total expenditures	<u>140,516</u>	<u>157,516</u>	<u>40,747</u>	<u>96,694</u>	<u>116,694</u>	<u>113,527</u>	<u>3,167</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(118,316)</u>	<u>(135,316)</u>	<u>470</u>	<u>1,306</u>	<u>(12,694)</u>	<u>(8,588)</u>	<u>4,106</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	13,000	13,000	13,000	-
Net change in fund balances	<u>\$ (118,316)</u>	<u>\$ (135,316)</u>	<u>470</u>	<u>\$ 14,306</u>	<u>\$ 306</u>	<u>4,412</u>	<u>\$ 4,106</u>
Fund balances - beginning			<u>150,136</u>			<u>65,727</u>	
Fund balances - ending			<u>\$ 150,606</u>			<u>\$ 70,139</u>	

(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, 2018

	Grant Fund			Tourism Commission			Variance with Final Budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUE							
Taxes	\$ -	\$ -	\$ -	\$ 96,800	\$ 96,800	\$ 172,725	\$ 75,925
Intergovernmental revenue	255,350	255,350	242,886	-	-	-	(12,464)
Investment earnings	-	-	-	-	-	3,591	3,591
Miscellaneous revenue	5,000	5,000	14,533	-	-	-	9,533
Total revenue	<u>260,350</u>	<u>260,350</u>	<u>257,419</u>	<u>96,800</u>	<u>96,800</u>	<u>176,316</u>	<u>79,516</u>
EXPENDITURES							
Current:							
Public safety	-	10,000	9,915	-	-	-	85
Health and human services	280,533	280,533	224,665	-	-	-	55,868
Conservation and development	-	-	-	154,000	154,000	48,977	105,023
Capital outlay	40,500	30,500	29,757	-	-	-	743
Total expenditures	<u>321,033</u>	<u>321,033</u>	<u>264,337</u>	<u>154,000</u>	<u>154,000</u>	<u>48,977</u>	<u>105,023</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(60,683)</u>	<u>(60,683)</u>	<u>(6,918)</u>	<u>(57,200)</u>	<u>(57,200)</u>	<u>127,339</u>	<u>184,539</u>
Net change in fund balances - budgetary basis	\$ <u>(60,683)</u>	\$ <u>(60,683)</u>	\$ <u>(6,918)</u>	\$ <u>(57,200)</u>	\$ <u>(57,200)</u>	\$ <u>127,339</u>	\$ <u>184,539</u>
Adjustments to generally accepted accounting principles basis							
2017 encumbrances						36,937	
2018 encumbrances							
Net change in fund balances - generally accepted accounting principles basis			(6,918)				164,276
Fund balances - beginning			199,428			211,793	
Fund balances - ending			\$ <u>192,510</u>			\$ <u>376,069</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, 2018

	Capital Outlay Fund			Equipment Replacement Fund			Variance with
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	final budget - Excess (Deficiency)
REVENUE							
Taxes	\$ 450,500	\$ 450,500	\$ 450,500	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Intergovernmental revenue		5,120	5,120				-
Public charges for services - Landfill siting	147,000	147,000	147,000	200,000	200,000	200,000	-
Investment earnings (loss)	6,000	6,000	9,088	29,000	29,000	38,372	9,372
Miscellaneous revenue			323				
Total revenue	<u>603,500</u>	<u>603,500</u>	<u>612,031</u>	<u>579,000</u>	<u>579,000</u>	<u>588,372</u>	<u>9,372</u>
EXPENDITURES							
Capital outlay	681,596	962,104	665,090	295,754	347,754	338,027	9,727
Total expenditures	<u>681,596</u>	<u>962,104</u>	<u>665,090</u>	<u>295,754</u>	<u>347,754</u>	<u>338,027</u>	<u>9,727</u>
Excess (deficiency) of revenue over expenditures	<u>(78,096)</u>	<u>(358,604)</u>	<u>(53,059)</u>	<u>283,246</u>	<u>231,246</u>	<u>250,345</u>	<u>13,000</u>
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	39,000	60,700	22,548	7,500	7,500	59,104	51,604
Transfers in		134,138	101,000		8,000	8,000	
Transfers out		(8,000)	(8,000)				
Total other financing sources (uses)	<u>39,000</u>	<u>186,838</u>	<u>115,548</u>	<u>7,500</u>	<u>15,500</u>	<u>67,104</u>	<u>51,604</u>
Net change in fund balances - budgetary basis	<u>\$ (39,096)</u>	<u>\$ (171,766)</u>	<u>62,489</u>	<u>\$ 290,746</u>	<u>\$ 246,746</u>	<u>317,449</u>	<u>\$ 64,604</u>
Adjustments to generally accepted accounting principles basis			(88,492)			(4,000)	
2017 encumbrances			<u>98,006</u>			<u>20,431</u>	
2018 encumbrances							
Net change in fund balances - generally accepted accounting principles basis			<u>72,003</u>			<u>333,880</u>	
Fund balances - beginning			<u>353,040</u>			<u>2,311,815</u>	
Fund balances - ending			<u>\$ 425,043</u>			<u>\$ 2,645,695</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, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ 714,700	\$ 714,700	\$ 714,700	\$ -
Intergovernmental revenue	-	638,000	-	(638,000)	75,000	75,000	86,748	11,748
Public charges for services - Landfill siting	276,000	276,000	284,102	8,102	133,000	133,000	133,000	-
Investment earnings (loss)	5,000	5,000	53,564	48,564	2,500	2,500	11,508	9,008
Miscellaneous revenue	150,000	150,000	11,085	(138,915)	-	-	-	-
Total revenue	431,000	1,069,000	348,751	(720,249)	925,200	925,200	945,956	20,756
EXPENDITURES								
Capital outlay	25,754,317	27,064,037	519,573	26,544,464	920,000	920,000	832,834	87,166
Debt issuance costs	98,000	98,000	-	98,000	-	-	-	-
Total expenditures	25,852,317	27,162,037	519,573	26,642,464	920,000	920,000	832,834	87,166
Excess (deficiency) of revenue over expenditures	(25,421,317)	(26,093,037)	(170,822)	25,922,215	5,200	5,200	113,122	107,922
OTHER FINANCING SOURCES (USES)								
Transfers in	18,082,179	18,082,179	202,039	(17,880,140)	-	-	-	-
Transfers out	-	(101,000)	(101,000)	-	-	-	-	-
General obligation debt issued	5,600,000	5,600,000	-	(5,600,000)	-	-	-	-
Total other financing sources (uses)	23,682,179	23,581,179	101,039	(23,480,140)	-	-	-	-
Net change in fund balances - budgetary basis	\$ (1,739,138)	\$ (2,511,858)	(69,783)	\$ 2,442,075	\$ 5,200	\$ 5,200	113,122	\$ 107,922
Adjustments to generally accepted accounting principles basis								
2017 encumbrances			(596,846)					
2018 encumbrances			194,509					
Net change in fund balances - generally accepted accounting principles basis			(472,120)					
Fund balances - beginning			3,795,493					
Fund balances - ending			\$ 3,323,373					

(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, 2018

	Development Fund			Utility Development Fund			Variance with final budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original and final Budget	Final Budget	Actual	
REVENUE							
Special assessments	\$ 644,095	\$ 644,095	\$ 2,518,799	\$ 181,600	\$ 162,100	\$ 250,217	\$ 88,117
Investment earnings	44,567	44,567	70,663	34,000	44,400	48,943	14,943
Total revenue	<u>688,662</u>	<u>688,662</u>	<u>2,589,462</u>	<u>215,600</u>	<u>206,500</u>	<u>299,160</u>	<u>103,060</u>
EXPENDITURES							
General government	10,000	13,321	13,319	-	-	-	-
Capital outlay	1,000,000	1,000,000	80,085	1,000,000	-	-	-
Total expenditures	<u>1,010,000</u>	<u>1,013,321</u>	<u>93,404</u>	<u>1,000,000</u>	-	-	-
Excess of revenue over expenditures	<u>(321,338)</u>	<u>(324,659)</u>	<u>2,496,058</u>	<u>(784,400)</u>	<u>206,500</u>	<u>299,160</u>	<u>92,660</u>
OTHER FINANCING SOURCES (USES)							
Transfers out	(2,026,800)	(2,026,800)	(534,293)	(1,000,000)	(500,000)	-	1,000,000
Total other financing sources (uses)	<u>(2,026,800)</u>	<u>(2,026,800)</u>	<u>(534,293)</u>	<u>(1,000,000)</u>	<u>(500,000)</u>	-	<u>1,000,000</u>
Net change in fund balances - budgetary basis	<u>\$ (2,348,138)</u>	<u>\$ (2,351,459)</u>	<u>1,961,765</u>	<u>\$ (1,784,400)</u>	<u>\$ (293,500)</u>	<u>299,160</u>	<u>\$ 1,092,660</u>
Adjustments to generally accepted accounting principles basis							
2017 encumbrances			(3,321)			-	-
2018 encumbrances			<u>15,252</u>			-	-
Net change in fund balances - generally accepted accounting principles basis							
Fund balances - beginning			1,973,696			299,160	
Fund balances - ending			<u>4,166,500</u>			<u>1,413,378</u>	
			<u>\$ 6,140,196</u>			<u>\$ 1,712,538</u>	

CITY OF FRANKLIN, WISCONSIN
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended December 31, 2018

PROPERTY TAX AGENCY FUND	12/31/17	Additions	Deductions	12/31/18
ASSETS				
Cash and investments	\$ 58,018,806	\$ 133,389,951	\$ 136,510,100	\$ 54,898,658
Receivables	13,997,006	129,929,560	125,886,772	18,039,794
Taxes receivable	44,428	378,036	12,731	409,732
Accounts receivable				
Total assets	\$ 72,060,240	\$ 263,697,547	\$ 262,409,603	\$ 73,348,184
LIABILITIES				
Accounts payable	\$ 100,982	\$ 42,634,674	\$ 43,136,450	\$ 602,758
Due to other governments	71,959,258	72,227,449	73,013,617	72,745,426
Total liabilities	\$ 72,060,240	\$ 114,862,123	\$ 116,150,067	\$ 73,348,184
OTHER AGENCY FUND				
ASSETS				
Cash and investments	\$ 11,683	\$ 33,535	\$ 35,940	\$ 9,288
Accounts receivable	3,685	22,982	17,579	9,098
Total assets	\$ 15,378	\$ 56,527	\$ 53,519	\$ 18,386
LIABILITIES				
Accounts payable	\$ 1,660	\$ 31,334	\$ 31,712	\$ 2,038
Special deposits	13,718	37,125	39,755	16,348
Total liabilities	\$ 15,378	\$ 68,459	\$ 71,467	\$ 18,386
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 58,030,499	\$ 133,423,486	\$ 136,546,040	\$ 54,907,946
Receivables	13,997,006	129,929,560	125,886,772	18,039,794
Taxes receivable	48,113	401,028	30,310	418,850
Accounts receivable				
Total assets	\$ 72,075,618	\$ 263,754,074	\$ 262,463,122	\$ 73,366,570
LIABILITIES				
Accounts payable	\$ 102,642	\$ 42,666,008	\$ 43,168,162	\$ 604,796
Due to other governments	71,959,258	72,227,449	73,013,617	72,745,426
Special deposits	13,718	37,125	39,755	16,348
Total liabilities	\$ 72,075,618	\$ 114,930,582	\$ 116,221,534	\$ 73,366,570

CITY OF FRANKLIN, WISCONSIN
TF Districts Fund
Combining Balance Sheet
As of December 31, 2018

	District #3	District #4	District #5	District #6	Total
ASSETS					
Cash and investments	\$ 1,977,126	\$ 3,258,841	\$ 8,790,210	\$ -	\$ 14,026,979
Taxes receivable	1,114,683	1,011,224	30,951	-	2,156,858
Total assets	\$ 3,091,811	\$ 4,269,865	\$ 8,821,161	\$ -	\$ 16,182,837
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 354,228	\$ 167,182	\$ -	\$ 344	\$ 521,754
Accrued liabilities	969,377	-	-	13,000	982,377
Advances from Other Funds	-	-	104,695	-	117,695
Total liabilities	1,323,605	167,182	104,695	13,344	1,608,826
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	1,114,683	1,011,224	30,951	-	2,156,858
FUND BALANCES (DEFICIT)					
Restricted	653,523	3,091,459	8,685,515	(13,344)	12,430,497
Unassigned (deficit)	-	-	-	(13,344)	(13,344)
Total fund balances (deficit)	653,523	3,091,459	8,685,515	(13,344)	12,417,153
Total liabilities, deferred inflows and fund balances	\$ 3,091,811	\$ 4,269,865	\$ 8,821,161	\$ -	\$ 16,182,837

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, 2018

	District #3	District #4	District #5	District #6	Total
REVENUE					
Taxes	\$ 1,381,191	\$ 1,192,285	\$ 30,500	\$ -	\$ 2,603,976
Intergovernmental revenue	464,931	16,195	-	-	481,126
Investment earnings (loss)	35,030	56,093	196,075	-	289,188
Miscellaneous revenue	5	-	-	-	5
Total revenue	1,881,157	1,264,563	226,575	-	3,374,295
EXPENDITURES					
Current					
General government	32,351	12,384	32,318	-	77,053
Public works	-	79,670	27,855	-	107,525
Conservation and development	109,000	-	12,032,656	13,344	12,155,000
Capital outlay	1,002	487,049	2,400,652	-	2,888,703
Debt service					
Principal	885,000	-	-	-	885,000
Interest and fiscal charges	15,158	-	227,520	-	242,678
Debt issuance costs	-	-	203,184	-	203,184
Total expenditures	1,142,511	579,103	14,924,185	13,344	16,659,143
Excess (deficiency) of revenue over expenditures	738,646	685,460	(14,697,610)	(13,344)	(13,284,848)
OTHER FINANCING SOURCES (USES)					
General obligation debt issued	-	-	23,480,000	-	23,480,000
Total other financing sources (uses)	-	-	23,480,000	-	23,480,000
Net change in fund balances	738,646	685,460	8,784,390	(13,344)	10,195,152
Fund balances (deficit) - beginning	(85,123)	2,405,999	(88,875)	-	2,222,001
Fund balances (deficit) - ending	\$ 653,523	\$ 3,091,459	\$ 8,695,515	\$ (13,344)	\$ 12,417,153

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, 2018

	District 3				District 4			
	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE								
Taxes	\$ 1,384,100	\$ 1,384,100	\$ 1,381,191	\$ (2,909)	\$ 1,151,600	\$ 1,168,600	\$ 1,192,285	\$ 23,685
Intergovernmental revenue	584,400	584,400	464,931	(119,469)	14,700	14,700	16,195	1,495
Investment earnings (loss)	5,000	5,000	35,030	30,030	15,000	15,000	56,083	41,083
Miscellaneous revenue	-	-	5	5	-	-	-	-
Total revenue	<u>1,973,500</u>	<u>1,973,500</u>	<u>1,881,157</u>	<u>(92,343)</u>	<u>1,181,300</u>	<u>1,198,300</u>	<u>1,264,563</u>	<u>66,263</u>
EXPENDITURES								
General government	12,870	38,370	32,350	6,020	15,150	30,150	12,384	17,766
Public works	-	-	-	-	100,000	153,193	150,701	2,492
Culture, recreation and education	5,000,000	5,000,000	109,000	4,891,000	-	990,000	10,000	980,000
Conservation and development	-	1,353,313	(1,969)	1,355,282	980,000	12,225,000	1,201,850	11,023,150
Capital outlay	-	-	-	-	-	-	-	-
Debt Service	985,000	985,000	985,000	-	-	-	-	-
Principal	97,209	97,209	15,158	82,051	-	-	-	-
Interest	87,000	87,000	-	87,000	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-
Total expenditures	<u>6,182,079</u>	<u>7,560,892</u>	<u>1,139,539</u>	<u>6,421,353</u>	<u>1,095,150</u>	<u>13,398,343</u>	<u>1,374,935</u>	<u>12,036,408</u>
Excess (deficiency) of revenue over expenditures	<u>(4,208,579)</u>	<u>(5,587,392)</u>	<u>741,618</u>	<u>6,329,010</u>	<u>86,150</u>	<u>(12,200,043)</u>	<u>(110,372)</u>	<u>12,102,671</u>
OTHER FINANCING SOURCES (USES)								
General obligation debt issued	5,100,000	5,100,000	-	(5,100,000)	10,000,000	10,000,000	-	(10,000,000)
Total other financing sources (uses)	<u>5,100,000</u>	<u>5,100,000</u>	<u>-</u>	<u>(5,100,000)</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>(10,000,000)</u>
Net change in fund balances - budgetary basis	\$ 891,421	\$ (487,392)	741,618	\$ 1,229,010	\$ 10,086,150	\$ (2,200,043)	(110,372)	\$ 2,102,671
Adjustments to generally accepted accounting principles basis								
2017 encumbrances			(2,972)				(51,193)	
2018 encumbrances			-				847,025	
Net change in fund balances - generally accepted accounting principles basis			738,646				685,460	
Fund balances (deficit) - beginning			(85,123)				2,405,999	
Fund balances - ending			\$ 653,523				\$ 3,091,459	

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, 2018

	District 5			Variance with
	Original	Final	Actual	final budget -
	Budget	Budget		Excess
				(Deficiency)
REVENUE				
Taxes	\$ 30,100	\$ 30,100	\$ 30,500	\$ 400
Intergovernmental revenue	300	300	-	(300)
Investment earnings (loss)	-	-	198,075	198,075
Total revenue	<u>30,400</u>	<u>30,400</u>	<u>228,575</u>	<u>198,175</u>
EXPENDITURES				
General government	5,161,007	5,168,507	37,268	5,131,239
Public works	50,000	54,929	27,855	27,074
Culture, recreation and education	-	-	(16,313)	16,313
Conservation and development	21,900	38,213	7,723,541	(7,685,329)
Capital outlay	12,352,875	12,352,875	6,736,667	5,616,208
Debt Service				
Interest	254,813	254,813	227,520	27,293
Debt issuance costs	279,000	279,000	203,184	75,816
Total expenditures	<u>18,119,595</u>	<u>18,148,337</u>	<u>14,939,722</u>	<u>3,208,615</u>
Excess (deficiency) of revenue over expenditures	<u>(18,089,195)</u>	<u>(18,117,937)</u>	<u>(14,711,147)</u>	<u>3,406,790</u>
OTHER FINANCING SOURCES (USES)				
General obligation debt issued	18,600,000	18,600,000	23,480,000	4,880,000
Total other financing sources (uses)	<u>18,600,000</u>	<u>18,600,000</u>	<u>23,480,000</u>	<u>4,880,000</u>
Net change in fund balances - budgetary basis	\$ 510,805	\$ 482,064	8,768,853	\$ 8,286,790
Adjustments to generally accepted accounting principles basis				
2017 encumbrances			(28,742)	
2018 encumbrances			44,279	
Net change in fund balances - generally accepted accounting principles basis			8,784,390	
Fund balances (deficit) - beginning			(98,875)	
Fund balances - ending			\$ 8,685,515	

CITY OF FRANKLIN, WISCONSIN
Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source
 As of December 31, 2018

Governmental funds capital assets:	
Land	\$ 25,109,551
Buildings and improvements	27,233,712
Machinery and equipment	18,894,992
Infrastructure improvements	105,348,431
Construction in process	6,611,711
Total governmental funds capital assets	\$ 183,198,397
Investment in governmental capital assets by source:	
General Fund	\$ 545,407
Special Revenue Funds	3,350,207
Capital Projects Funds	102,955,042
Donations	76,347,741
Total governmental funds capital assets	\$ 183,198,397

CITY OF FRANKLIN, WISCONSIN
Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 For the Year Ended December 31, 2018

Function and Activity	Buildings and		Machinery and		Infrastructure		Total
	Land	Improvements	Equipment	In process	Improvements	In process	
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			783,615	-			783,615
Administration			267,310	-			267,310
Human resources			9,617	-			9,617
Finance			188,178	-			188,178
Assessor			48,000	-			48,000
Attorney			420,603	-			420,603
Municipal buildings	597,437	3,472,262	420,603	-			4,490,222
Total General Government	597,437	3,472,262	1,814,232	-	-	-	5,883,951
Public Safety:							
Police	1,201,829	8,446,443	2,613,891	-			12,262,153
Fire	63,248	4,351,456	3,620,600	-			8,235,304
Building inspection			278,466	-			278,466
Total Public Safety	1,265,077	12,797,899	6,712,897	-	-	-	20,775,893
Public Works:							
Engineering			334,960	-			334,960
Highway	357,407	3,174,572	6,286,791	-			9,817,770
Street Lighting			1,097	-			1,097
Infrastructure	18,867,376	-	-	-	105,348,431	-	124,205,907
Construction in process						6,611,711	6,611,711
Total Public Works	19,214,783	3,173,572	6,622,868	-	105,348,431	6,611,711	140,977,365
Health & Human Services:							
Health			131,833	-			131,833
Culture and Recreation:							
Library		4,668,004	2,766,800	-			7,434,804
Parks	4,032,254	2,620,965	778,167	-			7,431,386
Total Culture and Recreation	4,032,254	7,289,969	3,564,967	-	-	-	15,387,200
Conservation and Development:							
Planning			48,185	-			48,185
Total Conservation and Development	-	-	48,185	-	-	-	48,185
Total governmental funds capital assets	\$ 25,109,551	\$ 27,233,712	\$ 18,894,992	\$ 105,348,431	\$ 6,611,711	\$ 6,611,711	\$ 183,198,397

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, 2018

Function and Activity	Governmental Funds Capital Assets				
	12/31/17	Additions	Deletions	Transfers	12/31/18
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	24,810	-	-	-	24,810
Information services	733,898	59,716	-	-	793,615
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	4,569,258	56,523	135,559	-	4,480,222
Total General Government	5,903,271	116,239	135,559	-	5,883,951
Public Safety:					
Police	12,050,857	232,298	21,000	-	12,262,153
Fire	9,149,004	86,300	-	-	9,235,304
Building inspection	322,657	-	44,251	-	278,406
Total Public Safety	20,522,518	318,598	65,251	-	20,775,863
Public Works:					
Engineering	334,980	-	-	-	334,980
Highway	9,442,491	617,982	242,413	-	9,817,770
Street lighting	1,097	-	-	-	1,097
Infrastructure	123,251,223	1,193,247	238,663	-	124,205,807
Construction in process	442,804	6,886,665	717,798	-	6,611,711
Total Public Works	133,472,595	8,697,604	1,198,834	-	140,971,365
Health & Human Services:					
Health	131,833	-	-	-	131,833
Culture and Recreation:					
Library	7,666,057	102,784	13,047	-	7,755,804
Parks	7,997,794	43,602	-	-	7,631,396
Total Culture and Recreation	15,253,851	146,398	13,047	-	15,387,200
Conservation and Development:					
Planning	48,185	-	-	-	48,185
Total Conservation and Development	48,185	-	-	-	48,185
Total governmental funds capital assets	\$ 175,332,253	\$ 9,278,835	\$ 1,412,691	\$ -	\$ 183,198,397

STATISTICAL SECTION

Statistical Section

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

Financial Trends

Table 1

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

Revenue Capacity

Table 5

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

Debt Capacity

Table 11

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

Demographic and Economic Information

Table 14

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

Operating Information

Table 17

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

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
							(2)			
Governmental activities										
Net Investment in capital assets	\$ 113,400,761	\$ 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
Restricted										
Debt service	586,594	552,375	658,091	482,773	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238
Utility improvements	2,374,252	2,169,298	2,103,487	1,999,759	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220
Development	6,140,196	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
Library	630,290	581,080	495,660	524,137	596,752	582,292	541,825	492,473	488,302	442,509
Donations and other	13,650,568	3,426,760	3,301,860	602,281	560,306	507,955	541,755	300,582	311,101	279,730
Pensions	2,607,342	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	(4,974,645)	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)
Total governmental activities net position	\$ 134,415,358	\$ 137,616,975	\$ 135,778,188	\$ 131,047,147	\$ 122,708,989	\$ 116,000,900	\$ 113,442,058	\$ 107,969,822	\$ 100,281,181	\$ 89,772,539
Business-type activities										
Net Investment in capital assets	\$ 85,170,183	\$ 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
Restricted			(1)							
Sewer equipment replacement	-	178,590	394,227	356,106	313,558	277,230	334,508	293,844	261,852	227,388
Long term receivable - RCI	18,799,969	20,014,692	21,200,228	-	-	-	-	-	-	-
Unrestricted	4,861,140	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
Total business-type activities net position	\$ 108,831,292	\$ 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
Total										
Net Investment in capital assets	\$ 196,873,944	\$ 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
Restricted		(3)								
Debt service	586,594	552,375	658,091	482,773	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238
Utility improvements	2,374,252	2,169,298	2,103,487	1,999,759	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220
Development	6,140,196	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
TIF Districts	630,290	581,080	495,660	524,137	596,752	582,292	541,825	492,473	488,302	442,509
Donations and grants	13,650,568	3,426,760	3,301,860	602,281	560,306	507,955	541,755	300,582	311,101	279,730
Pensions	2,607,342	-	-	-	-	-	-	-	-	-
Sewer replacement	-	178,590	394,227	356,106	313,558	277,230	334,508	293,844	261,852	227,388
Intergovernmental Cooperation	18,799,969	20,014,692	21,200,228	-	-	-	-	-	-	-
Unrestricted	1,583,495	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
Total net position	\$ 243,246,650	\$ 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

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 3,412,150	\$ 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
Public safety	18,429,274	18,839,063	18,398,830	16,959,091	16,194,631	16,484,847	17,228,769	16,622,386	16,003,898	15,526,031
Public works	9,042,112	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
Health and human services	906,003	889,434	794,502	726,000	673,332	698,088	730,499	649,656	698,944	708,084
Culture and recreation	2,073,116	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
Conservation and development	8,349,725	586,822	547,060	576,421	459,884	422,095	412,066	957,877	529,833	600,099
Interest on long term debt	574,065	165,254	313,301	405,022	582,211	802,562	1,272,721	1,553,257	1,920,023	2,253,215
Total governmental activities expenses	42,766,445	33,471,644	33,562,154	31,930,769	29,927,088	29,712,367	30,491,161	31,019,049	30,178,269	29,824,001
Business-type activities										
Water	5,514,057	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
Sewer	5,949,549	5,724,633	5,758,112	4,148,420	4,190,946	4,133,632	3,640,106	3,373,459	3,376,505	3,226,261
Total business-type activities expenses	11,463,606	11,154,576	11,390,434	9,914,508	9,258,690	9,185,467	8,704,255	7,624,648	7,452,914	7,442,714
Total expenses	\$ 54,250,051	\$ 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
Program Revenue										
Governmental activities:										
Charges for services:										
General government	\$ 195,685	\$ 150,998	\$ 138,723	\$ 150,787	\$ 213,328	\$ 251,573	\$ 163,947	\$ 217,360	\$ 270,412	\$ 305,232
Public safety	2,895,777	2,371,577	2,325,154	2,362,176	2,298,334	2,459,946	2,226,209	2,173,060	2,154,618	2,088,413
Public works	3,295,931	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
Health and human services	210,718	181,625	184,304	164,674	115,650	118,702	126,516	105,686	54,385	69,855
Culture and recreation	191,991	204,845	176,065	146,594	118,008	113,217	45,992	181,414	311,757	146,256
Conservation and development	160,257	152,247	122,264	152,588	51,917	53,366	73,530	78,667	64,168	67,051
Operating grants and contributions	1,932,199	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
Capital grants and contributions	2,655,553	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
Total governmental activities program revenue	11,539,111	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
Business-type activities										
Charges for services:										
Water	5,961,350	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
Sewer	3,704,852	3,313,854	3,328,550	3,340,382	3,266,897	3,243,737	3,142,062	3,124,786	3,062,486	2,994,024
Capital grants and contributions	-	-	349,952	566,251	238,557	-	-	-	210,688	337,667
Total business-type activities program revenue	9,666,202	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
Total program revenue	\$ 21,205,313	\$ 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

** Restated - In 2012 the Solid Waste Fee began
 *** Implemented GASB 69
 **** Implemented GASB 75

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

	2018 (4)	2017 (4)	2016 (3)	2015 (2)	2014	2013	Fiscal Year			2009
							2012 (1)	2011	2010	
Net (Expense)/Revenue										
Governmental activities	\$ (31,247,332)	\$ (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)
Business-type activities	(1,797,404)	(1,783,637)	(1,657,359)	(397,947)	(331,517)	(537,736)	(200,547)	39,206	215,509	343,472
Total net expense	\$ (33,044,736)	\$ (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)
General Revenue and other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 19,850,774	\$ 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
Property taxes levied for debt service	1,300,000	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
Property taxes levied for TIF Districts	2,471,104	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
Other taxes	1,085,976	1,020,027	863,735	785,195	726,774	723,985	708,832	673,736	699,431	666,767
Intergovernmental revenue										
not restricted to specific programs	1,366,802	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
Investment earnings	847,916	406,902	315,376	411,650	695,541	87,278	784,932	973,349	907,723	1,401,560
Miscellaneous revenue	13,895	27,612	54,447	48,885	43,170	66,181	394,032	40,091	58,885	43,566
Gain on sale of capital assets	97,856	99,668	106,934	13,106	16,988	2,024	32,129	58,871	64,070	66,666
Transfers	1,011,392	989,602	391,099	1,044,459	(144,801)	(66,726)	1,009,126	348,101	1,011,149	(100,726)
Total governmental activities	28,045,715	26,873,209	26,750,873	27,419,864	25,890,517	25,377,223	27,525,481	30,990,764	32,108,765	28,358,176
Business-type activities:										
Investment earnings	548,047	529,004	437,909	593,128	642,227	569,444	318,669	32,320	41,393	46,738
Miscellaneous revenue	134,928	85,943	136,782	73,601	50,878	40,398	126,867	64,550	50,164	57,627
Transfers	(1,011,392)	(989,602)	(381,099)	(1,044,459)	144,601	66,726	(1,009,126)	(348,101)	(1,011,149)	100,726
Total business-type activities	(328,417)	(374,655)	183,592	(377,730)	837,706	676,568	(563,590)	(251,231)	(819,592)	205,091
Total General Revenue and other Changes in Net Position	\$ 27,717,298	\$ 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
Change in Net Position										
Governmental activities	\$ (3,201,617)	\$ 4,135,615	\$ 4,523,660	\$ 4,146,079	\$ 4,708,168	\$ 4,558,742	\$ 5,472,236	\$ 7,688,641	\$ 10,508,642	\$ 5,121,955
Business-type activities - prior period adjustment	(2,125,821)	(2,198,292)	(1,473,767)	(775,677)	506,189	138,832	(764,137)	(212,025)	(704,083)	548,563
Business-type activities - prior period adjustment	(45,440)	(45,440)	22,451,460	(49,228)						
Total	\$ (5,327,438)	\$ (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

(1) Restated - in 2012 the Solid Waste Fee began
(2) Implemented GASB 68
(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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Nonspendable:										
Inventories and prepaid items	\$ 57,423	\$ 15,848	\$ 46,342	\$ 41,186	\$ 78,455	\$ 45,866	\$ 62,936	\$ 55,820	\$ 75,673	\$ 24,927
Advances to other funds	123,200	230,700	2,248,616	2,198,616	2,198,616	505,040	-	-	-	-
Assigned - Purchase Orders	271,970	150,565	61,626	147,121	207,270	-	-	-	-	-
Unassigned	6,883,684	6,190,398	5,334,100	6,662,986	6,148,771	7,230,661	6,439,199	6,065,053	5,400,912	5,079,711
Total general fund	7,336,277	6,587,511	7,690,684	9,049,909	8,633,112	7,781,567	6,502,135	6,120,873	5,476,585	5,104,638
All other governmental funds:										
Nonspendable:										
Prepaids	-	650	1,274	730	900	2,475	21,800	10,313	10,181	15,707
Restricted:										
Debt service	982,719	735,022	651,298	507,283	546,238	6,801,945	7,423,733	7,876,755	8,393,278	8,845,900
Utility improvements	1,712,538	1,413,378	1,224,190	907,003	672,431	443,438	543,408	640,787	356,798	147,317
Development	6,140,196	4,166,500	4,058,562	3,851,653	4,170,339	5,052,168	4,614,731	7,633,040	6,408,826	5,869,562
TIF Districts	12,430,497	2,405,999	2,583,687	996,460	347,978	-	-	552,904	1,804,838	536,476
Donations	150,606	150,136	177,333	133,678	122,550	102,326	105,238	299,982	311,101	279,730
Health services	192,510	199,428	161,571	160,003	175,220	165,846	179,239	-	-	-
Library services	630,290	580,430	494,386	523,237	596,277	579,817	520,775	492,473	488,302	442,509
Solid waste	430,747	393,677	330,883	260,944	216,385	188,307	100,546	-	-	-
Recreational services	75,743	65,727	48,386	47,656	46,151	51,476	52,244	72,857	179,224	165,348
Tourism Commission	376,069	211,793	-	-	-	-	-	-	-	-
Assigned:										
Capital projects	6,793,499	6,746,614	5,684,525	4,906,594	4,699,459	2,791,111	2,724,764	2,372,072	2,710,245	1,378,971
Unassigned (deficit)	(13,344)	(218,450)	(70,316)	(150,927)	(2,196,383)	(5,180,799)	(5,965,890)	(3,663,211)	(4,009,430)	(5,904,216)
Total all other government funds	29,902,070	16,850,904	15,345,779	12,144,314	9,397,545	10,998,110	10,320,588	16,287,972	16,653,363	11,777,304
Total fund balances	\$ 37,238,347	\$ 23,438,415	\$ 23,036,463	\$ 21,194,223	\$ 18,030,657	\$ 18,779,677	\$ 16,822,723	\$ 22,408,845	\$ 22,129,948	\$ 16,881,942

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue										
Taxes	\$ 24,506,840	\$ 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
Intergovernmental revenue	3,270,878	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
Licenses and permits	1,189,096	799,762	692,524	706,977	808,302	912,357	755,027	702,674	729,432	609,278
Fines, forfeitures and penalties	475,840	485,407	498,653	484,957	421,976	411,795	457,499	433,106	422,506	385,427
Public charges for services	4,844,157	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
Special assessments	2,845,159	531,729	904,147	642,256	1,057,088	1,483,350	1,236,114	1,305,578	1,119,230	817,736
Intergovernmental charges for services	192,542	172,796	194,806	192,188	136,372	162,308	103,615	245,000	237,319	291,584
Investment earnings	818,584	396,563	284,180	426,018	739,930	223,806	661,976	938,226	878,978	1,276,600
Miscellaneous revenue	394,995	295,899	481,943	419,464	411,301	288,465	674,305	365,129	597,611	635,424
Total revenue	38,538,091	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
Expenditures										
Current										
General government	3,022,923	3,001,970	2,969,747	2,783,745	2,786,740	2,710,650	2,631,419	2,596,581	2,694,374	2,780,444
Public safety	17,106,793	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
Public works	5,125,982	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
Health and human services	895,261	858,441	766,249	716,169	666,475	668,711	719,447	681,984	629,499	701,821
Culture, recreation and education	1,706,902	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
Conservation and development	12,679,197	560,072	523,268	568,364	461,181	416,765	409,996	964,610	524,705	603,961
Capital outlay	5,864,385	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
Debt service										
Principal	2,315,000	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
Interest	391,576	218,888	375,697	460,072	731,288	1,033,519	1,334,958	1,618,615	1,939,762	2,350,882
Debt issuance costs	203,184	40,442	53,789	-	73,091	-	-	-	-	-
Total expenditures	49,311,203	36,257,072	34,154,054	32,439,718	41,057,391	33,628,506	41,653,083	38,993,848	34,310,740	44,389,917
Excess of revenue over (under) expenditures	(10,773,112)	(2,491,317)	636,071	2,085,432	(6,514,878)	751,020	(6,679,290)	(755,676)	4,170,570	(9,840,549)
Other financing sources (uses)										
Debt issued	23,480,000	1,630,000	-	-	5,320,000	-	-	-	-	-
Refunding debt issued	-	-	5,770,000	-	-	-	-	-	-	-
Premium on debt issued	-	51,071	154,202	-	232,827	-	-	-	-	-
Principal payment on current refunding	-	-	(5,895,000)	-	-	-	-	-	-	-
Sale of capital assets	81,652	179,355	126,585	33,675	39,894	75,559	32,129	58,871	64,070	-
Transfers in	1,738,685	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
Transfers out	(727,293)	(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)
Net change in fund balances	\$ 13,799,932	\$ 401,952	\$ 1,842,240	\$ 3,163,566	\$ (749,020)	\$ 1,956,954	\$ (5,586,123)	\$ 278,897	\$ 5,248,006	\$ (8,917,269)
Debt service as a percentage of non capital expenditures *	6.6%	10.1%	7.5%	3.7%	29.3%	15.1%	30.9%	24.6%	22.2%	33.4%

** 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				
2018 # &	\$ 3,892,949,730	\$ 3,968,886,600	\$ 39,302,100	\$ 54,054,800	\$ 3,932,251,830	\$ 5.43	\$ 4,022,941,400	100.20%
2017 #	3,780,102,600	3,815,928,100	74,663,600	72,998,100	3,854,766,200	5.62	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	6.26	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%

* Reassessment year
Revaluation year

Assessed Valuation by School District - 2018

Oak Creek/		Whitnall
Franklin	Franklin	School
School	School	District
District	District	District
\$ 3,051,457,330	\$ 639,977,100	\$ 240,817,400
Total		Total Assessed Value
	\$	\$ 3,932,251,830

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.

& In 2018 the State exempted another class of Personal Property, which had a \$17.0 million value in 2017

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					
2018	\$4,022,941,400		\$51,181,600	\$46,431,200	\$1,261,200		2.46%	\$98,874,000	\$3,924,067,400	\$ 5.36
2017 #	3,888,926,200		62,049,100	47,593,400	1,211,500		2.85%	110,854,000	3,778,072,200	5.43
2016 #	3,729,003,100		55,256,200	44,691,300			2.68%	99,947,500	3,629,055,600	5.65
2015	3,649,185,900		72,829,900	54,274,300			3.48%	127,104,200	3,522,081,700	5.82
2014	3,589,694,100		72,785,000	43,675,900			3.24%	116,460,900	3,473,233,200	5.90
2013 #	3,414,276,600		64,305,700	39,050,100			3.03%	103,355,800	3,310,920,800	6.19
2012	3,524,105,900		63,917,800	33,693,500			2.77%	97,611,300	3,426,494,600	5.97
2011 *	3,676,379,700		72,652,600	40,050,300			3.07%	112,702,900	3,563,676,800	5.88
2010	3,670,508,700	178,745,000	61,434,700	36,501,900			7.54%	276,681,600	3,393,827,100	6.02
2009	3,912,642,600	167,279,300	105,902,300	58,527,200			8.48%	331,708,800	3,580,933,800	5.62

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

Fiscal Year	(1) Estimate Actual Property value				(2) Residential Construction			(2) Nonresidential Construction		
	Residential	% of Total	Commercial and Manufacturing	Agricultural, Swamp and Other	Total	# of Units	Value	# of Permits	Value	Value
2018	\$ 2,981,328,700	75.1%	\$ 962,660,500	\$ 24,897,400	3,968,886,600	45	\$ 13,044,120	63	\$ 52,927,728	
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	

(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 (**)
	General	Library	Debt Service	Capital Outlay	Equipment Replacement	Street Improvement	School Districts			Milwaukee Area		Milwaukee County	Metropolitan Sewerage District	State		
							Franklin	Oak Creek	Whitnall	School Credits	Technical College				Milwaukee Sewerage District	
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.

In 2014 State law changed, which provided Technical Colleges additional state aids reducing their tax levy approximately 35%.

Source: City of Franklin budget documents

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

Taxpayer	Type of Business	2018			2009		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Northwestern Mutual	Insurance Services	\$ 106,515,400	1	2.71%	\$ 130,959,500	1	3.48%
Wheaton Health Care System	Medical facilities	26,255,100	2	0.67%	34,999,300	2	0.93%
Wal-Mart	Retailer	25,220,600	3	0.64%	18,929,100	6	0.50%
VTLC Development	Packaging manufacturing	23,373,500	4	0.59%	19,846,600	4	0.53%
Whitnall Pointe Apartments	Apartments	22,021,500	5	0.56%	20,335,200	3	0.54%
Manchester Oaks	Apartments	20,737,600	6	0.53%	19,343,100	5	0.51%
Franklin Wyndham, LLC	Land held for Development	13,639,000	7	0.35%			
Menard Inc	Retail - Home Improvement	13,402,700	8	0.34%	14,873,500	8	0.40%
Baptista's Bakery, Inc	Manufacturing	13,381,900	9	0.34%			
Aurora Healthcare - W Rawson Ave	Healthcare Provider	13,079,200	10	0.33%			
All Glass Aquarium	Aquariums and fluorescent lights			0.00%	14,076,500	9	0.37%
Harley Davidson	Motorcycle manufacturing				18,920,800	7	0.50%
Waste Management	Landfill and refuse collection				14,171,000	10	0.38%
		<u>\$ 277,626,500</u>		<u>7.06%</u>	<u>\$ 306,454,600</u>		<u>8.15%</u>

Source: City of Franklin Assessor's Office

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

Fiscal Year	City Tax Levy						Tax		Total collections	% of levy collected	Outstanding delinquent PP taxes
	General Fund	Library Fund	Capital Funds	Debt Service	Local Tax Levy	increment financing	Total	Total			
2018	\$ 16,909,449	\$ 1,303,200	\$ 1,515,200	\$ 1,300,000	\$ 21,027,849	\$ 2,471,104	\$ 23,498,953	\$ 23,493,585	99.98%	\$ 5,368	
2017	16,414,900	1,296,600	1,497,500	1,300,000	20,509,000	2,267,466	22,776,466	22,772,580	99.98%	3,886	
2016	16,248,800	1,287,000	1,473,200	1,500,000	20,509,000	3,020,350	23,529,350	23,567,148	100.16%	2,603	
2015	16,209,000	1,240,000	1,460,000	1,600,000	20,509,000	2,690,637	23,199,637	23,212,140	100.05%	57,995	
2014	16,220,400	1,240,000	1,448,600	1,600,000	20,509,000	2,526,924	23,035,924	23,016,525	99.92%	52,069	
2013	16,330,000	1,240,000	1,289,000	1,650,000	20,509,000	2,363,758	22,872,758	22,851,675	99.91%	52,481	
2012	16,226,000	1,222,000	1,269,000	1,750,000	20,467,000	2,560,324	23,027,324	22,981,469	99.80%	75,184	
2011	16,975,000	1,175,000	910,000	1,900,000	20,960,000	6,737,305	27,697,305	27,695,587	99.99%	53,589	
2010	16,124,000	1,150,000	1,252,000	1,900,000	20,426,000	7,457,956	27,883,956	27,851,459	99.88%	39,718	
2009	15,540,000	1,150,000	1,552,000	1,900,000	20,142,000	4,829,216	24,971,216	24,966,369	99.98%	36,945	

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	School Districts				City of Franklin				Total	
		Milwaukee County	Franklin	Whitnall	Oak Creek-Franklin	MATC	MMSD	Local	Tax Increment		Special Charges
2018	\$ -	\$ 19,244,848	\$ 34,189,665	\$ 2,349,780	\$ 5,535,027	\$ 4,809,220	\$ 6,650,847	\$ 21,389,375	\$ 2,156,858	\$ 1,646,735	\$ 97,972,355
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

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. In 2017 the State sunsetted their Property Tax Levy in 2014, State aids to technical colleges increased, reducing the tax levy by approximately 35%

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 General Obligation Debt	(1) Percent of Estimated Actual Property Value	(2) Percent of Personal Income	(2) Per Capita
	Governmental	Sewer	Water	General				General	General					
2018	\$ 3,385,000	\$ 26,625,000	\$ 18,799,970	\$ 1,070,000	\$ 150,083	\$50,030,053	\$ (982,719)	\$ (23,480,000)	\$ (18,799,970)	\$ 6,767,364	0.79%	n/a	\$ 1,398	
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%	2.24%	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)	11,358,267	1.27%	3.59%	1,231	
2011	9,525,000	22,370,000	-	-	-	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	(2,076,900)	(26,285,000)	-	16,801,100	1.18%	4.34%	1,340	

(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 2018 the City issued \$23,480,000 of Note Anticipation Notes supporting infrastructure costs in TID 5 - Ballpark Commons.
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 2014 the City issued \$5,320,000. Proceed were used to provide funding for TID projects and Capital Improvement projects.
In 2012 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.

CITY OF FRANKLIN, WISCONSIN
Municipal Revenue Obligations Outstanding
Last Ten Years

Fiscal Year	Note Balance Dec 31		Payments		Total Payments	Unpaid Accrued Interest
	TID 3	TID 5	Principal	Interest		
2018	\$ 1,891,000	\$ 3,500,000	\$ 5,391,000	\$ 109,000	\$ 109,000	\$ -
2017	-	-	-	-	-	-
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-

TID 3 - The City Granted a \$2,000,000 MRO for removal of a blighted building
TID 5 - The City Granted a \$3,500,000 MRO to aid in development of a closed landfill.

MRO's are payable only from available TID increment after TID related GO Debt Service

CITY OF FRANKLIN, WISCONSIN
 Schedule of Direct and Overlapping Debt - Governmental Activities
 December 31, 2018

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to City	Amount applicable to City
Milwaukee County ¹	\$ 565,000,000	6.52%	\$ 36,832,839
Whitnall School District ⁴	10,063,345	14.16%	1,424,487
Oak Creek - Franklin School District ^{2,3}	104,800,000	16.54%	17,335,108
Franklin School District	66,180,000	100.00%	66,180,000
Milwaukee Area Technical College	103,545,000	5.19%	5,369,134
Milwaukee Metropolitan Sewerage District	815,623,687	6.64%	54,190,796
Total Overlapping Debt	1,665,212,032		181,332,364
City of Franklin	30,160,083	100.00%	30,160,083
Total	\$ 1,695,372,115		\$ 211,492,447

History	Milwaukee County		School Districts		MMSD	Overlapping Debt Total	City of Franklin	Total
	Franklin	Whitnall	Oak Creek/Franklin	MATC				
2018	\$ 36,832,839	\$ 1,424,487	\$ 17,335,108	\$ 5,369,134	\$ 54,190,796	\$ 181,332,364	\$ 30,160,083	\$ 211,492,447
2017	39,459,338	16,338	17,951,517	5,466,807	58,329,568	190,378,568	9,062,622	199,441,190
2016	41,064,057	76,706	16,756,664	5,289,102	56,916,164	149,222,693	10,491,576	159,714,269
2015	41,616,636	31,330	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	5,531,580	58,752,848	148,628,155	13,187,273	161,815,428
2013	43,757,820	36,275,000	46,013	5,659,039	59,969,813	153,388,635	17,901,387	171,290,022
2012	46,023,745	5,105,000	56,142	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	5,266,621	58,187,207	129,683,004	32,495,000	162,178,004
2010	49,485,672	8,590,000	366,516	4,624,047	53,906,419	125,776,973	39,890,000	165,666,973
2009	48,685,158	9,860,000	398,980	2,930,822	49,520,701	121,255,661	45,165,000	166,420,661

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
- 4 In 2018 Whitnall School District issues \$10,000,000 in school construction & repair costs
 In 2018 -City of Franklin issued \$23,480,000 of Note Anticipation Notes related to TID 5 project costs

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
2018	\$ 4,022,941,400	\$ 201,147,070	\$ 49,879,970	\$ 151,267,100	24.80%	\$ 80,458,828	\$ 30,578,858	61.99%
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%

(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

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	City of Milwaukee	City of Franklin	City of Milwaukee	State of Wisconsin	City of Franklin	City of Milwaukee	State of Wisconsin
2018	35,779	n/a	n/a	n/a	n/a	n/a	2.5%	3.0%	3.0%
2017	36,046	\$1,347,878,092	\$ 37,393	\$ 24,269	\$ 30,182	\$ 30,182	3.2%	3.1%	3.2%
2016	35,741	1,346,060,081	37,662	24,327	29,711	29,711	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%

(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	2018			2009		
		Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Northwestern Mutual	Insurance/Investment Services	1,939	1	10.97%	1,100	1	6.13%
Krones, Incorporated	High speed labeling/filler machines	625	2	3.54%	390	5	2.17%
Franklin Public Schools	K-12 Education	550	3	3.11%	580	2	3.23%
Baptista's Bakery	Commercial Bakery	519	4	2.94%			
Vesta Inc	Medical Device Contract Manufacturer	430	5	2.43%			
Carlisle Interconnect Technologies	Wire harnesses	393	6	2.22%			
Milwaukee County	Government	388	7	2.20%	465	3	2.59%
County Corrections South	Medical & surgical hospital	300	8	1.70%			
Ascension Health Care	Animal Processing	288	9	1.63%			
Strauss Veal & Lamb Int'l Inc	Off-road engine components mfg.	273	10	1.55%	400	4	2.23%
Senior Flexonics - GA Precision	Government	-		-	256	8	1.43%
City of Franklin	Landfill and refuse collection				340	6	1.89%
Waste Management	Trucking				300	7	1.67%
Conway Trucking	Retailer				250	9	1.39%
Wal-Mart	Distribution Center				200	10	1.11%
Harley Davidson							
		5,705		32.29%	4,281		23.84%

Source: Past Debt offering Official Statements and employer surveys

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

Department	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government										
Common council	-	-	-	-	-	-	-	-	-	-
Municipal Court	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.00	2.00	2.00
Clerk	4.12	4.12	4.12	4.12	4.14	4.14	4.14	4.00	4.00	4.00
Information services	1.00	1.00	1.00	-	-	-	-	-	-	-
Administration	3.00	3.00	3.00	3.00	4.00	3.00	3.00	3.60	3.60	3.60
Finance	6.60	6.60	6.60	6.60	6.60	7.10	7.10	7.03	7.10	7.10
Assessor	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Municipal buildings	4.03	4.03	4.03	4.03	2.78	3.74	3.74	3.92	4.74	4.74
Total general government	21.25	21.25	21.25	21.25	21.02	21.48	21.48	21.55	22.44	22.44
Public safety										
Police	76.75	76.75	76.75	76.75	75.75	75.75	76.75	77.25	77.25	77.25
Fire	46.00	46.50	46.50	46.50	46.50	46.50	46.45	46.48	46.45	46.45
Building inspection	8.30	8.30	8.00	8.00	7.00	7.00	7.00	8.00	8.00	8.00
Total public safety	131.05	131.55	131.25	131.25	129.25	129.25	130.20	131.73	131.70	131.70
Public works										
Engineering	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.80	8.80
Highway	22.00	22.00	22.00	22.00	22.48	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	2.00
Total public works	32.25	32.25	32.25	32.25	32.73	32.25	32.25	32.25	32.80	32.80
Public health										
Public health	7.95	7.50	6.75	6.75	6.75	6.15	6.25	6.25	6.15	6.15
Planning	4.00	4.00	4.00	4.00	4.00	4.00	4.60	5.60	5.60	5.60
Economic Development	1.00	1.00	1.00	1.00	0.58	-	-	-	-	-
Total general fund	197.50	197.55	196.50	196.50	194.33	193.13	194.78	197.38	198.69	198.69
Public health - grant										
Library	15.37	16.68	16.94	16.94	17.19	17.70	16.82	17.12	17.11	17.11
Sewer & water	10.80	10.80	10.80	11.50	11.55	11.55	11.53	11.53	12.55	12.55
Total	223.67	225.03	224.24	224.94	223.07	222.38	223.13	226.03	228.35	228.35

Source: City of Franklin Budget Document

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police										
Part 1 Major crimes	528	662	780	844	859	873	852	689	629	804
Arrests	1494	1,350	1,265	1,312	1,290	1,117	1,799	1,554	1,606	1,235
Traffic & parking citations	9076	8,692	6,866	7,859	8,163	7,431	9,449	11,093	9,125	7,793
Calls for service	31394	29,578	30,699	30,259	30,040	28,093	29,542	28,847	37,273	28,267
Number of sworn officers	60	60	60	60	59	58	58	58	58	58
Fire										
Fire responses	664	650	641	689	621	679	594	540	574	496
EMS responses	3310	3540	3406	2976	2,863	2754	2,688	2,605	2,546	2,515
Fire inspections	2700	2650	2500	2509	2,480	2436	2,485	2,765	2,463	2,611
Number of full-time firefighters	45	45	45	45	45	45	45	45	45	46
Basic Life Support Transports	660	1080	966	1059	1,055	1162	1,137	1,099	1,141	1,141
Paramedic Transports	1420	1250	1185	1212	1,091	977	910	863	823	823
Highway										
Miles of crack sealing	15	15	31	26	38	28	32	30	28	31
Trees pruned	1400	1200	1326	1500	679	704	1,053	1,427	2,176	927
Vehicles maintained	175	171	170	168	167	167	167	165	165	165
Solid waste										
Non-recyclable refuse collected (tons)	8400	8400	8179	8259	7,923	7972	8,205	8,353	8,320	7,762
Recyclables collected (tons)	2900	2815	2766	2975	3,479	3114	2,737	2,813	2,693	2,676
Yard waste (tons)	330	320	340	332	221	322	335	274	295	375
Health										
Home visits	1000	1100	767	951	1,180	1,276	1,435	1,213	1,383	1,616
Immunization clinic visits	1600	1600	1334	2032	2,130	1,825	2,488	2,653	3,660	8,658
Sanitarian inspections	425	400	356	340	429	383	438	298	366	380
Animal control										
Animal control pickups	135	110	106	116	122	104	92	120	167	126
Library										
Circulation	400,000	404,600	439,962	474,658	465,656	477,991	502,989	514,163	519,580	519,054
Collection size	135,686	136,000	133,556	132,330	139,772	140,000	144,000	142,000	140,000	135,688
Internet use **	20,000	23,000	24,850	28,239	30,970	33,507	39,976	49,638	50,369	50,222
Sanitary sewer										
Number of customers	10,324	10,316	10,231	10,198	10,090	10,060	10,010	9,970	9,775	9,883
Feet of sewer cleaned	250,000	258,000	255,000	260,000	255,000	250,000	250,000	217,000	218,000	250,000
Water										
Number of customers -average	8,297	8,270	8,220	8,172	7,978	7,930	7,931	7,850	7,807	7,756
Average daily consumption	2,850,000	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
Peak daily consumption	4,375,000	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

** 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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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)	14,963	14,432	14,967	14,984	15,038	14,889	14,804	15,474	15,550	15,549
Acres developed (approximate)	9,711	9,175	9,679	9,681	9,694	9,540	9,410	11,336	11,329	11,287
Acres in park and open space	5,242	5,257	5,288	5,303	5,167	4,928	4,854	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	19.49	21.24	23.24	23.74	23.74	23.74	23.74	23.74	23.74
Local	171.25	171.00	169.25	167.05	166.32	166.07	166.51	165.97	165.97	165.97
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	195.5	195	194	193	191	185	185	185	185	185
Miles of watermain	171.5	171	170	169	168	167	167	167	166	166
Number of fire hydrants	2595	2579	2565	2155	2,145	2,130	2,120	2,115	2,111	2,106
Recreation and culture:										
Number of trails	12	11	11	11	11	10	10	7	7	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	37,750	32,392
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	23,215	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

December 4, 2019

Re: City of Franklin, Wisconsin ("Issuer")
\$2,285,000 General Obligation Promissory Notes, Series 2019D,
dated December 4, 2019 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. 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 Notes 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>
2020	\$100,000	3.00%
2021	135,000	3.00
2022	360,000	3.00
2023	370,000	3.00
2024	235,000	3.00
2025	470,000	3.00
2026	295,000	2.00
2027	320,000	2.00

Interest is payable semi-annually on March 1 and September 1 of each year commencing on March 1, 2020.

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

We further certify that we have examined a sample of the Notes 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 Notes 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 Notes, 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 Notes 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 Notes.

3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes 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 Notes in order for interest on the Notes 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 Notes to be included in gross income retroactively to the date of issuance of the Notes. 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 Notes.

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

The rights of the owners of the Notes 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 \$2,285,000 General Obligation Promissory Notes, Series 2019D, dated December 4, 2019 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on November 19, 2019 (the "Resolution") and delivered to BOK Financial Securities, Inc. (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 November 20, 2019 delivered in connection with the Securities, which is available from the MSRB.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"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.

"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 ending December 31, 2019, 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;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Securities, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

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 4th day of December, 2019.

Stephen R. Olson
Mayor

(SEAL)

Sandra L. Wesolowski
City Clerk