

**ADDENDUM DATED DECEMBER 3, 2014
TO PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 20, 2014**

New Issue

Rating: Moody's Investors Service, Inc. "Aa1"

\$1,290,000

GENERAL OBLIGATION WATER SYSTEM BONDS, SERIES 2014B

CITY OF FRANKLIN, WISCONSIN

Schedule of Maturity Dates, Principal Amounts, Interest Rates and Yields

Serial Bonds

<u>Maturity (March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Base 355185</u>	<u>Maturity (March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Base 355185</u>
2015	\$55,000	2.000%	0.400%	MQ9	2020	\$55,000	2.000%	1.600%	MV8
2016	\$55,000	2.000%	0.600%	MR7	2021	\$60,000	3.000%	1.850%	MW6
2017	\$55,000	2.000%	0.800%	MS5	2022	\$60,000	3.000%	2.100%	MX4
2018	\$55,000	2.000%	1.050%	MT3	2023	\$60,000	3.000%	*2.250%	MY2
2019	\$55,000	2.000%	1.350%	MU0					

Term Bonds

\$255,000; 3.000% Term Bond due March 1, 2027; Yield *2.700%; CUSIP No. 355185 NC9; with mandatory redemption at par in 2024 - 2027 as noted below.

<u>Redemption (March 1)</u>	<u>Amount</u>
2024	\$60,000
2025	\$65,000
2026	\$65,000
2027	\$65,000

\$215,000; 3.000% Term Bond due March 1, 2030; Yield 3.000%; CUSIP No. 355185 NF2; with mandatory redemption at par in 2028 - 2030 as noted below.

<u>Redemption (March 1)</u>	<u>Amount</u>
2028	\$70,000
2029	\$70,000
2030	\$75,000

\$310,000; 3.125% Term Bond due March 1, 2034; Yield 3.250%; CUSIP No. 355185 NK1; with mandatory redemption at par in 2031 - 2034 as noted below.

<u>Redemption (March 1)</u>	<u>Amount</u>
2031	\$75,000
2032	\$75,000
2033	\$80,000
2034	\$80,000

*priced to call

Baird has agreed to purchase the Bonds from the City for an aggregate price of \$1,276,493.86 plus accrued interest, if any, to the date of delivery. It is expected that the Bonds will be available for delivery on or about December 18, 2014.

Book-Entry-Only: This offering will be issued as fully registered Bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments on the Bonds will be made.

Paying Agent: Bond Trust Services Corporation, Roseville, Minnesota.

THIS ADDENDUM TOGETHER WITH THE OFFICIAL STATEMENT DATED NOVEMBER 20, 2014, SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE ISSUER WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

BAIRD
Milwaukee, Wisconsin

C.L. King & Associates WMBE
Loop Capital Markets
Cronin & Co., Inc.
WNJ Capital
Crews & Associates, Inc.
Davenport & Co. L.L.C.
CastleOak Securities, L.P.
Duncan-Williams, Inc.
Northland Securities, Inc.
Vining-Sparks IBG, Limited Partnership
Bernardi Securities, Inc.

Ross, Sinclair & Associates, LLC
Country Club Bank
Alamo Capital
Dougherty & Company, LLC
Oppenheimer & Co.
R. Seelaus & Company., Inc.
SumRidge Partners
Wayne Hummer & Co.
Wedbush Securities Inc.
Central States Capital Markets

ORIGINAL ISSUE DISCOUNT AND BOND PREMIUM

Original Issue Discount

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

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

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

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue discount that is accrued in each year will be included in the calculation of the corporation's alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year.

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

Bond Premium

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

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

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

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

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 and the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes and the Bonds. The interest on the Notes and the Bonds is not exempt from present Wisconsin income or franchise taxes.

The Issuer will designate the Notes and the Bonds 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 Issues

Rating: Moody's Investors Service

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 20, 2014

CITY OF FRANKLIN, WISCONSIN
(Milwaukee County)

\$5,345,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2014A
\$1,300,000* GENERAL OBLIGATION WATER SYSTEM BONDS, SERIES 2014B

BID OPENING: December 2, 2014, 10:00 A.M., C.T.

CONSIDERATION: December 2, 2014, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$5,345,000* General Obligation Promissory Notes, Series 2014A (the "Notes") of the City of Franklin, Wisconsin (the "City") are being issued pursuant to Wisconsin Statutes, Section 67.12(12) for public purposes, including projects in the City's Capital Improvement Program and tax incremental project costs. The \$1,300,000* General Obligation Water System Bonds, Series 2014B (the "Bonds") of the City are being issued pursuant to Wisconsin Statutes, Section 67.04 for the public purpose of paying the costs of water system projects. The Notes and the Bonds are valid and binding 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 and the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of approving legal opinions of Quarles & Brady LLP, Milwaukee, Wisconsin.

NOTES

DATE OF NOTES: December 18, 2014

MATURITY: March 1 as follows:

<u>Year</u>	<u>Amount*</u>
2015	\$50,000
2016	750,000
2017	1,850,000
2018	1,155,000
2019	170,000
2020	180,000
2021	180,000
2022	335,000
2023	335,000
2024	340,000

ADJUSTMENT: * See "Adjustment Option" herein.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: March 1, 2015 and semiannually thereafter.

REDEMPTION: Notes maturing March 1, 2022 and thereafter are subject to call for prior redemption on March 1, 2021 and any date thereafter, at par.

MINIMUM BID: \$5,291,550.

MAXIMUM BID: \$5,612,250.

GOOD FAITH DEPOSIT: A cashier's check in the amount of \$106,900 may be submitted contemporaneously with the bid or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: To be determined by Issuer.

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

This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Notes and Bonds, as defined in S.E.C. Rule 15c2-12.

BONDS

DATE OF BONDS: December 18, 2014

MATURITY: March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2015	\$55,000	2025	\$65,000
2016	55,000	2026	65,000
2017	55,000	2027	65,000
2018	55,000	2028	70,000
2019	55,000	2029	70,000
2020	55,000	2030	75,000
2021	60,000	2031	75,000
2022	60,000	2032	80,000
2023	60,000	2033	80,000
2024	60,000	2034	85,000

ADJUSTMENT: * See "Adjustment Option" herein.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: March 1, 2015 and semiannually thereafter.

REDEMPTION: Bonds maturing March 1, 2023 and thereafter are subject to call for prior redemption on March 1, 2022 and any date thereafter, at par.

MINIMUM BID: \$1,283,750.

MAXIMUM BID: \$1,378,000.

GOOD FAITH DEPOSIT: A cashier's check in the amount of \$26,000 may be submitted contemporaneously with the bid or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: To be determined by Issuer.

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

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3060 Centre Pointe Drive
Roseville, MN 55113-1122

REPRESENTATIONS

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

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement except as described herein and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers, payable entirely by the City, is contingent upon the sale of the issue.

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

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure (the "Rule").

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

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

Final Official Statement: Upon award of sale of these Obligations, the Preliminary Official Statement together with any previous addendum of corrections or additions will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Obligations, as defined in the Rule. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

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

CLOSING CERTIFICATES

Upon delivery of these Obligations, the purchaser (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 these Obligations and all times subsequent thereto up to and including the time of the delivery of these Obligations, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for these Obligations; (3) a certificate evidencing the due execution of these Obligations, 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 these Obligations, (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 these Obligations 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 these Obligations 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.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT 1</p> <p>THE NOTES 1</p> <p style="padding-left: 20px;">GENERAL 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION 1</p> <p style="padding-left: 20px;">TERM BOND OPTION 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES 2</p> <p style="padding-left: 20px;">SECURITY 2</p> <p>THE BONDS 2</p> <p style="padding-left: 20px;">GENERAL 2</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION 3</p> <p style="padding-left: 20px;">TERM BOND OPTION 3</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE 3</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES 4</p> <p style="padding-left: 20px;">SECURITY 4</p> <p>PROVISIONS COMMON TO BOTH THE NOTES AND THE BONDS 4</p> <p style="padding-left: 20px;">RATING 4</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE 5</p> <p style="padding-left: 20px;">LEGAL OPINIONS 5</p> <p style="padding-left: 20px;">STATEMENT REGARDING BOND COUNSEL PARTICIPATION 5</p> <p style="padding-left: 20px;">TAX EXEMPTION 5</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS 6</p> <p style="padding-left: 20px;">FINANCIAL ADVISOR 6</p> <p style="padding-left: 20px;">RISK FACTORS 6</p> <p>VALUATIONS 8</p> <p style="padding-left: 20px;">WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES 8</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS 9</p> <p style="padding-left: 20px;">2014 EQUALIZED VALUE BY CLASSIFICATION ... 9</p> <p style="padding-left: 20px;">TREND OF VALUATIONS 9</p> <p style="padding-left: 20px;">LARGER TAXPAYERS 10</p> <p>DEBT 11</p> <p style="padding-left: 20px;">DIRECT DEBT 11</p> <p style="padding-left: 20px;">SCHEDULE OF GENERAL OBLIGATION DEBT ... 12</p> <p style="padding-left: 20px;">DEBT LIMIT 13</p> <p style="padding-left: 20px;">OVERLAPPING DEBT 13</p> <p style="padding-left: 20px;">DEBT RATIOS 14</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY 14</p> <p style="padding-left: 20px;">FUTURE FINANCING 14</p> <p style="padding-left: 20px;">CHANGES IN FINANCIAL CONDITION 14</p>	<p>TAX LEVIES AND COLLECTIONS 15</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS 15</p> <p style="padding-left: 20px;">PROPERTY TAX RATES 16</p> <p style="padding-left: 20px;">LEVY LIMITS 16</p> <p>THE ISSUER 18</p> <p style="padding-left: 20px;">CITY GOVERNMENT 18</p> <p style="padding-left: 20px;">EMPLOYEES; PENSIONS 18</p> <p style="padding-left: 20px;">LIABILITIES FOR OTHER POST EMPLOYMENT BENEFITS 20</p> <p style="padding-left: 20px;">LITIGATION 20</p> <p style="padding-left: 20px;">FUNDS ON HAND 20</p> <p style="padding-left: 20px;">ENTERPRISE FUNDS 21</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION ... 22</p> <p>GENERAL INFORMATION 23</p> <p style="padding-left: 20px;">LOCATION 23</p> <p style="padding-left: 20px;">LARGER EMPLOYERS 23</p> <p style="padding-left: 20px;">BUILDING PERMITS 24</p> <p style="padding-left: 20px;">U.S. CENSUS DATA 25</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA 25</p> <p>EXCERPTS FROM FINANCIAL STATEMENTS A-1</p> <p>FORMS OF LEGAL OPINIONS B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM C-1</p> <p>FORMS OF CONTINUING DISCLOSURE CERTIFICATES-1</p> <p>NOTICE OF SALE E-1</p> <p style="padding-left: 20px;">\$5,345,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2014A E-1</p> <p>NOTICE OF SALE E-6</p> <p style="padding-left: 20px;">\$1,300,000* GENERAL OBLIGATION WATER SYSTEM BONDS, SERIES 2014B E-6</p>
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COMMON COUNCIL

		<u>Term Expires</u>
Steve Olson	Mayor	April 2017
Mark A. Dandrea	Aldersperson	April 2016
Daniel M. Mayer	Aldersperson	April 2016
Kristen Wilhelm	Aldersperson	April 2017
Janet M. Evans	Aldersperson	April 2017
Doug Schmidt	Aldersperson	April 2016
Susanne M. Mayer	Aldersperson	April 2017

ADMINISTRATION

Mark Luberda, Administrator

Sandra L. Wesolowski, Clerk

Paul Rotzenberg, Director of Finance & Treasurer

PROFESSIONAL SERVICES

Jesse A. Wesolowski, City Attorney, Franklin, WI

Quarles & Brady LLP, Bond Counsel, Milwaukee, WI

Ehlers & Associates, Inc., Financial Advisors, Pewaukee, WI
(Other offices located in Roseville, MN and Lisle, IL)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Franklin, Wisconsin (the "City") and the issuance of its \$5,345,000* General Obligation Promissory Notes, Series 2014A (the "Notes") and \$1,300,000* General Obligation Water System Bonds, Series 2014B (the "Bonds"), collectively referred to herein as the "Obligations." Any descriptions or summaries of the Obligations, 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 forms of the Notes and the Bonds to be included in the resolutions awarding the sale of the Notes and the Bonds to be adopted by the Common Council on December 2, 2014.

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

THE 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 18, 2014. The Notes will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2015, 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 MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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 resolution awarding the sale of the Notes.

OPTIONAL REDEMPTION

At the option of the City, Notes maturing on or after March 1, 2022 shall be subject to redemption prior to maturity on March 1, 2021 and on 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 and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

*Preliminary, subject to change.

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 fewer 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.

TERM BOND OPTION

Bids for the Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Wisconsin Statutes, Section 67.12(12) for public purposes, including projects in the City’s Capital Improvement Program and for tax incremental project costs.

ESTIMATED SOURCES AND USES

Sources		
Par Amount of Notes	\$5,345,000	
Interest Earnings	<u>1,967</u>	
Total Sources		\$5,346,967
Uses		
Project Costs	\$5,245,000	
Contingency	3,342	
Discount Allowance	53,450	
Finance Related Expenses	<u>45,175</u>	
Total Uses		\$5,346,967

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.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 18, 2014. The Bonds will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2015, to the registered owners of

the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

OPTIONAL REDEMPTION

At the option of the City, Bonds maturing on or after March 1, 2023 shall be subject to prior payment on March 1, 2022 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for prepayment, the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be prepaid. 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 fewer than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

TERM BOND OPTION

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Wisconsin Statutes, Section 67.04 for the public purpose of paying the costs of water system projects.

ESTIMATED SOURCES AND USES

Sources

Par Amount of Bonds	\$1,300,000	
Interest Earnings	<u>78</u>	
Total Sources		\$1,300,078

Uses

Project Costs	\$1,255,000	
Contingency	2,153	
Discount Allowance	16,250	
Finance Related Expenses	<u>26,675</u>	
Total Uses		\$1,300,078

SECURITY

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

PROVISIONS COMMON TO BOTH THE NOTES AND THE BONDS

The following information pertains to both the Notes and the Bonds which are collectively referred to hereinafter as the "Obligations."

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated by "Aa1".

The City has requested a rating on these issues from Moody's Investors Service, and bidders will be notified as to the assigned rating prior to the sale. Such a rating, if and when received, will reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from Moody's Investors Service. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an effect on the market price of the Obligations.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to Resolutions adopted by the Common Council by entering into Continuing Disclosure Certificates (the "Disclosure Certificates") for the benefit of holders, including beneficial holders. The Disclosure Certificates requires the City to provide electronically or in the manner otherwise prescribed certain financial information and data annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Certificates for these issues are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Obligations. Such Disclosure Certificates will be in substantially the forms attached hereto.

In the previous five years, the City believes it has complied in all material respects with any previous Disclosure Covenants under the Rule, except that it did not file a notice regarding the Moody's underlying rating change from "Aa2" to "Aa1" on April 16, 2010. A material event notice has subsequently been filed on EMMA. A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

The City recognizes the obligation it has to provide specific information upon request under the Disclosure Certificate should the City fail to comply in all material respects with the terms of the Disclosure Certificates.

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

LEGAL OPINIONS

Opinions as to the validity of the Obligations and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, bond counsel to the City. The legal opinions will be issued on the basis of existing law and will state that the Obligations are valid and binding general obligations of the City; provided that the rights of the owners of the Obligations and the enforceability of the Obligations 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).

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "Tax Exemption" in the Official Statement and the "Forms of Legal Opinions" found in the Appendix B) and has not performed any investigation as to its accuracy, completeness or sufficiency.

TAX EXEMPTION

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

"The interest on the Obligations is excludable for federal income tax purposes from the gross income of the owners of the Obligations. The interest on the Obligations 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 corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Obligations is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations 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 Obligations to be included in gross income retroactively to the date of issuance of the Obligations. 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 Obligations."

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Obligations 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.

FINANCIAL ADVISOR

Ehlers has served as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor will not participate in the underwriting of the Obligations. The financial information included in this Preliminary Official Statement has been compiled by the Financial 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.

RISK FACTORS

Following is a description of possible risks to holders of these Obligations 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 Obligations of this offering 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.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Past and 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 property taxes.

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 Obligations 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 Obligations may fall for purposes of resale. Noncompliance by the Issuer with the covenants in the Award Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Obligations 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 Undertaking for continuing disclosure (see "Continuing Disclosure") will not constitute an event of default on the Obligations. 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 Obligations in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

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

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 could affect the local economy and result in reduced tax collections and/or increased demands upon local government.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Wisconsin Statutes, Section 70.57, 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. Beginning in 1986, the State required that the assessed values must be within 10% of State equalized values at least once every five years. The local assessor values property as of January 1 each year and submits those values to each municipality the second Monday in May. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by this same date.

CURRENT PROPERTY VALUATIONS

2014 Equalized Value	\$3,589,694,100
2014 Equalized Value Reduced by Tax Increment Valuation	\$3,473,233,200
2014 Assessed Value (Including Tax Incremental Value)	\$3,364,592,800

2014 EQUALIZED VALUE BY CLASSIFICATION

	2014 Equalized Value	Percent of Total Equalized Value
Residential	\$ 2,580,859,500	71.896%
Commercial	762,107,100	21.230%
Manufacturing	132,149,800	3.681%
Agricultural	799,300	0.022%
Undeveloped	5,319,000	0.148%
Forest	691,200	0.019%
Other	16,538,800	0.461%
Personal Property	91,229,400	2.541%
Total	<u>\$ 3,589,694,100</u>	<u>100.000%</u>

TREND OF VALUATIONS

Year	Assessed Value (TID IN)	Equalized Value (TID IN)	Percent Increase/Decrease in Equalized Value
2009	\$3,762,185,140	\$3,912,642,600	0.37%
2010	3,644,743,988	3,670,508,700	-6.19%
2011	3,645,710,088	3,676,379,700	0.16%
2012	3,653,210,788	3,524,105,900	-4.14%
2013	3,359,728,100	3,414,276,600	-3.12%
2014	3,364,592,800	3,589,694,100	5.14%

Source: Wisconsin Department of Revenue, Bureau of Equalization.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2014 Estimated Equalized Value¹	Percent of City's Total Estimated Equalized Value
Northwestern Mutual	Insurance Services	\$ 124,726,162	3.47%
Wal-Mart	Retailer	28,067,256	0.78%
Wheaton Health Care System	Medical Facilities	26,641,687	0.74%
Whitnall Pointe Apartments	Apartments	20,569,171	0.57%
Manchester Oaks	Apartments	19,676,857	0.55%
VTLC Development	Packaging Manufacturing	17,488,552	0.49%
5C Investments	Manufacturing	16,135,547	0.45%
Menard Inc.	Retail	14,304,270	0.40%
All Glass Aquarium	Aquariums and fluorescent lights	13,022,406	0.36%
Waste Management	Landfill and refuse collection	10,838,776	0.30%
Total		\$ 291,470,684	8.12%
City's Total 2014 Equalized Value		\$3,589,694,100	

¹ Estimated by dividing the assessed values by the ratio of assessed to equalized value for the City.

DEBT

DIRECT DEBT¹ (includes the Obligations of this offering)

General Obligation Debt (see schedules following)

Total General Obligation Debt	<u><u>\$ 37,724,352</u></u>
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¹ Outstanding debt is as of the dated date of the Obligations.

City of Franklin, Wisconsin
Schedule of Bonded Indebtedness
General Obligation Debt
(As of December 18, 2014)

Fiscal Year Ending	GO Ref Bonds Series 2007		CWF Loan #4006-06 Series 2012		GO Notes Series 2014A		Bonds Series 2014B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	520,000	279,490	1,128,180	563,804	50,000	51,353	55,000	23,748
2015	1,200,000	246,810	1,155,956	535,687	750,000	70,368	55,000	33,513
2016	1,190,000	201,400	1,184,416	506,877	1,850,000	58,493	55,000	33,045
2017	1,180,000	156,370	1,213,576	477,357	1,155,000	41,735	55,000	32,413
2018	1,200,000	111,150	1,243,454	447,111	170,000	32,910	55,000	31,629
2019	1,140,000	66,690	1,274,068	416,121	180,000	29,973	55,000	30,708
2020	1,185,000	22,515	1,305,436	384,367	180,000	26,553	60,000	29,613
2021			1,337,576	351,832	335,000	20,900	60,000	28,323
2022			1,404,249	318,495	335,000	12,944	60,000	26,898
2023			1,438,821	284,338	340,000	4,420	60,000	25,383
2024			1,474,245	249,340			65,000	23,709
2025			1,510,541	213,480			65,000	21,889
2026			1,547,730	176,737			65,000	19,971
2027			1,585,835	139,090			70,000	17,843
2028			1,624,879	100,516			70,000	15,533
2029			1,664,883	60,992			75,000	13,066
2030				20,495			80,000	10,441
2031							80,000	7,650
2032							85,000	4,710
2033							85,000	1,615
2034							1,300,000	431,696
	7,615,000	1,084,425	23,464,352	5,246,637	5,345,000	349,647	1,300,000	431,696

Fiscal Year Ending	Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	1,753,180	916,396	2,671,576	35,971,171	4.65%	2015
	3,160,956	886,377	4,047,333	32,810,215	13.03%	2016
	4,279,416	799,814	5,079,230	28,530,799	24.37%	2017
	3,603,576	707,875	4,311,451	24,927,223	33.92%	2018
	2,668,454	622,800	3,291,254	22,258,769	41.00%	2019
	2,649,068	543,491	3,192,559	19,609,701	48.02%	2020
	2,730,436	463,047	3,193,483	16,879,265	55.26%	2021
	1,732,576	401,054	2,133,630	15,146,690	59.85%	2022
	1,804,249	358,336	2,123,843	13,381,183	64.53%	2023
	1,804,249	314,140	2,118,389	11,576,935	69.31%	2024
	1,503,821	273,048	1,776,870	10,073,113	73.30%	2025
	1,539,245	235,369	1,774,613	8,533,868	77.38%	2026
	1,575,541	196,708	1,772,249	6,988,328	81.55%	2027
	1,617,730	156,932	1,774,663	5,340,597	85.84%	2028
	1,655,835	116,048	1,771,884	3,684,762	90.23%	2029
	1,699,879	74,058	1,773,937	1,984,883	94.74%	2030
	1,739,883	30,936	1,770,819	245,000	99.35%	2031
	80,000	7,650	87,650	165,000	99.56%	2032
	80,000	4,710	84,710	85,000	99.77%	2033
	85,000	1,615	86,615	85,000	100.00%	2034
	37,724,352	7,112,405	44,836,757	0		

DEBT LIMIT

The constitutional and statutory general obligation debt limit for most 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	\$ 3,589,694,100
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 179,484,705
Less: General Obligation Debt (including this offering)	<u>(37,724,352)</u>
Unused Debt Limit	<u>\$ 141,760,353</u>

The City's internal policy limits debt to 40% of the Statutory limit or \$71,793,882. Reducing this by the \$37,724,352 puts the Unused Debt Limit at \$34,069,530.

OVERLAPPING DEBT¹

Taxing District	2014 Equalized Value	% In City	Total G.O. Debt	City's Proportionate Share
Milwaukee County	\$ 58,253,923,600	6.1622%	\$ 694,303,545	\$ 42,784,025
Franklin School District	2,645,114,646	100.0000%	33,940,000	33,940,000
Oak Creek/Franklin School District	3,678,375,698	19.7400%	43,185,000	8,524,719
Whitnall School District	1,580,492,253	13.8100%	390,000	53,859
MMSD	57,151,739,300	6.2800%	916,077,814	57,529,687
Milwaukee Area Technical College District	71,833,122,277	4.9973%	111,620,000	5,577,951
City's Share of Total Overlapping Debt				<u>\$ 148,410,241</u>

¹ Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$3,589,694,100	Debt/ Per Capita 35,702¹
Total General Obligation Debt	\$ 37,724,352	1.05%	\$ 1,056.65
City's Share of Total Overlapping Debt	<u>148,410,241</u>	<u>4.13%</u>	<u>4,156.92</u>
Total	\$ 186,134,593	5.19%	\$ 5,213.56

DEBT PAYMENT HISTORY

The City has never defaulted in the payment of principal and interest on its debt.

FUTURE FINANCING

The City reports no plans for additional financing in the next six months. The City of Franklin includes in its annual Financing planning, biennial General Obligation borrowings of \$2 million.

The Common Council of the City of Franklin took action on November 3, 2014 to explore three economic development sites in the City. While no definitive plans are in place, this action could cause the City to engage in projects totaling \$20 million in the next one to five years. Interest levels by developers and land owners will influence the timing of these proposed project costs with the financing thereof to be funded by new tax increment generated by such developments.

CHANGES IN FINANCIAL CONDITION

Non-spendable General Fund Balance increased in May 2014 by \$1,404,457 for an advance to the Sewer Fund. This advance will fund P&I payments on the City's Clean Water Fund Loan. A further advance of \$289,119 was made November 1, 2014. No further advances are expected in future years. The entire General Fund Advances to the Sewer Fund, which will total \$2,198,616 at December 31, 2014 will be repaid in January 2017 by intergovernmental agreement with MMSD.

The Mayor's recommended 2015 Budget includes a \$500,000 transfer from General Fund to Capital Funds for anticipated 2015 expenditures. This is being recommended to comply with Fund Balance policy when Fund Balance levels exceed certain levels.

¹ Estimated 2014 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only (Including TIF Levy)	% Collected	Levy/Equalized Value in Dollars per \$1,000
2009/10	\$24,971,216	100%	\$6.38
2010/11	27,883,956	100%	7.60
2011/12	27,702,305	100%	7.54
2012/13	23,027,324	100%	6.53
2013/14	22,872,758	100%	6.70

Property tax statements are distributed to taxpayers by the town, village, and city clerks 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 TIF) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total Full Value Effective Rate³
2009/10	\$12.37	\$4.15	\$6.38	\$3.55	\$21.97
2010/11	13.34	4.45	7.60	3.56	23.74
2011/12	12.87	4.72	7.54	2.35	23.20
2012/13	13.67	5.05	6.53	2.49	24.68
2013/14	14.27	5.13	6.70	2.64	25.56

Source: Property Tax Rates were extracted from bulletins 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 the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. 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%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

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

³ Property tax less state property tax credit (not including lottery credit).

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

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1956 and is governed by a Mayor and a 6-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to two-year terms. The appointed Director of Finance & Treasurer and the City Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City has 195 full-time, 41 part-time and 3 seasonal employees. All eligible protective (public safety) City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. 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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Employers may not make these contributions to the plan on behalf of the protective occupation employees unless provided for by an existing collective bargaining agreement. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the WRS for the year ended December 31, 2013 was \$7,582,772; the employers's total payroll was \$13,792,793. The total required contribution for the year ended December 31, 2013 was \$1,653,044 or 21.8% of covered payroll from the employer.

The City is also a participant in the City of Franklin Public Works Employees' Pension 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.

Employees attaining the age of 60 are entitled to annual benefits of 1.98% of average compensation multiplied by the number of years of service subsequent to January 1, 1956. Average compensation is defined as the monthly total pay plus salary deferrals, compensation and overtime received for the three consecutive years out of the ten latest years

which gives the highest average. Employees may retire early and receive reduced benefits at age 55 with at least ten years of service.

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

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

Employees makes a non-elective and non-discretionary pension contribution that in 2013 was 5% of payroll. The City contributes all remaining amounts necessary to fund the pension plan. Starting in 2010, the City uses the entry age normal actuarial cost method.

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 2013, total contributions of \$388,969 or 10% of covered payroll were made. The City contributed \$196,607 and employees \$192,362. The City may make amendments to the Plan.

For more detailed information, please see the 2013 CAFR.

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, after significant changes were made to the law in 2011, very limited rights to collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing the base wages only by any increase in the previous year's consumer price index (unless the 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.

The following bargaining units represent employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Police	December 31, 2015
Fire	December 31, 2015

LIABILITIES FOR OTHER POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City's most recent actuarial study of its OPEB obligations is dated December 27, 2013. The City created an OPEB trust in 2008 and as of December 31, 2013, the Trust had \$2.4 million in actuarial assets. The Actuarial Accrued Liability was \$8,184,384 with an Unfunded Actuarial Accrued Liability of \$5,784,933.

LITIGATION

On February 6, 2014, an action was filed in Milwaukee County Circuit Court (case 14CV001083) by certain property owners in the City of Franklin against Milwaukee Metropolitan Sewerage District asserting their properties were improperly joined into the Metro Sewerage District. The City of Franklin was joined to the action as an involuntary plaintiff.

The City of Franklin and Milwaukee Metropolitan Sewerage District Entered into an intergovernmental agreement related to the financing of a \$24.6 million sewerage extension in the portion of the City that is the subject of this action. The agreement includes a condition precedent that the project be inside the District boundary. The intergovernmental agreement has the District purchasing the sewerage extension from the City with payments equal to the principal and interest on a Clean Water Fund Loan financing the project.

The City of Franklin believes this action will have no material impact on the finances of the City.

An initial decision by the Court is scheduled for December 9, 2014.

FUNDS ON HAND (as of August 31, 2014)

Fund	Total Cash and Investments
General	\$ 12,876,566
Special Revenue	3,494,261
Debt Service	531,983
Capital Projects	7,305,456
Enterprise Funds	2,560,399
Fiduciary Funds	4,367,086
Total Funds on Hand	<u>\$ 31,135,751</u>

ENTERPRISE FUNDS

Cash flows for the City's enterprise funds have been as follows as of December 31 each year:

	2011	2012	2013
Water			
Total Operating Revenues	\$ 4,539,066	\$ 5,361,646	\$ 5,403,994
Less: Operating Expenses	<u>(4,251,187)</u>	<u>(5,064,149)</u>	<u>(5,046,704)</u>
Operating Income	\$ 287,879	\$ 297,497	\$ 357,290
Plus: Depreciation	1,039,123	1,061,625	1,097,315
Interest/Other Income	<u>58,147</u>	<u>122,287</u>	<u>32,709</u>
Revenues Available for Debt Service	<u><u>\$ 1,385,149</u></u>	<u><u>\$ 1,481,409</u></u>	<u><u>\$ 1,487,314</u></u>
Sanitary Sewer			
Total Operating Revenues	\$ 3,124,786	\$ 3,142,062	\$ 3,243,737
Less: Operating Expenses	<u>(3,373,459)</u>	<u>(3,343,149)</u>	<u>(3,350,443)</u>
Operating Income	\$ (248,673)	\$ (201,087)	\$ (106,706)
Plus: Depreciation	650,886	642,839	650,060
Interest/Other Income(Loss)	<u>38,723</u>	<u>26,292</u>	<u>(6,056)</u>
Revenues Available for Debt Service	<u><u>\$ 440,936</u></u>	<u><u>\$ 468,044</u></u>	<u><u>\$ 537,298</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund for the fiscal years shown below. These summaries are not purported to be the complete audited financial statements of the City. Copies of the complete audited financial statements are available upon request. See Appendix A for excerpts from the City's 2013 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2009	2010	2011	2012	2013
Revenues					
Taxes and special assessments	\$ 16,131,019	\$ 16,742,784	\$ 17,647,018	\$ 16,913,739	\$ 17,078,994
Intergovernmental	2,538,782	2,511,258	2,735,049	2,802,048	2,571,374
Licenses and permits	609,278	729,432	702,674	755,027	912,357
Penalties and forfeitures	385,427	422,506	433,106	457,499	411,795
Public charges for services	1,565,779	1,838,076	1,985,052	1,414,592	1,473,039
Intergovernmental charges for services	291,584	237,319	245,000	103,615	162,308
Interest	398,410	226,206	229,769	213,200	(11,514)
Miscellaneous general revenues	164,384	185,265	142,750	167,413	156,414
Total Revenues	\$ 22,084,663	\$ 22,892,846	\$ 24,120,418	\$ 22,827,133	\$ 22,754,767
Expenditures					
Current:					
General government	\$ 2,780,111	\$ 2,694,374	\$ 2,596,581	\$ 2,631,412	\$ 2,709,182
Public safety	15,017,640	15,142,907	15,992,111	16,384,500	15,447,159
Public works	4,504,611	4,521,991	4,779,793	3,354,749	3,386,737
Health and social services	619,555	628,052	623,602	633,018	635,959
Culture and recreation	156,087	136,758	141,532	160,840	150,887
Capital outlay	344,442	386,183	404,756	377,644	360,649
Total Expenditures	\$ 23,422,446	\$ 23,510,265	\$ 24,538,375	\$ 23,542,163	\$ 22,690,573
Excess of revenues over (under) expenditures	\$ (1,337,783)	\$ (617,419)	\$ (417,957)	\$ (715,031)	\$ 64,194
Other Financing Sources (Uses)					
Proceeds from capital lease	0	0	0	0	0
Proceeds of long-term debt	0	0	0	0	0
Operating transfers in	923,280	1,013,366	1,086,245	1,340,293	1,325,220
Operating transfers out	(25,900)	(24,000)	(24,000)	(244,000)	(109,982)
Total Other Financing Sources (Uses)	\$ 897,380	\$ 989,366	\$ 1,062,245	\$ 1,096,293	\$ 1,215,238
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (440,403)	\$ 371,947	\$ 644,288	\$ 381,262	\$ 1,279,432
General Fund Balance					
General Fund Balance January 1	5,545,041	5,104,638	5,476,585	6,120,873	6,502,135
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	\$ 5,104,638	\$ 5,476,585	\$ 6,120,873	\$ 6,502,135	\$ 7,781,567
DETAILS OF DECEMBER 31 FUND BALANCE					
Reserved	\$ 25,927	\$ 95,173	\$ 0	\$ 0	\$ 0
Unreserved:					
Designated	0	0	0	0	0
Undesignated	5,078,711	5,381,412	0	0	0
Nonspendable	0	0	55,820	62,936	550,906
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	0	0	6,065,053	6,439,199	7,230,661
Total	\$ 5,104,638	\$ 5,476,585	\$ 6,120,873	\$ 6,502,135	\$ 7,781,567

GENERAL INFORMATION

LOCATION

The City of Franklin, with a 2010 U.S. Census population of 35,451 and a current estimated population of 35,702 comprises an area of 34.5 square miles and is located in the southwest corner of Milwaukee County. For additional information regarding the City, please visit its website at www.franklinwi.gov.

LARGER EMPLOYERS

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Northwestern Mutual	Insurance/Investment Services	2,882
Wheaton Franciscan Healthcare	Medical & Surgical Hospital	756
Franklin Public Schools	K-12 Education	562
Krones, Inc.	High Speed Labeling/Filler Machines	429
Milwaukee County Corrections South	Government	392
Baptista's Bakery	Commercial Bakery	350
General Automotive Mfg	Off-road Engine Components Mfg	323
Wal-Mart	Retailer	271
Carlisle Interconnect Technologies	Wire Harnesses	259
Strauss Veal & Lamb Int'l Inc.	Animal Processing	250

Source: *ReferenceUSA, written and telephone survey (September 2014), Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

BUILDING PERMITS

	2010	2011	2012	2013	2014 ¹
<u>No. of All Building Permits</u> <i>(including additions and remodelings)</i>	2,631	2,472	2,617	2,775	2,095
<u>Valuation of All Building Permits</u> <i>(including additions and remodelings)</i>	\$38,571,663	\$38,245,988	\$63,450,286	\$87,274,798	\$41,246,433
<u>New Single Family Homes</u>					
No. of building permits	25	27	52	56	29
Valuation	\$5,473,160	\$7,144,781	\$12,472,659	\$16,718,795	\$9,274,846
<u>New Multiple Family Buildings</u>					
No. of building permits	10	2	1	8	8
No. of units	37	34	30	8	34
Valuation	\$1,171,536	\$1,351,036	\$1,500,000	\$2,774,000	\$3,687,000
<u>New Commercial/Industrial Buildings</u>					
No. of building permits	3	1	3	13	12
Valuation	\$4,020,000	\$1,600,000	\$3,223,983	\$2,236,192	\$13,386,227

¹ As of September 30, 2014

U.S. CENSUS DATA

Population Trend: City of Franklin

2000 U.S. Census	29,494
2010 U.S. Census	35,451
2014 Estimated Population	35,702
Percent of Change 2000 - 2010	+ 20.20%

Income and Age Statistics

	City of Franklin	Milwaukee County	State of Wisconsin	United States
2012 per capita income	\$35,703	\$24,254	\$27,426	\$28,051
2012 median household income	\$76,426	\$43,599	\$52,627	\$53,046
2012 median family income	\$96,296	\$55,381	\$66,415	\$64,585
2012 median gross rent	\$910	\$786	\$749	\$889
2012 median value owner occupied units	\$237,900	\$162,900	\$169,000	\$181,400
2012 median age	39.0 yrs.	33.7 yrs.	38.5 yrs.	37.2 yrs.

	State of Wisconsin	United States
City % of 2012 per capita income	130.18%	127.28%
City % of 2012 median family income	144.99%	149.10%

Housing Statistics

	<u>City of Franklin</u>		
	2000	2012	Percent of Change
All Housing Units	10,936	13,317	21.77%

Source: 2000 and 2010 Census of Population and Housing, and 2012 American Community Survey, U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	City of Franklin	City of Franklin	State of Wisconsin	State of Wisconsin
2010	17,870	7.1%	8.5%	
2011	18,082	6.2%	7.5%	
2012	18,255	5.7%	6.9%	
2013	18,355	5.7%	6.7%	
2014, September	18,949	4.0%	4.7%	

Source: Wisconsin Department of Workforce Development.

EXCERPTS FROM FINANCIAL STATEMENTS

Reproduced on the following pages are excerpts from the City's audited Financial Statements for the fiscal year ending December 31, 2013. The Financial Statements have been prepared by the City and audited by a certified public accountant. The Management's Discussion and Analysis and the Notes to Financial Statements are an integral part of the audit and any judgment of the Financial Statements should be based on the Financial Statements as a whole.

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

Independent Auditors' Report

Common Council
City of Franklin, Wisconsin
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, 2013, and the related notes to the financial statements, which collectively comprise the entity'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Franklin, Wisconsin's 2012 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated May 8, 2013. In our opinion, the summarized comparative information presented for the Water Utility and Sanitary Sewer Utility Enterprise Funds presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 11-24 and 73 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.

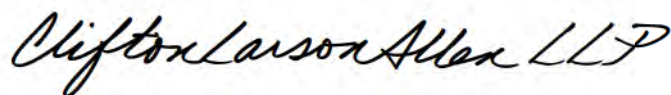
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Wisconsin's basic financial statements. The combining and individual fund financial statements and schedules, the introductory section, and the statistical section, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2014, on our consideration of the City of Franklin, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Franklin, Wisconsin's internal control over financial reporting and compliance.



Milwaukee, Wisconsin
May 5, 2014

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

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2013, by \$210,391,056 (net position). Of this amount, \$7,907,546 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by a net amount of \$4,687,574. Net investment in capital assets increased by \$321,658, while unrestricted net position increased by \$3,901,587 and restricted net position increased by \$474,229. The increase in investment in capital assets was related to reduction in debt. The unrestricted increase was mainly due to the General Fund. The restricted increase was due to generation of development revenues.
- The City's governmental funds reported, as of December 31, 2013, had combined ending fund balances of \$18,779,667, an increase of \$1,956,954 from the prior year.
- The Nonspendable fund balances were \$553,381 an increase of \$468,645 due to interfund advances from the General Fund to the Sewer Utility.
- The restricted fund balances in total was \$13,386,323 a decrease of \$154,591, including a decrease in restricted for debt service of \$621,788 and an increase in Development Funds of \$437,437.
- The assigned fund balances in total of \$2,791,111 had an increase of \$66,347 resulted from an increase in capital outlay and equipment replacement fund balances.
- The unassigned fund balance as of December 31, 2013 for the general fund was \$7,230,661 or approximately 29 percent of total anticipated 2014 general fund expenditures.
- The City's Governmental activities debt decreased by \$3,790,000 during 2013 from scheduled repayments. The total general obligation debt that has to be repaid by the general taxpayer is less than one quarter of one percent of the City's equalized valuation. See table 11 for complete details.
- The City's Business-type activities, through its Sewer Fund, substantially completed an interceptor sewer on behalf of another government. At December 31, 2013 \$24,565,425 of costs were incurred. A Wisconsin Clean Water Fund Loan has been obtained to finance this project. The amount received on this loan at December 31, 2013 was \$24,565,425. An Intergovernmental Cooperation Agreement requires the other governmental unit to pay for substantially all of the costs incurred in this project.

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.

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).

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

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

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

Fund financial statements

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

Governmental funds

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

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

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

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

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Library Operating Fund, Solid Waste Fund, Capital Outlay Fund, Equipment Replacement Fund, Street Improvement Fund, Capital Improvement Fund, 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 same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Franklin Water Utility, the Sanitary Sewer Fund and the Internal Service Fund.

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 39 – 73 of this report.

Other information

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

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 12.2 can be found on pages 75 – 93 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 \$210,391,056 and \$205,683,482 at the end of 2013 and 2012, respectively.

CITY OF FRANKLIN NET POSITION December 31, 2013 and 2012

	Governmental Activities			Business-type Activities			Total
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 49,495,662	\$ 47,521,676	\$ 29,922,226	\$ 27,973,087	\$ 79,417,888	\$ 75,494,763	
Capital assets	114,469,508	115,676,557	89,095,184	89,398,082	203,564,682	205,074,639	
Total assets	163,965,170	163,198,233	119,017,410	117,371,169	282,982,570	280,569,402	
Deferred Outflows	187,474	225,869	-	-	187,474	225,869	
Current liabilities	2,190,414	6,917,209	1,441,237	2,999,997	3,631,651	9,917,206	
Long-term liabilities	19,738,576	18,989,116	25,185,917	22,119,748	44,924,493	41,108,884	
Total liabilities	21,928,990	25,906,325	26,627,154	25,119,745	48,556,144	51,026,070	
Deferred Inflows	24,222,854	24,075,719	-	-	24,222,854	24,075,719	
Net position:							
Net investment in capital assets	104,721,982	104,097,426	89,095,184	89,398,083	193,817,166	193,495,509	
Restricted	8,389,114	7,857,607	277,230	334,508	8,666,344	8,192,115	
Unrestricted	4,889,704	1,487,025	3,017,842	2,518,833	7,907,546	4,005,858	
Total net position	\$ 118,000,800	\$ 113,442,058	\$ 92,390,256	\$ 92,251,424	\$ 210,391,056	\$ 205,683,482	

The largest portion of the City's net position (approximately 89 and 92 percent, in 2013 and 2012, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these net position are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$193,817,164 and \$193,495,508 in 2013 and 2012, respectively of the year end net position. The changes in capital assets were as follows:

	Net Capital Asset Additions	Change in Capital Related Debt	Net Increase
2013	\$ 3,188,328	\$ (4,698,277)	\$ 1,831,605
2012	\$ 4,833,307	\$ (4,620,056)	\$ 9,094,441
			\$ 9,307,692

The major 2013 City projects were an ambulance, snow plow, street improvements and the 76ⁿ Street sewer & water mains from Faith to Puetz. The major 2012 City projects contributing to the increase was the reconstruction of 112th Street from Oakwood Rd south to County Line Rd, 51st Street from Rawson north to College, the Puetz Rd pumping station and Drexel Water Tower repainting. Debt repayments each year have resulted in a significant decrease in capital related debt.

Infrastructure by developers and others contributed to the capitalized infrastructure of the governmental activities of approximately \$122,295 in 2013 and \$222,529 in 2012.

Capital assets contributed to the business-type activities by the municipality were \$1,197,101 in 2013 and \$51,912 in 2012.

An additional portion of the City's net position (3.6% and 3.6% in 2013 and 2012, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$7,638,155 and \$7,213,023 respectively in those net positions that were restricted to specific purposes.

The 2013 increase of \$425,132 in restricted net position reported is due principally to development activities.

There was a 2012 decrease of \$3,338,484 in restricted net position reported in connection with government-wide activities. The decrease was primarily due to the repayment of the 2005 debt offering and smaller changes in other restricted funds.

The remaining balance in unrestricted net position of \$8,935,735 and \$4,984,951, in 2013 and 2012, 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.

There was a 2013 increase of \$3,950,784 in unrestricted net position reported in connection with government-wide activities. The major component was the increase in funds that were used for debt retirement purposes.

There was a 2012 decrease of \$1,261,109 in unrestricted net position reported in connection with government-wide activities. The major component was the decrease in funds that were temporarily used for debt retirement purposes reduced by increases in the general fund, development fund, equipment replacement fund, internal service fund.

Government-wide activities
The details of changes in net position follow:

City of Franklin Changes in Net Position
For the Years Ending December 31, 2013 and 2012

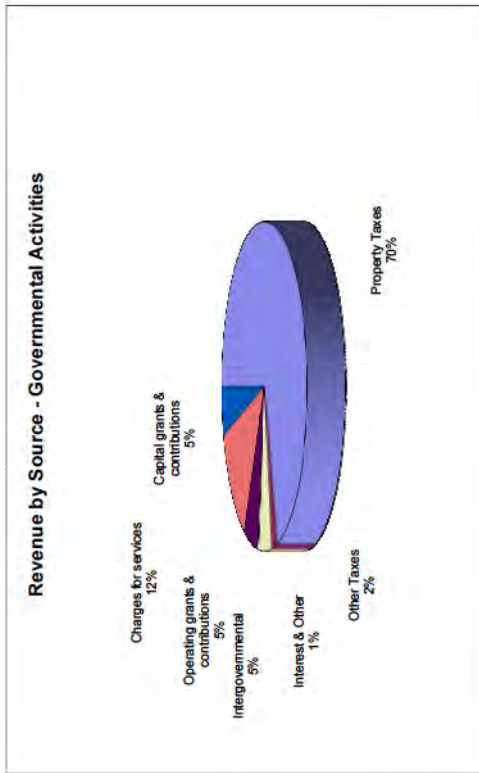
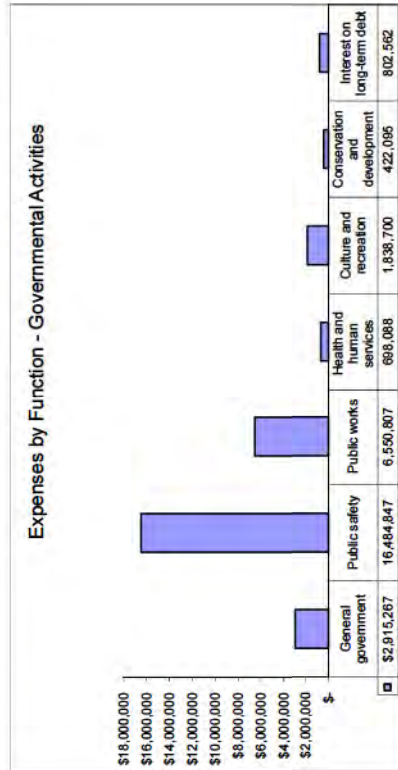
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue:						
Charges for services	\$ 4,241,404	\$ 3,907,327	\$ 8,647,731	\$ 8,503,708	\$ 12,889,135	\$ 12,411,035
Operating grants & contributions	1,838,950	2,144,164	-	-	1,838,950	2,144,164
Capital grants & contributions	1,659,859	1,240,439	-	-	1,659,859	1,240,439
General revenue:						
Property taxes	24,097,812	24,152,207	-	-	24,097,812	24,152,207
Other taxes	723,985	708,832	-	-	723,985	708,832
Intergovernmental	1,620,331	1,590,209	-	-	1,620,331	1,590,209
Investment earnings	87,278	784,932	569,444	318,689	656,722	1,103,601
Other	68,215	426,151	40,398	126,867	108,613	553,028
Total revenue	<u>34,337,834</u>	<u>34,954,271</u>	<u>9,257,573</u>	<u>8,949,244</u>	<u>43,595,407</u>	<u>43,903,515</u>
Expenses:						
General government	2,915,267	2,794,497	-	-	2,915,267	2,794,497
Public safety	16,484,047	17,228,789	-	-	16,484,047	17,228,789
Public works	6,550,807	6,182,036	-	-	6,550,807	6,182,036
Health & human services	698,088	730,499	-	-	698,088	730,499
Culture & recreation	1,838,700	1,870,573	-	-	1,838,700	1,870,573
Conservation & development	422,095	412,066	-	-	422,095	412,066
Interest on long-term debt	802,562	1,272,721	-	-	802,562	1,272,721
Water	-	-	5,051,835	5,064,149	5,051,835	5,064,149
Sewer	-	-	4,133,632	3,640,106	4,133,632	3,640,106
Total expenses	<u>29,712,966</u>	<u>30,491,161</u>	<u>9,185,467</u>	<u>8,704,255</u>	<u>38,897,833</u>	<u>39,195,416</u>
Increase in net position before transfers	4,625,468	4,463,110	72,106	244,989	4,697,574	4,708,099
Transfers	(66,726)	1,098,126	66,726	(1,009,126)	-	-
Change in net position	4,558,742	5,472,236	138,832	(764,137)	4,697,574	4,708,099
Net position - beginning	113,442,058	107,969,822	92,251,424	93,015,951	205,693,482	200,985,383
Net position - ending	<u>\$ 118,000,800</u>	<u>\$ 113,442,058</u>	<u>\$ 92,390,256</u>	<u>\$ 92,251,424</u>	<u>\$ 210,391,056</u>	<u>\$ 205,693,482</u>

Governmental activities in 2013 increased the City's net position by \$4,558,742 or 97% of the total growth in the net position. Elements of this increase are:

- A \$1,407,150 surplus in General Government activity
- Increase due to the decrease in Long term Debt of \$1,649,959
- Decrease in governmental activities capital assets net of depreciation of \$1,040,447
- Net increase in TIF District activities of \$2,307,794
- Net increase from internal service activities of \$77,500
- Net decrease from special assessment activities of \$51,651
- Net increase from non major funds activities of \$76,824

Governmental activities in 2012 increased the City's net position by \$5,472,236 or 116% of the total growth in the net position. Elements of this increase are:

- A \$427,160 surplus in General Government activity
- Increase due to the decrease in Long term Debt of \$1,551,741
- Increase in governmental activities capital assets net of depreciation of \$365,762
- Net increase in TIF District activities of \$2,285,384
- Net increase from internal service activities of \$170,856
- Net decrease from special assessment activities of \$407,137
- Net increase from development activities of \$719,691
- Net increase from non major funds activities of \$358,780



Business-type activities

In 2013, business-type activities increased the City's net position by \$138,832 or 3 percent from the prior year. The key elements of this increase follow:

- The increase from operating activities (the change in net position excluding capital contributions and its related depreciation expense) was \$257,522. The goal of the business activities is to provide these services at least a break even basis to minimize the cost to the users. Both the water and sewer activities are currently meeting this goal.
- Depreciation expense related to contributed assets - \$1,315,791

In 2012, business-type activities decreased the City's net position by \$764,137 or .2 percent from the prior year. The key elements of this decrease follow:

- The increase from operating activities (the change in net position excluding capital contributions and its related depreciation expense) was \$492,182. The goal of the business activities is to provide these services at least a break even basis to minimize the cost to the users. Both the water and sewer activities are currently meeting this goal.
- Contributions of water infrastructure - \$51,912 consisting of one City project
- Depreciation expense related to contributed assets - \$1,308,231
- During 2012, the PSC granted a significant water rate increase to our water supplier. The result of this rate case was to raise both the Water Utility revenue and cost of water purchased.

The following graph compares the 2013 charges for services to the operating expenses for water and sewer activities.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$18,779,677, a increase of \$1,966,954 from the prior year. At year end the unassigned fund balance was \$2,049,862. Of this total \$7,230,661 was for general fund activities. This amount was offset by deficits in the Debt Service, TIF Districts and Nonmajor Governmental Funds. The Debt Service fund has an interfund loan with favorable financing and the deficit will diminish as revenue is received from future year property taxes to repay the financing. The TIF Districts deficit is due to the favorable type of interim financing selected and will diminish as revenue is received and used to repay the financing.

The City has assigned fund balances for activities of the Capital Projects of \$2,791,111.

Outside party restrictions have resulted in restricted fund balances 1) to pay debt service - \$6,801,945, 2) for utility improvements - \$443,438 3) for development purposes - \$5,052,168, 4) for library services \$582,292 and 5) for donations, grant funds, solid waste and recreational activities - \$507,955.

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 - \$48,341 and for advances to other funds - \$505,040.

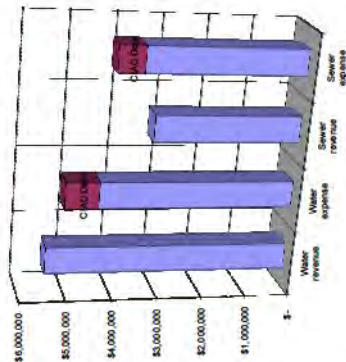
The General Fund is the chief operating fund of the City. As of December 31, 2013, the total fund balance of the general fund was \$7,781,567 of which \$7,230,661 was unassigned. This unassigned fund balance represents approximately 29% of 2014 general fund budgeted expenditures.

The total fund balance of the General Fund increased by \$1,279,432 during fiscal year 2013. Actual revenue was more than budget revenue by \$326,042 or 1.3 percent. Changes in employee benefits reduced Public Safety costs significantly. Employees are paying a larger share of health benefit premiums and retirement costs. Also, an actuarial assumption change reduced the retiree health cost.

The Debt Service Fund has a total deficit fund balance of \$1,492,767, \$606,945 is restricted for the payment of debt service and a deficit of \$2,099,712 is related to advances made from the Internal Services fund. The fund balance increase of \$1,060,500 related to the repayment of interfund advances.

The TIF Districts Fund has restricted fund balance of \$6,195,000 and an unassigned fund deficit of \$3,080,379 for a net fund balance of \$3,114,621. The unassigned fund deficit is due to internal borrowing and investing those funds in infrastructure. The restricted fund balance is due to a \$6.195 million note receivable issued under a development agreement.

Operating Revenue and Expense - Business-type Activities



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

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

Revenue by Source - Business-type Activities



The Nonmajor Governmental Funds have a total fund balance of \$9,376,256. The fund balance increase of \$514,261 came principally from special assessments (impact fees).

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 \$634,224, a increase of \$230,843 from the prior year. Total net position increase was a result of operations.

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$2,363,618, an increase of \$295,165 from the prior year. Total net position increased due the capital contributions on contributed assets.

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

General Fund Budgetary Highlights

Revenue exceeded the budget by \$326,042 with small increases and decreases from budget in various categories. Investment earnings declined to a loss of \$11,514 - \$163,514 less than budget as market rates declined further. Licenses and Permits increased on a bigger than expected increase in Building Permits. Ambulance fees drove the increase Public Charges for Services. In addition, a transfer was recorded, principally related to capitalized Highway Department projects.

Actual expenditures were less than budgeted expenditures by \$2,152,545. The largest favorable variance was in General Government. The City established a \$950,000 restricted contingency reserve to preserve shared revenue from the State. That contingency was not needed. Within Public Safety, employees began to pay a larger share of health premiums and retirement costs. In addition, a change in actuarial assumptions reduced the retiree health costs from what had been in the budget. The combined impact was a significant reduction in expenditures compared to the prior year.

Revenue was favorable to budgeted on increased activity levels. Expenditures came in below budget as the contingency reserve was not needed resulting in the general fund balance increasing by \$1,287,450.

Capital assets.

The City's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$203,564,692 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

	City's Investment in Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 24,968,327	\$ 25,012,541	\$ 521,225	\$ 521,225	\$ 25,479,552	\$ 25,533,766
Buildings and Improvements	24,225,492	24,180,167	3,438,927	3,438,927	27,664,419	27,619,094
Improvements other than buildings	92,173,188	90,925,168	109,784,750	108,555,571	201,937,938	199,480,739
Machinery and equipment	17,571,157	16,963,185	2,799,107	2,794,982	20,370,264	19,748,167
Construction in process	152,923	487,587	57,942	113,269	210,865	600,856
Total capital assets	159,081,087	157,558,648	116,581,951	115,423,974	275,663,038	272,982,622
Less Accumulated depreciation	(44,611,579)	(41,882,091)	(27,486,767)	(26,025,892)	(72,098,346)	(67,907,983)
Capital assets net of depreciation	\$ 114,469,508	\$ 115,676,557	\$ 89,095,184	\$ 89,398,082	\$ 203,564,692	\$ 205,074,639

The total decrease in the City's net investment in capital assets net of depreciation for the current fiscal year was \$1,509,947 or 0.7%.

For further details on capital asset activity, refer to Note 1(D)5 and Note 4(D) of the Notes to Financial Statements and Schedules 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, 2013, the City had general obligation note and bond issues outstanding totaling \$42,445,423. The current debt limitation for the City is \$170,713,830. The City's current outstanding general obligation debt is 25% of the statutory debt limit. In the last 15 years the City has not exceeded 34% of the statutory debt limit.

The City's present rating from Moody's for its general obligation debt is "Aa1". In January, 2012, the Franklin Sewer Fund signed a Clean Water Fund Note with a notional amount of \$27,562,754 to fund the construction of a sewer interceptor in the City. At December 31, 2013, \$24,565,423 had been drawn down on the Notes. The Notes have a 20 year repayment schedule to May, 2031. The City has an intergovernmental agreement with the Metropolitan Milwaukee Sewer District to pay the City the required interest and principal with payments on the Clean Water Fund loan beginning in 2015.

The Franklin Water Utility has borrowed \$60,000 from the City's General Fund. Recent capital expenditures have resulted in this borrowing. The advance is to be repaid from the Water Utility cash flow. The utility's plan is to make future infrastructure improvements including water main replacement and new water service from current reserves and from City collected impact fees.

	City of Franklin's Outstanding Debt (All purposes)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation						
Notes	\$ 9,685,000	\$ 12,865,000	\$ 24,565,423	\$ 22,064,833	\$ 34,260,423	\$ 34,929,833
Bonds	8,185,000	8,805,000	-	-	8,185,000	8,805,000
Total	\$ 17,870,000	\$ 21,670,000	\$ 24,565,423	\$ 22,064,833	\$ 42,445,423	\$ 43,734,833

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 11 - 13 in the statistical section of the report.

Other Changes of Significance

Post Employment Health Care Benefits

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

The Government Accounting Standards Board (GASB) issued Statement #45 effective for the City of Franklin on January 1, 2008 that said that the expense of these benefits has to be recognized over the working lives of the employees. The Common Council concluded that the City of Franklin should not only recognize the expense on its financial statements but should fund those amounts out of its general revenue starting in 2008 with the establishment of a section 115 trust. The actuarial computed annual required contribution under GASB #45 for 2013 was \$523,342 and for 2012 was \$837,575. This reduction was the result of removing a Affordable Care Act tax from the projected expenses in the Actuarial Assumptions.

More detailed information can be found in footnote 5C.

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2013 for the City was 4.8%, Milwaukee County which includes the City, is 7.2%. This compares with an unemployment rate of 6.2% for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were (0.30)% , (7.04)% , and 1.99% , respectively.
- The tax levy change for the current and prior two years were, \$42,000, (\$498,000), and \$539,000, respectively.
- The 2014 budgets require a local tax rate that increases 8.8% which together with growth will result in no change in tax levy. A revaluation of the City in 2013 drove the rate increase.

Requests for Information

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

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

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 15,317,237	\$ 1,750,291	\$ 17,067,528
Receivables			
Accounts receivable	1,087,779	2,196,379	3,284,158
Interest receivable	85,413	-	85,413
Taxes receivable	24,504,398	315,082	24,819,480
Note receivable	6,195,000	-	6,195,000
Special assessments receivable	1,402,776	-	1,402,776
Internal balances	68,643	(68,643)	-
Due from other governments	222,935	-	222,935
Prepaid items	79,762	502	80,264
Inventories	26,679	-	26,679
Long term advances	505,040	(505,040)	-
Restricted cash and investments	-	277,230	277,230
Due from other governments - long term	-	25,451,385	25,451,385
Capital assets (net of accumulated depreciation)			
Land	24,958,327	521,225	25,479,552
Buildings and improvements	15,646,007	2,287,603	17,933,610
Machinery and equipment	6,566,655	1,176,795	7,743,450
Improvements other than buildings	67,145,596	85,051,619	152,197,215
Construction in progress	152,923	57,942	210,865
Total assets	163,965,170	118,512,370	282,477,540
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding costs	187,474	-	187,474
LIABILITIES			
Accounts payable	1,085,655	1,319,267	2,404,922
Accrued liabilities	737,720	18,783	756,503
Due to other governments	8,625	-	8,625
Accrued interest	246,728	100,687	347,415
Special deposits	111,686	2,500	114,186
Noncurrent liabilities			
Due within one year	10,893,721	1,159,364	12,053,085
Due in more than one year	8,844,855	23,521,513	32,366,368
Total liabilities	21,928,990	26,122,114	48,051,104
DEFERRED INFLOWS OF RESOURCES			
Subsequent year property taxes	24,222,854	-	24,222,854
NET POSITION			
Net Investment in capital assets	104,721,982	89,095,184	193,817,166
Restricted for			
Debt service	722,710	-	722,710
Utility improvements	1,523,989	-	1,523,989
Development	5,052,168	-	5,052,168
Library	582,292	-	582,292
Other	507,955	-	507,955
Sewer equipment replacement	-	277,230	277,230
Unrestricted	4,889,704	3,017,842	7,907,546
Total net position	\$ 118,000,800	\$ 92,390,256	\$ 210,391,056

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Activities
Year Ended December 31, 2013

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	\$ 2,915,267	\$ 251,573	\$ -	\$ -	\$ (2,663,694)	\$ -	\$ (2,663,694)
Public safety	16,484,847	2,459,946	182,887	38,759	(13,803,255)	-	(13,803,255)
Public works	6,550,808	1,234,601	1,452,191	1,568,163	(2,295,853)	-	(2,295,853)
Health and human services	698,088	118,702	9,012	52,937	(517,437)	-	(517,437)
Culture and recreation	1,838,700	113,217	194,610	-	(1,530,873)	-	(1,530,873)
Conservation and development	422,095	63,366	250	-	(358,479)	-	(358,479)
Interest on long term debt	802,562	-	-	-	(802,562)	-	(802,562)
Total governmental activities	29,712,367	4,241,405	1,838,950	1,659,859	(21,972,153)	-	(21,972,153)
Business-type activities:							
Water	5,051,835	5,403,994	-	-	-	352,159	352,159
Sewer	4,133,632	3,243,737	-	-	-	(889,895)	(889,895)
Total business-type activities	9,185,467	8,647,731	-	-	-	(537,736)	(537,736)
Total primary government	\$ 38,897,834	\$ 12,889,136	\$ 1,838,950	\$ 1,659,859	(21,972,153)	(537,736)	(22,509,889)
General revenue:							
Property taxes levied for general purposes					20,037,681	-	20,037,681
Property taxes levied for debt service					1,650,000	-	1,650,000
Property taxes levied for TIF Districts					2,410,131	-	2,410,131
Other taxes					723,985	-	723,985
Intergovernmental revenue not restricted to specific programs					1,620,331	-	1,620,331
Investment earnings					87,278	569,444	656,722
Miscellaneous revenue					66,191	40,398	106,589
Gain on sale of capital assets					2,024	-	2,024
Transfers					(66,726)	66,726	-
Total general revenue and transfers					26,530,895	676,568	27,207,463
Change in net position					4,558,742	138,832	4,697,574
Net position - beginning					113,442,058	92,251,424	205,693,482
Net position - ending					\$ 118,000,800	\$ 92,390,256	\$ 210,391,056

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2013

	<u>General</u>	<u>Debt Service</u>	<u>TIF Districts</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 7,288,853	\$ 564,739	\$ 231,719	\$ 5,963,157	\$ 14,048,468
Receivables					
Accounts receivable	905,046	-	-	79,642	984,688
Interest receivable	45,145	-	40,268	-	85,413
Taxes receivable	16,253,222	1,679,494	2,526,924	4,044,758	24,504,398
Note receivable	-	-	6,195,000	-	6,195,000
Special assessments receivable	-	204,675	-	1,198,101	1,402,776
Due from other funds	133,796	-	-	757	134,553
Due from other governments	3,346	-	1,200	218,389	222,935
Prepaid items	19,187	-	-	3,075	22,262
Inventories	26,679	-	-	-	26,679
Advances to other funds	505,040	-	-	3,287,000	3,792,040
TOTAL ASSETS	\$ 25,180,314	\$ 2,448,908	\$ 8,995,111	\$ 14,794,879	\$ 51,419,212
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 651,885	\$ -	\$ 298	\$ 326,613	\$ 978,796
Accrued liabilities	323,785	-	-	34,835	358,620
Due to other funds	65,910	-	-	-	65,910
Due to other governments	6,239	-	-	2,386	8,625
Special deposits	111,686	-	-	-	111,686
Advance from other funds	-	2,137,000	3,313,000	-	5,450,000
Total liabilities	1,159,505	2,137,000	3,313,298	363,834	6,973,637
DEFERRED INFLOWS OF RESOURCES					
Unearned & unavailable revenue	16,239,242	1,804,675	2,567,192	5,054,789	25,665,898
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventories and prepaid items	45,866	-	-	2,475	48,341
Advances to other funds	505,040	-	-	-	505,040
Restricted:					
Debt service	-	606,945	6,195,000	-	6,801,945
Utility improvements	-	-	-	443,438	443,438
Development	-	-	-	5,052,168	5,052,168
Donations	-	-	-	102,326	102,326
Health services	-	-	-	165,846	165,846
Library services	-	-	-	579,817	579,817
Solid waste	-	-	-	188,307	188,307
Recreational services	-	-	-	51,476	51,476
Assigned:					
Capital projects	-	-	-	2,791,111	2,791,111
Unassigned (deficit)	7,230,661	(2,099,712)	(3,080,379)	(708)	2,049,862
Total fund balances (deficit)	7,781,567	(1,492,767)	3,114,621	9,376,256	18,779,677
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)	\$ 25,180,314	\$ 2,448,908	\$ 8,995,111	\$ 14,794,879	\$ 51,419,212

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
December 31, 2013

Fund balances - total governmental funds	\$	18,779,677
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		114,469,508
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		1,402,776
Accrued interest receivable		40,268
Internal Service Fund net position		3,106,401
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		(17,880,000)
Compensated absences		(1,773,696)
Net pension obligation		(84,880)
Unamortized refunding costs		187,474
Accrued Interest		(246,728)
		(19,797,728)
Net change in net position of governmental activities	\$	<u>118,000,800</u>

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2013

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$ 17,078,994	\$ 1,650,000	\$ 2,410,131	\$ 3,682,672	\$ 24,821,797
Intergovernmental revenue	2,571,374	-	408,245	458,422	3,438,041
Licenses and permits	912,357	-	-	-	912,357
Fines, forfeitures and penalties	411,795	-	-	-	411,795
Public charges for services	1,473,039	-	-	1,164,568	2,637,607
Special assessments	-	65,706	-	1,417,644	1,483,350
Intergovernmental charges for services	162,308	-	-	-	162,308
Investment earnings (loss)	(11,514)	7,899	122,476	104,945	223,806
Miscellaneous revenue	156,414	-	-	132,051	288,465
Total revenue	<u>22,754,767</u>	<u>1,723,605</u>	<u>2,940,852</u>	<u>6,960,302</u>	<u>34,379,526</u>
EXPENDITURES					
Current					
General government	2,709,182	-	-	1,468	2,710,650
Public safety	15,447,159	-	-	18,458	15,465,617
Public works	3,386,737	-	-	1,469,133	4,855,870
Health and human services	635,959	-	-	32,752	668,711
Culture, recreation and education	150,887	-	-	1,363,781	1,514,668
Conservation and development	360,649	-	40,757	15,359	416,765
Capital outlay	-	-	3,196	3,169,510	3,172,706
Debt service					
Principal	-	620,000	3,170,000	-	3,790,000
Interest	-	409,381	624,138	-	1,033,519
Total expenditures	<u>22,690,573</u>	<u>1,029,381</u>	<u>3,838,091</u>	<u>6,070,461</u>	<u>33,628,506</u>
Excess (deficiency) of revenue over expenditures	<u>64,194</u>	<u>694,224</u>	<u>(897,239)</u>	<u>889,841</u>	<u>751,020</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	75,559	75,559
Transfers in	1,325,220	366,276	-	1,077,661	2,769,157
Transfers out	(109,982)	-	-	(1,528,800)	(1,638,782)
Total other financing sources and uses	<u>1,215,238</u>	<u>366,276</u>	<u>-</u>	<u>(375,580)</u>	<u>1,205,934</u>
Net change in fund balances	1,279,432	1,060,500	(897,239)	514,261	1,956,954
Fund balances (deficit) - beginning	<u>6,502,135</u>	<u>(2,553,267)</u>	<u>4,011,860</u>	<u>8,861,995</u>	<u>16,822,723</u>
Fund balances (deficit) - ending	<u>\$ 7,781,567</u>	<u>\$ (1,492,767)</u>	<u>\$ 3,114,621</u>	<u>\$ 9,376,256</u>	<u>\$ 18,779,677</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
Year Ended December 31, 2013

Net change in fund balances - total governmental funds	\$	1,956,954
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		2,269,100
Depreciation		(2,950,902)
Loss on disposal		(73,535)
Capital assets contributed from governmental activities to the sewer utility.		(489,162)
Contributed capital assets are reported as revenues in the statement of activities.		37,451
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net position.		
Principal paid on long-term debt		3,790,000
Government funds report the effects of premiums, discounts and refunding losses when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.		
		(38,395)
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		(121,263)
Net pension obligation		6,456
Accrued interest payable		47,242
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		51,651
Accrued interest receivables		(4,355)
Internal service fund change in net position		<u>77,500</u>
Net change in net position of governmental activities	\$	<u>4,558,742</u>

CITY OF FRANKLIN, WISCONSIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
REVENUE				
Taxes	\$ 18,132,000	\$ 18,132,000	\$ 18,209,369	\$ 77,369
Intergovernmental revenue	2,542,600	2,542,600	2,571,374	28,774
Licenses and permits	739,000	753,000	912,357	159,357
Fines, forfeitures and penalties	450,000	450,000	411,795	(38,205)
Public charges for services	1,323,500	1,323,500	1,473,039	149,539
Intergovernmental charges for services	125,000	125,000	162,308	37,308
Investment earnings (loss)	142,000	142,000	(11,514)	(153,514)
Miscellaneous revenue	91,000	91,000	156,414	65,414
Total revenue	<u>23,545,100</u>	<u>23,559,100</u>	<u>23,885,142</u>	<u>326,042</u>
EXPENDITURES				
Current				
General government	3,590,863	3,590,338	2,709,182	881,156
Public safety	16,168,265	16,175,490	15,451,459	724,031
Public works	3,497,059	3,504,359	3,374,419	129,940
Health and human services	659,002	659,002	635,959	23,043
Culture and recreation	171,901	171,901	174,887	(2,986)
Conservation and development	408,010	408,010	360,649	47,361
Total expenditures	<u>24,495,100</u>	<u>24,509,100</u>	<u>22,706,555</u>	<u>1,802,545</u>
Excess (deficiency) of revenue over (under) expenditures	(950,000)	(950,000)	1,178,587	2,128,587
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	194,845	194,845
Transfers out	-	(85,982)	(85,982)	-
Net change in fund balance - budgetary basis	(950,000)	(1,035,982)	1,287,450	2,323,432
Adjustments to generally accepted accounting principles basis				
2013 encumbrances	13,482	13,482	13,482	-
2012 encumbrances	(21,500)	(21,500)	(21,500)	-
Net change in fund balance - generally accepted accounting principles basis	(958,018)	(1,044,000)	1,279,432	2,323,432
Fund Balances - beginning	<u>6,502,135</u>	<u>6,502,135</u>	<u>6,502,135</u>	<u>-</u>
Fund Balances - ending	<u>\$ 5,544,117</u>	<u>\$ 5,458,135</u>	<u>\$ 7,781,567</u>	<u>\$ 2,323,432</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
December 31, 2013

(with comparative information for December 31, 2012)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
ASSETS							
Current assets							
Cash and investments	\$ 54,122	\$ 55,565	\$ 1,696,169	\$ 1,349,307	\$ 1,750,291	\$ 1,268,769	
Receivables							
Accounts receivable	1,306,706	1,250,651	889,673	914,068	2,196,379	103,091	
Taxes receivable	181,829	151,144	133,253	131,668	315,082	-	
Due from other funds	76,124	-	54,698	31,000	130,822	-	
Due from other governments	-	86,654	-	-	-	-	
Prepaid expenses	502	-	-	-	502	57,500	
Advance to other funds	-	-	-	-	-	2,163,000	
Total current assets	<u>1,619,283</u>	<u>1,544,014</u>	<u>2,773,793</u>	<u>2,426,043</u>	<u>4,393,076</u>	<u>3,592,360</u>	
Noncurrent assets							
Restricted cash and investments	-	-	277,230	334,508	277,230	-	
Due from other governments	-	-	25,451,385	23,999,948	25,451,385	-	
Capital assets							
Land	162,885	162,885	358,340	358,340	521,225	-	
Buildings and improvements	1,833,594	1,833,594	1,605,333	1,605,333	3,438,927	-	
Improvements other than buildings	55,799,708	55,299,703	53,965,042	53,255,868	109,764,750	-	
Machinery and equipment	2,018,893	2,111,000	780,214	683,982	2,799,107	-	
Construction in progress	30,742	63,237	27,200	50,032	57,942	-	
Less accumulated depreciation	<u>(14,562,515)</u>	<u>(13,728,263)</u>	<u>(12,924,252)</u>	<u>(12,297,629)</u>	<u>(27,486,767)</u>	<u>-</u>	
Total capital assets (net of accumulated depreciation)	<u>45,283,307</u>	<u>45,742,156</u>	<u>43,811,877</u>	<u>43,655,926</u>	<u>89,095,184</u>	<u>-</u>	
Total noncurrent assets	<u>45,283,307</u>	<u>45,742,156</u>	<u>69,540,492</u>	<u>67,990,382</u>	<u>114,823,799</u>	<u>-</u>	
Total assets	<u>46,902,590</u>	<u>47,286,170</u>	<u>72,314,285</u>	<u>70,416,425</u>	<u>119,216,875</u>	<u>3,592,360</u>	

Continued

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
December 31, 2013

(with comparative information for December 31, 2012)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
LIABILITIES							
Current liabilities							
Accounts payable	\$ 735,649	\$ 724,061	\$ 583,618	\$ 2,117,726	\$ 1,319,267	\$ 106,859	
Accrued liabilities	689	3,071	18,094	16,418	18,783	379,100	
Accrued interest payable	-	-	100,687	85,786	100,687	-	
Due to other funds	188,494	331,426	10,971	-	199,465	-	
Special deposits	2,500	2,300	-	-	2,500	-	
Current portion of long-term obligations	29,146	25,317	1,130,218	25,318	1,159,364	-	
Total current liabilities	956,478	1,086,175	1,843,588	2,245,248	2,800,066	485,959	
Noncurrent liabilities							
General obligation notes payable	-	-	23,464,351	22,064,833	23,464,351	-	
Accrued compensated absences	28,581	27,458	28,581	27,457	57,162	-	
Total noncurrent liabilities	28,581	27,458	23,492,932	22,092,290	23,521,513	-	
Long-term advances	-	-	505,040	-	505,040	-	
Total liabilities	985,059	1,113,633	25,841,560	24,337,538	26,826,619	485,959	
NET POSITION							
Net Investment in capital assets	45,283,307	45,742,156	43,811,877	43,655,926	89,095,184	-	
Restricted for							
Sewer equipment replacement	-	-	277,230	334,508	277,230	-	
Unrestricted	634,224	430,381	2,383,618	2,088,453	3,017,842	3,106,401	
Total net position	\$ 45,917,531	\$ 46,172,537	\$ 46,472,725	\$ 46,078,887	\$ 92,390,256	\$ 3,106,401	

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013
(with comparative information for the year ended December 31, 2012)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	
	Current Year	Prior Year	Current Year	Prior Year	Current Year Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 5,065,330	\$ 4,954,569	\$ 3,266,547	\$ 3,083,493	\$ 8,331,877
Receipts for interfund services provided	257,452	277,869	-	3,686	257,452
Payments to suppliers	(3,496,671)	(3,877,650)	(3,867,158)	(2,276,747)	(7,363,829)
Payments to employees	(475,266)	(490,740)	(482,960)	(480,655)	(958,226)
Payments for interfund services used	(95,999)	(94,000)	(96,000)	(94,000)	(191,999)
Net cash flows provided by (used in) operating activities	1,254,846	770,048	(1,179,571)	235,777	75,275
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer out - paid for tax equivalent	(1,127,801)	(1,057,722)	(2,574)	(3,316)	(1,130,375)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Capital Debt	-	-	2,500,590	22,064,833	2,500,590
Advances from other funds	-	-	505,040	-	505,040
Advances to other Governments	-	-	(1,451,437)	(21,055,362)	(1,451,437)
Interest on Capital Debt	(5,131)	-	(568,288)	(211,171)	(573,419)
Acquisition of capital assets	(156,066)	(1,455,166)	(91,309)	(44,873)	(247,375)
Net cash provided (used) by capital and related financing activities	(161,197)	(1,455,166)	894,596	753,427	733,399
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments received on advances to other funds	-	-	-	-	-
Non-operating income (expense)	37,998	124,095	2,400	2,772	40,398
Investment earnings	(5,289)	(1,808)	574,733	320,477	569,444
Net cash provided (used) by investing activities	32,709	122,287	577,133	323,249	609,842
Net increase (decrease) in cash and cash equivalents	(1,443)	(1,620,553)	289,584	1,309,137	288,141
Cash and cash equivalents - Beginning	55,565	1,676,118	1,683,815	374,678	1,739,380
Cash and cash equivalents - Ending	\$ 54,122	\$ 55,565	\$ 1,973,399	\$ 1,683,815	\$ 2,027,521
Cash and Investments - Unrestricted	\$ 54,122	\$ 55,565	\$ 1,696,169	\$ 1,349,307	\$ 1,750,291
Cash and Investments - Restricted	-	-	277,230	334,508	277,230
	\$ 54,122	\$ 55,565	\$ 1,973,399	\$ 1,683,815	\$ 2,027,521

Continued

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2013
(with comparative information for the year ended December 31, 2012)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	
Reconciliation of operating income (loss) to net cash provided by operating activities							
Operating income (loss)	\$ 357,290	\$ 297,497	\$ (306,706)	\$ (201,087)	\$ 50,584	\$ (16,148)	
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities							
Depreciation	1,097,315	1,061,625	650,060	642,839	1,747,375	-	
Depreciation allocated to other funds	5,528	8,150	(5,528)	(8,150)	-	-	
(Increase) decrease in assets							
Accounts receivable	(56,055)	(140,625)	24,395	(60,390)	(31,660)	112,163	
Taxes receivable	(30,685)	3,267	(1,585)	5,508	(32,270)	-	
Prepaid expense	(502)	-	-	-	(502)	(57,500)	
Due from other funds	(76,124)	-	(23,698)	(31,000)	(99,822)	-	
Due from other governments	-	-	-	-	-	-	
Increase (decrease) in liabilities							
Accounts payable	11,587	(309,097)	(1,534,108)	1,005,105	(1,522,521)	63,072	
Accrued liabilities	(2,382)	(754)	1,676	3,453	(706)	26,381	
Due to other governments	86,654	(86,654)	-	-	86,654	-	
Due to other funds	(142,932)	(53,149)	10,971	(1,109,979)	(131,961)	-	
Customer deposits	200	309	-	-	200	-	
Compensated absences	4,952	(10,522)	4,952	(10,522)	9,904	-	
Total adjustments	897,556	472,550	(872,865)	436,864	24,691	144,116	
Net cash flows provided by (used in) operating activities	\$ 1,254,846	\$ 770,047	\$ (1,179,571)	\$ 235,777	\$ 75,275	\$ 127,968	
Noncash Capital Activities							
Cost of Utility plant installed and/or financed by external parties or the City	\$ 487,927	\$ 51,912	\$ 709,174	\$ -	\$ 1,197,101	\$ -	

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Agency Funds	City of Franklin Post Employment Benefits Trust
ASSETS		
Cash	\$ 49,786,062	\$ 522,799
Investments:		
Fixed Income Securities - Corporate Bonds	-	675
Domestic Equities	-	3,127,495
International Equities	-	511,926
Accounts receivable	11,689	78,913
Taxes receivable	21,205,488	-
Total assets	\$ 71,003,239	4,241,808
LIABILITIES		
Accounts payable	\$ 347,445	23,795
Accrued liabilities	-	77,182
Due to other governments	70,494,468	-
Due to municipality	-	334,647
Special deposits	161,326	-
Total liabilities	\$ 71,003,239	435,624
Total net position held in trust for post employment benefits		\$ 3,806,184

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2013

	<u>City of Franklin Post Employment Benefits Trust</u>
ADDITIONS	
Contributions	
City of Franklin	\$ 522,535
Retirees	95,487
Net investment earnings	<u>543,777</u>
Total additions	<u>1,161,799</u>
 DEDUCTIONS	
Incurring claims	686,914
Prescription drug claims	200,276
Claims fees	15,605
Stop loss premiums less claims received	<u>(171,026)</u>
Total deductions	<u>731,769</u>
Change in net position	430,030
 NET POSITION HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:	
Beginning of year	<u>3,376,154</u>
End of year	<u>\$ 3,806,184</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Blended Component Unit

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, liabilities, deferred inflows, net position/fund equity, revenue and expenditures/expenses.

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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.

Major Governmental Funds

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

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

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

Major Enterprise Funds

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In addition the City reports:

Non-Major Governmental Funds

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

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

Other Fund Types

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

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

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

Government-Wide Financial Statements

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Government-Wide Financial Statements (continued)

Fund Financial Statements (continued)

Taxes receivable for the following year are recorded as receivables and deferred inflows. 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.

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.

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.

Deferred inflows are reported on the governmental funds balance sheet. Deferred inflow arise from taxes levied in the current year that are for subsequent year's operations. For governmental fund financial statements unearned revenues 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.

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 unamortured interest on long-term debt, claims, judgments, compensated absences and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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.

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

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

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

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

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.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

All Financial Statements

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

D. ASSETS, LIABILITIES 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 Aa1 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 2½ 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, that limits investments to:

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

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

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

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

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

- a. Custodial credit risk – investments are held by trustee or third party custodian.
 - deposits in excess of FDIC insurance limits are maintained in the State LGIP or collateralized bank balances in amounts at least 75% of the year end cash balances.
- b. Credit risk – securities purchased need to have a AA or better investment rating.
- c. Concentration of credit risk – issuer or asset class not to exceed 10% of the market value of the portfolio with the exception of U.S. issued securities.
- d. Interest rate risk – managed by limiting the length of maturity 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 quoted market prices. No investments are reported at amortized cost.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2013, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

2. Receivables

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

Property tax calendar – 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	March 31, 2014
Third installment due	May 31, 2014
Personal property taxes in full	January 31, 2014
Final tax settlement with County	August 20, 2014
Tax deed by County – 2013	
Delinquent real estate taxes	October 2016

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".

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

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.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Mandatory segregation of assets are presented as restricted assets. Such segregation is required by agreements with external parties. Current liabilities payable from restricted assets are so classified. 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. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$10,000 for infrastructure assets with estimated useful lives of two years or more. Capital assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at estimated fair value at the date of donation. Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital Assets (continued)

Government-Wide Statements (continued)

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

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

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

Fund Financial Statements

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

6. Deferred Inflows/Outflows of Resources

Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for gains/losses is shown as an increase or decrease in the deferred outflow of resources section of the statement of net position.

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.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Compensated Absences

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

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

8. Long-term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist 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.

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.

9. Claims and Judgments

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Equity Classifications

Government-Wide Statements

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

a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Unspent related debt proceeds are excluded from the calculation of net investment in capital assets.

b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

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

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance is that portion of fund balance that is not available for current spending. The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by external parties. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Common Council. 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 restricted or committed. Unassigned fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications. Also included are deficit fund balances in other governmental funds. Proprietary fund equity is classified the same as in the government-wide statements. For classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive classification first when one or more classification is available. Assignments are made by the City's Finance Director.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Comparative Data

The basic financial statements include comparative data for the prior year for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. This comparative data is not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2012 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 liquidated under the prior period budget and encumbrances expected to be liquidated under the current period budget. Actual (budgetary basis) revenue presented is the tax equivalent from the Water Utility as tax revenue while GAAP basis statements present this item as a transfer.

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 40 (2011), legislation was passed that limited 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 0%. Unused tax levy may not be carried forward into the following year. Changes in debt service from one year to the next are generally exempt from this limit.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety). For the year ended December 31, 2013 the General Fund expended \$2,986, more than budget in Culture and recreation.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits.

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, 2013, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 35 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished.

The City maintains a collateral arrangement with its main bank to provide collateralization in excess 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 \$42,000,000. Cash and investments as shown on the December 31, 2013 City of Franklin Statement of Net position are subject to the following risks:

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 381,805	\$ 381,805	Credit and interest rate
Money market funds	590,123	590,123	Credit and interest rate
U.S. treasuries	1,504,223	1,504,223	Interest rate
U.S. agencies	7,016,127	7,016,127	Credit, interest rate and concentration of credit
Corporate notes	3,053,722	3,053,722	Credit, interest rate and concentration of credit
Total fixed income investments	12,546,000	12,546,000	Custodial
Equity funds	3,639,422	3,639,422	Custodial
Cash and demand deposits	55,108,293	51,228,422	Custodial
Total	\$ 71,293,715	\$ 67,413,844	

Reconciliation to the financial statements is shown below:

Per Statement of Net Position

Primary Government:

Unrestricted cash and investments

Restricted cash and investments

Per Statement of Fiduciary Net Position - Agency Funds

- Post-Employment Benefits Trust

\$ 17,067,528
277,230
49,786,062
4,162,895

\$ 71,283,715

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, 2013, none of the City's total bank balances of \$51,228,422 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 except the Local Government Investment Pool have a tri-party relationship with the investments held by a party independent of the party managing the investment.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

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 \$48,328 at December 31, 2013. Other than the note receivable and special assessment receivables, all other receivables are expected to be collected within one year.

The City has a note receivable with a local business in the amount of \$6,195,000. Terms of the note call for semi-annual payments of interest at 1.95% and a final principal payment on February 28, 2014 of \$6,195,000.

The City in 2011 entered into an intergovernmental cooperation agreement with another government where 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 start in 2015 and will continue over the life of the loan, ending in 2031.

C. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund - an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2013 is \$277,230.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

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 Aa1 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, 2013, 95.2% of the investments were in rated fixed income investments and subject to credit risk. The ratings were as follows: Aaa at 74.9%, Aa2 at 8.3%, A1 at 8.6% and A3 at 8.2%. The portfolio makeup of fixed income investments was corporate securities at 18.9%, treasury and agency securities at 52.7%, and money market funds at 3.6%. The Local Government Investment Pool was 2.4% of the investments and is not rated but is subject to credit risk. Equities and fixed income mutual funds held in trust at 22.5% make up the remainder of the investments.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to a large investment position in a single issuer. As of the December 31, 2013 no issue other than U.S. Treasury and Agency securities that have the full faith guarantee of the U.S. government and the Local Government Investment Pool 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.

As of December 31, 2013 the City's fixed income investments were as follows:

Investment type (in thousands)	Fair Value	Investment Maturity in years		
		Less than 1	1 - 5	Over 5
Money market funds	\$ 590,123	\$ 590,123	\$ -	\$ -
U.S. treasuries and agencies	8,520,350	-	2,487,881	6,032,469
Corporate notes	3,053,722	1,000,714	2,053,008	-
Local government investment pool	381,805	381,805	-	-
Total	\$ 12,546,000	\$ 1,972,642	\$ 4,540,889	\$ 6,032,469

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 25,012,541	\$ 19,321	\$ 73,535	\$ 24,958,327
Construction in progress	487,587	154,499	489,163	152,923
Total capital assets not depreciated	25,500,128	173,820	562,698	25,111,250
Capital assets depreciated:				
Buildings & improvements	24,180,167	45,325	-	24,225,492
Machinery & equipment	16,953,185	839,386	221,414	17,571,157
Infrastructure	90,925,188	1,248,020	-	92,173,188
Total capital assets depreciated	132,058,520	2,132,731	221,414	133,969,837
Less: Accumulated depreciation for:				
Buildings & improvements	8,031,773	547,712	-	8,579,485
Machinery & equipment	10,354,968	870,948	221,414	11,004,502
Infrastructure	23,495,350	1,532,242	-	25,027,592
Total accumulated depreciation	41,882,091	2,950,902	221,414	44,611,579
Net capital assets depreciated	90,176,429	(818,171)	-	89,358,258
Governmental activities capital assets, net of accumulated depreciation	\$ 115,676,557	\$ (644,351)	\$ 562,698	\$ 114,469,508

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 184,843
Public safety	627,524
Public works	1,848,751
Health & human services	13,482
Culture & recreation	294,229
Conservation & development	2,073
Total governmental activities depreciation expense	\$ 2,950,902

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Dispositions	Ending Balance
Business-type Activities				
Capital Assets not depreciated:				
Land	\$ 521,225	\$ -	\$ -	\$ 521,225
Construction in progress	113,269	189,665	244,992	57,942
Total capital assets not depreciated	634,494	189,665	244,992	579,167
Capital assets depreciated:				
Buildings & improvements	3,438,927	-	-	3,438,927
Machinery & equipment	2,794,982	255,137	251,012	2,799,107
Infrastructure	108,555,571	1,244,667	35,488	109,764,750
Total capital assets depreciated	114,789,480	1,499,804	286,500	116,002,784
Less: Accumulated depreciation for:				
Buildings & improvements	1,042,076	109,248	-	1,151,324
Machinery & equipment	1,721,617	151,707	251,012	1,622,312
Infrastructure	23,262,199	1,486,420	35,488	24,713,131
Total accumulated depreciation	25,025,892	1,747,375	286,500	27,486,767
Net capital assets depreciated	89,763,588	(247,571)	-	88,516,017
Business-type Activities Capital Assets, net of accumulated depreciation	\$ 89,398,082	\$ (57,906)	\$ 244,992	\$ 89,095,184

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 1,097,315
Sewer	650,060
	\$ 1,747,375

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

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

The interfund receivables and payables at December 31, 2013 are as follows:

Payable Fund	Receivable Fund				Total
	General	Capital Projects	Water Utility	Sanitary Sewer	
General	\$ -	\$ -	\$ 65,910	\$ -	\$ 65,910
Water Utility	133,796	-	-	54,698	188,494
Sanitary Sewer	-	757	10,214	-	10,971
Totals	\$ 133,796	\$ 757	\$ 76,124	\$ 54,698	\$ 265,375

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

Payable Fund	Receivable Fund			Total	Due within one year
	General	Self Insurance	Capital Projects Development		
TIF Districts	\$ -	\$ 2,163,000	\$ 1,150,000	\$ 3,313,000	\$ 750,000
Debt Service	-	-	2,137,000	2,137,000	1,062,000
Sanitary Sewer	505,040	-	-	505,040	-
Totals	\$ 505,040	\$ 2,163,000	\$ 3,287,000	\$ 5,955,040	\$ 1,812,000

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.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Transfers during the year ended December 31, 2013 were as follows:

Transfers Out	Transfers In						Reconciliation of Capital Contributions	Governmental Web Total
	General Fund	Debt Service Fund	Normal Governmental Funds	Enterprise Funds	Fund Totals	Eliminations		
General Fund	\$ -	\$ -	\$ 103,882	\$ -	\$ 103,882	\$ (103,882)	\$ -	
Transfer Governmental Funds	18,146	388,276	97,879	-	1,520,800	(1,520,800)	-	
Enterprise Funds	-	-	-	-	-	-	-	
Water Utility	1,127,801	-	-	-	1,127,801	-	(487,527)	
Sanitary Sewer/Utility	2,574	-	-	-	2,574	-	(706,174)	
Total	\$ 1,352,220	\$ 388,276	\$ 1,077,661	\$ -	\$ 2,769,157	\$ (1,638,782)	\$ (1,193,701)	

F. DEFERRED INFLOWS AND DEFERRED OUTFLOWS

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

	Unavailable	Unearned	Total
Governmental funds:			
Property taxes receivable	\$ -	\$ 24,222,854	\$ 24,222,854
Interest receivable	40,268	-	40,268
Special assessments not yet due	1,402,776	-	1,402,776
Total deferred inflows for governmental funds	\$ 1,443,044	\$ 24,222,854	\$ 25,665,898

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2013 were as follows:

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 21,670,000	\$ -	\$ 3,780,000	\$ 17,890,000	\$ 10,265,000
Net pension obligation	81,336	303,994	310,450	84,880	-
Sub-total	21,751,336	303,994	4,100,450	17,964,880	10,265,000
Compensated absences					
Accrued vacation pay	417,760	900,307	908,195	409,872	409,872
Accrued severance pay	1,057,072	221,119	90,156	1,188,035	43,060
Accrued compensatory time	177,601	200,026	201,838	175,789	175,789
Total compensated absences	1,652,433	1,321,452	1,200,189	1,773,696	628,721
Governmental activities					
Long-term liabilities	\$ 23,413,769	\$ 1,625,446	\$ 5,300,639	\$ 19,738,576	\$ 10,893,721

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

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

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13	Amounts due within one year
Business-type Activities					
General obligation debt	\$ 22,064,833	\$ 2,500,590	\$ -	\$ 24,565,423	\$ 1,101,072
Compensated absences	39,348	41,061	34,629	45,780	45,780
Accrued severance pay	54,915	4,369	2,123	57,161	-
Accrued compensatory time	11,287	6,907	5,681	12,513	12,513
Business-type activities					
Long-term liabilities	\$ 22,170,383	\$ 2,552,927	\$ 42,433	\$ 24,680,877	\$ 1,159,365

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. LONG TERM OBLIGATIONS (continued)

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

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance Outstanding 12/31
General obligation promissory notes						
	1/3/07	4.95	3/ 1/08-14	3/1 & 9/1	\$ 10,000,000	\$ 6,195,000 ¹
	8/26/08	3.00-3.50	3/ 1/09-14	3/1 & 9/1	10,000,000	3,500,000 ²
General obligation refunding bonds						
	1/3/07	3.80	3/ 1/08-21	3/1 & 9/1	9,925,000	8,185,000
Total Governmental Activities Debt						\$ 17,890,000
Business-type Activity Debt						
General obligation Clean Water Fund Loan	1/25/12	2.462	5/1/14-31	5/1 & 11/1	27,562,754	\$ 24,565,423

¹ Issued for non capital TIF purposes ² Issued 50% for non capital TIF purposes

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

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

Year Ending 31-Dec	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 10,265,000	\$ 514,776	\$ 1,101,072	\$ 591,136
2015	520,000	279,490	1,128,180	563,804
2016	1,200,000	246,810	1,155,956	535,687
2017	1,180,000	201,400	1,184,416	508,877
2018	1,180,000	156,370	1,213,578	477,357
2019-2023	3,525,000	200,355	6,531,040	1,917,926
2024-2028	-	-	7,375,586	1,062,984
2029-2031	-	-	4,875,597	182,002
Total	\$ 17,890,000	\$ 1,599,201	\$ 24,565,423	\$ 5,837,773

The City's statutory debt limit and margin of indebtedness at December 31, 2013 are \$170,713,830 and \$128,288,407, respectively.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. LONG TERM OBLIGATIONS (continued)

Conduit Debt Obligations

Twelve series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$124,992,000 are outstanding with a December 31, 2013 balance of \$116,038,155.

H. NET POSITION/FUND BALANCES

Governmental Activities

Governmental activities net position reported on the government-wide statement of net position at December 31, 2013 include the following:

Net investment in capital assets	
Land	\$ 24,950,327
Construction in process	152,923
Other capital assets, net of accumulated depreciation	89,358,258
Less: related long term debt outstanding	(9,747,526)
Net investment in capital assets	<u>104,721,982</u>
Restricted for:	
Debt service	722,710
Utility improvement	1,523,989
Development	5,062,168
Library	582,282
Other	507,955
Total restricted	<u>8,389,114</u>
Unrestricted	<u>4,869,704</u>
Total governmental activities net position	<u>\$ 118,000,800</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. NET POSITION/FUND BALANCES (continued)

Governmental Fund Balances

Reported on the fund financial statements at December 31, 2013 include the following:

Nonspendable fund balances	
General Fund - inventories and prepaid items	\$ 45,866
General Fund - Advances	505,040
Library Fund - prepaid items	<u>2,475</u>
Total nonspendable	<u>\$ 553,381</u>
Restricted fund balances	
Debt Service	\$ 6,801,845
Utility Improvements	443,438
Development	5,052,168
Donations	102,326
Health services	165,846
Library services	579,817
Solid Waste	188,307
Recreational services	51,476
Total restricted	<u>\$ 13,385,323</u>
Assigned Fund balances:	
Capital Projects:	
Capital Outlay	\$ 337,575
Equipment Replacement	1,916,045
Capital Improvement	318,928
Street Improvement	218,563
Total Assigned fund balances	<u>\$ 2,791,111</u>
Unassigned fund balances	
General Fund	\$ 7,230,661
Debt Service - Deficit	(2,089,712)
St Martin's Fair - Deficit	(708)
TIF Districts - Deficit	(3,080,379)
Total Unassigned fund balances	<u>\$ 2,049,862</u>

NOTE 4 - OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System

All eligible protective (public safety) City of Franklin employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All such permanent employees expected to work over 600 hours a year, for employees hired prior to July 1, 2011 and 1200 hours a year for employees hired prior after that date are eligible to participate in the System. Covered employees in the protective occupations category are required by statute to contribute 5.9% to the plan both for protective occupations with social security, and for protective occupations without social security.

Employers may not make these contributions to the plan on behalf of the protective occupation employees unless provided for by an existing collective bargaining agreement. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2013 was \$7,582,772 and the employer's total payroll was \$13,792,793. The total required contribution for the year ended December 31, 2013 was \$1,653,044, or 21.8% of covered payroll. \$137,455 was paid by employees while \$1,515,609 was paid by the employer. Of the total required contribution, 100% was contributed for the current year. Total contributions for the years ended December 31, 2012, and 2011 were \$1,860,118 and \$1,512,397, respectively which equal the required contributions for each year.

The System provides that protective employees who retire at or after age 53 with 25 years or more of service or age 54 with less than 25 years of service are entitled to receive retirement benefits. Protective employees may retire at age 50 and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service and (3) a formula factor. Final Average Earnings is the average of the protective employee's three highest year's earnings. Protective employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1986, 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, 1986 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.

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

NOTE 4 - OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS (continued)

PUBLIC WORKS EMPLOYEES PENSION PLAN

Plan Description

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

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

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

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

Employees make a non-elective and non-discretionary pension contribution that in 2013 was 5% of payroll. The City contributes all remaining amounts necessary to fund the pension plan. Starting in 2010, the City uses the entry age normal actuarial cost method.

Funding Policy

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Annual Pension Cost

For 2013, the City's required contribution of \$310,450 was determined during a January 1, 2013 actuarial valuation using the entry age normal cost method. The City began to require employee contributions, totaling \$141,971 in 2013. During the year ended December 31, 2013, combined contributions totaling \$303,994 were accrued. This resulted in the net pension obligation being reduced by \$6,456. The required employer contribution amount represented 18.4% of current year payroll compared to the 16.8% anticipated in the 2012 actuarial report.

The entry age normal actuarial cost method does identify or separately amortize unfunded actuarial liabilities. The unfunded actuarial liability is being amortized over a 20 year closed period. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets ranging of 7.5% compounded annually, (b) projected salary increases of 3.00% per year compounded annually, attributable to inflation applied using the level percentage of projected payroll. The assumptions do not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Year Ending	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	\$ 303,994	102.1%	\$ 84,880
12/31/2012	272,480	102.2%	91,336
12/31/2011	224,478	102.8%	97,341

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

Annual required contribution	\$ 310,450
Interest on net pension obligation	6,850
Adjustment to annual required contribution	(13,306)
Annual pension expense	303,994
Contributions made	(310,450)
Increase in net pension obligation	(6,456)
Net pension obligation - beginning of year	91,336
Net pension obligation - end of year	\$ 84,880

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Annual Pension Cost

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Actuarial Liability (AAL) - Aggregate	Funding progress (C)		(D) Funded Ratio (A)/(B)	(E) Covered Payroll	(F) UAAL as Percentage of Covered Payroll (C)/(E)
			Unfunded AAL (UAAL) (B)-(A)	Ratio (A)/(B)			
1/1/2013	\$ 5,383,619	\$ 6,408,402	\$ 1,024,783	84%	\$ 1,689,291	61%	

The multi year trend information is located in the required supplementary information immediately following the notes to the financial statements.

B. DEFINED CONTRIBUTION PLAN

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

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees 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 2013, total contributions of \$388,969 or 10% of covered payroll were made. The City contributed \$196,607 and employees \$192,362. The City may make amendments to the Plan.

C. POST EMPLOYMENT HEALTH CARE BENEFITS

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Contributing 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	35	75% of Premium at Retirement	62	20
Police	66	75% of Premium at Retirement	53	15
Dispatch	13	75% of 2005 Premium	62	20
Fire	55	75% of Premium at Retirement	53	20
DPW	30	75% of Premium at Retirement	60	15

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

Annual required contribution	\$	523,342
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB expense		523,342
Contributions made		(523,342)
Increase in net OPEB obligation	-	-
Net OPEB obligation - beginning of year	-	-
Net OPEB obligation - end of year	\$	-

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 523,342	100.0%	-
12/31/2012	837,535	100.0%	-
12/31/2011	822,537	100.0%	-

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Funding progress:

(A) Actuarial Valuation Date	(B) Actuarial Liability (AAL) Projected unit credit	(C) Unfunded AAL (UAAL) (B)-(A)	(D) Funded Ratio (A)/(B)	(E) Covered Payroll	(F) UAAL as Percentage of Covered Payroll (C)/(E)
1/1/2012	\$ 2,399,455	\$ 8,184,388	29%	\$ 11,553,445	50%

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

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

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

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 - OTHER INFORMATION (continued)

C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

The following significant assumptions were made:

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

The ARC was calculated using the level percentage of payroll method, amortizing costs over a closed period of 30 years. The remaining amortization period at December 31, 2013 was 24 years.

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

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

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

The expected healthcare trend rate of increase in group health charges was based upon the recent experience of the City of Franklin self funded health care program. The trend rate assumption of 8.5% for years one and two, 8.0% for years three and four, reduced to an ultimate rate of 5.5% after thirteen years, was used.

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

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

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

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

NOTE 4 - OTHER INFORMATION (continued)

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.

The City has \$2,122,847 in outstanding contractual commitments relating to various Public Works projects and equipment purchases at December 31, 2013. The City has encumbered \$89,186 at year end due to valid contracts or purchase orders in place and the related services committed and not yet received.

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

CITY OF FRANKLIN, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
December 31, 2013

NOTE 4 - OTHER INFORMATION (continued)

E. RISK MANAGEMENT

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

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

Changes in the balance of claims payable for the two years ended December 31, 2013 are as follows:

	Balance Beginning of Year	Current Claims and Changes in Estimates	Claims Payments	Balance End of Year
2013	\$ 352,000	\$3,808,103	\$ 3,781,003	\$ 379,100
2012	\$ 318,000	3,235,548	3,201,548	352,000

F. IMPLEMENTATION OF GASB STATEMENTS

The City of Franklin adopted GASB Statement No. 63 Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65 Items Previously Recognized as Assets and Liabilities as of January 1, 2012. GASB Statement No. 63 impacted financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. GASB Statement No. 65 impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The impact of adoptions of these statements resulted in the Statement of Net Assets becoming the Statement of Net Position. Additionally, certain items previously reported as assets or liabilities have been reclassified and reported as deferred inflows or outflows.

PUBLIC WORKS EMPLOYEES PENSION PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Actuarial Liability (AAL) - Aggregate	Three Year Trend Information		(E) Covered Payroll	(F) U/AAL as Percentage of Covered Payroll (C)/(E)
			(C) Unfunded AAL (U/AAL) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]		
1/1/2013	\$ 5,383,619	\$ 6,408,402	\$ 1,024,783	84%	\$ 1,689,291	61%
1/1/2012	5,086,223	5,749,942	663,719	89%	1,669,439	39%
1/1/2011	4,891,872	5,219,206	327,534	94%	1,566,522	21%

CITY OF FRANKLIN POST EMPLOYMENT BENEFITS TRUST
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Asset Value	Accrued Liability (AAL) Projected unit credit	Unfunded		Covered Payroll	Percentage of Covered Payroll (C)/(E)
			(B)-(A) AAL (U/AAL)	(A)/(B) Funded Ratio		
1/1/2012	\$2,399,455	\$ 8,184,388	\$ 5,784,933	29%	\$ 11,553,445	50%
1/1/2010	1,254,758	6,016,221	4,761,463	21%	11,523,032	41%
1/1/2008	-	7,972,327	7,972,327	0%	11,725,456	68%

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

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

FORMS OF LEGAL OPINIONS

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

December 18, 2014

Re: City of Franklin, Wisconsin ("Issuer")
 \$5,345,000 General Obligation Promissory Notes, Series 2014A,
 dated December 18, 2014 ("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>
2015	\$ 50,000	____%
2016	750,000	_____
2017	1,850,000	_____
2018	1,155,000	_____
2019	170,000	_____
2020	180,000	_____
2021	180,000	_____
2022	335,000	_____
2023	335,000	_____
2024	340,000	_____

Interest is payable semi-annually on March 1 and September 1 of each year commencing on March 1, 2015.

The Notes maturing on March 1, 2022 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2021 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

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

We further certify that we have examined a sample of the 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 corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Notes is included in adjusted current earnings. 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

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

December 18, 2014

Re: City of Franklin, Wisconsin ("Issuer")
 \$1,300,000* General Obligation Water System Bonds, Series 2014B,
 dated December 18, 2014 ("Bonds")

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

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

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

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2015	\$55,000	____%
2016	55,000	____
2017	55,000	____
2018	55,000	____
2019	55,000	____
2020	55,000	____
2021	60,000	____
2022	60,000	____
2023	60,000	____
2024	60,000	____
2025	65,000	____
2026	65,000	____
2027	65,000	____
2028	70,000	____
2029	70,000	____
2030	75,000	____
2031	75,000	____
2032	80,000	____
2033	80,000	____
2034	85,000	____

Interest is payable semi-annually on March 1 and September 1 of each year commencing on March 1, 2015.

The Bonds maturing on March 1, 2023 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2022 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

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

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

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

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

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

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

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

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, NY, 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 and www.dtc.org.
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.

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

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 \$5,345,000 General Obligation Promissory Notes, Series 2014A, dated December 18, 2014 (the "Securities"). The Securities are being issued pursuant to Resolutions adopted by the Governing Body of the Issuer on October 21, 2014 and December 2, 2014 (collectively, the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

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

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

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

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

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

"Final Official Statement" means the Preliminary Official Statement dated November __, 2014 (as supplemented by an Addendum dated December 3, 2014) delivered in connection with the Securities, which is available from the MSRB.

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

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

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

"Issuer Contact" means the Director of Clerk Services/City Clerk of the Issuer who can be contacted at 9229 West Loomis Road, Franklin, WI 53132, phone (414) 425-7500, fax (414) 425-6428.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"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 that ends December 31, 2014, 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. Direct Debt
2. Debt Limit
3. Current Property Valuations
4. 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 Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Material Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material 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 such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to the MSRB of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

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 Material 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 Material 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 Material 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 material 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 18th day of December, 2014.

Steve Olson
Mayor

(SEAL)

Sandra L. Wesolowski
Director of Clerk Services/City Clerk

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 \$1,300,000* General Obligation Water System Bonds, Series 2014B, dated December 18, 2014 (the "Securities"). The Securities are being issued pursuant to Resolutions adopted by the Governing Body of the Issuer on September 23, 2014 and December 2, 2014 (collectively, the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

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

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

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"Final Official Statement" means the Preliminary Official Statement dated November __, 2014 (as supplemented by an Addendum dated December 3, 2014) delivered in connection with the Securities, which is available from the MSRB.

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

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

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

"Issuer Contact" means the Director of Clerk Services/City Clerk of the Issuer who can be contacted at 9229 West Loomis Road, Franklin, WI 53132, phone (414) 425-7500, fax (414) 425-6428.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"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.

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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 that ends December 31, 2014, 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. Direct Debt
2. Debt Limit
3. Current Property Valuations
4. 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 Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Material Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB.

Notwithstanding the foregoing, notice of Material 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 such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to the MSRB of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

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 Material 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 Material 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 Material 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 material 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 18th day of December, 2014.

Steve Olson
Mayor

(SEAL)

Sandra L. Wesolowski
Director of Clerk Services/City Clerk

APPENDIX E

NOTICE OF SALE

\$5,345,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2014A CITY OF FRANKLIN, WISCONSIN

Bids for the purchase of \$5,345,000* General Obligation Promissory Notes, Series 2014A (the "Notes") of the City of Franklin, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Financial Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on December 2, 2014, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. The bid offering to purchase the Notes upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

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

DATES AND MATURITIES

The Notes will be dated December 18, 2014, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2015	\$50,000	2019	\$170,000	2023	\$335,000
2016	750,000	2020	180,000	2024	340,000
2017	1,850,000	2021	180,000		
2018	1,155,000	2022	335,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the amount of any individual maturity of the Notes in increments of \$5,000 on the day of sale. If individual maturities are increased or decreased, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

*Preliminary, subject to change.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2015, 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 MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Notes will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Notes. So long as Cede & Co. is the registered owner of the Notes, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Notes.

OPTIONAL REDEMPTION

At the option of the City, Notes maturing on or after March 1, 2022 shall be subject to redemption prior to maturity on March 1, 2021 and on 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 and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC not fewer 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.

DELIVERY

On or about December 18, 2014, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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. 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).

SUBMISSION OF BIDS

Bids must not be for less than \$5,291,550, nor more than \$5,612,250, plus accrued interest on the principal sum of \$5,345,000 from date of original issue of the Notes to date of delivery. A signed bid form must be submitted to Ehlers prior to the time established above for the opening of bids as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 10:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A cashier's check in the amount of \$106,900 may be submitted contemporaneously with the bid or, alternatively, a good faith deposit in the amount of \$106,900 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, MN, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such good faith deposit ("Deposit") shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. The Deposit will be returned to the Purchaser at the closing for the Notes.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing. 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

AWARD

The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Notes will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Notes are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Notes from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Notes or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Notes. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

INFORMATION FROM WINNING BIDDER

The winning bidder will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Notes necessary to compute the yield on the Notes pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Notes prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies upon request of the Final Official Statement within seven business days of the bid acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Paul Rotzenberg, Director of Finance & Treasurer
City of Franklin, Wisconsin

NOTICE OF SALE

\$1,300,000* GENERAL OBLIGATION WATER SYSTEM BONDS, SERIES 2014B CITY OF FRANKLIN, WISCONSIN

Bids for the purchase of \$1,300,000* General Obligation Water System Bonds, Series 2014B (the "Bonds") of the City of Franklin, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Financial Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on December 2, 2014, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award at a meeting to be held at 6:30 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Bonds are being issued pursuant to Wisconsin Statutes, Section 67.04 for the public purpose of paying the costs of water system projects. The Bonds are valid and binding general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

The Bonds will be dated December 18, 2014, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2015	\$55,000	2022	\$60,000	2029	\$70,000
2016	55,000	2023	60,000	2030	75,000
2017	55,000	2024	60,000	2031	75,000
2018	55,000	2025	65,000	2032	80,000
2019	55,000	2026	65,000	2033	80,000
2020	55,000	2027	65,000	2034	85,000
2021	60,000	2028	70,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the amount of any individual maturity of the Bonds in increments of \$5,000 on the day of sale. If individual maturities are increased or decreased, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

*Preliminary, subject to change.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2015, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

OPTIONAL REDEMPTION

At the option of the City, Bonds maturing on or after March 1, 2023 shall be subject to prior payment on March 1, 2022 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for prepayment, the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be prepaid. 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 fewer than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about December 18, 2014, the Bonds will be delivered without cost to the original purchaser at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, bond counsel to the City. The legal opinion will be issued on the basis of existing

law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

SUBMISSION OF BIDS

Bids must not be for less than \$1,283,750, nor more than \$1,378,000, plus accrued interest on the principal sum of \$1,300,000 from date of original issue of the Bonds to date of delivery. A signed bid form must be submitted to Ehlers prior to the time established above for the opening of bids as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 10:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone (212) 849-5021..

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A cashier's check in the amount of \$26,000 may be submitted contemporaneously with the bid or, alternatively, a good faith deposit in the amount of \$26,000 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, MN, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such good faith deposit ("Deposit") shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. The Deposit will be returned to the Purchaser at the closing for the Bonds.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing. 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder of the Bonds. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

INFORMATION FROM WINNING BIDDER

The winning bidder will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

PRELIMINARY OFFICIAL STATEMENT

Underwriters may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies of the Final Official Statement upon request within seven business days of the bid acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Paul Rotzenberg, Director of Finance & Treasurer
City of Franklin, Wisconsin

BID FORM

**The Common Council
City of Franklin, Wisconsin**

December 2, 2014

RE: \$5,345,000* General Obligation Promissory Notes, Series 2014A

DATED: December 18, 2014

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Preliminary Official Statement, we will pay you \$_____ (not less than \$5,291,550, nor more than \$5,612,250) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due 2015	_____ % due 2019	_____ % due 2023
_____ % due 2016	_____ % due 2020	_____ % due 2024
_____ % due 2017	_____ % due 2021	
_____ % due 2018	_____ % due 2022	

* The City reserves the right to increase or decrease the amount of any individual maturity of the Notes in increments of \$5,000 on the day of sale. If individual maturities are increased or decreased, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our good faith deposit in the amount of \$106,900, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our good faith deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138.** Such good faith deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about December 18, 2014.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Notes within 24 hours of the bid acceptance.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 18, 2014 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Franklin, Wisconsin, on December 2, 2014.

By: _____ By: _____

Title: _____ Title: _____

BID FORM

The Common Council
City of Franklin, Wisconsin

December 2, 2014

RE: \$1,300,000* General Obligation Water Utility Bonds, Series 2014B

DATED: December 18, 2014

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the purchaser) as stated in this Preliminary Official Statement, we will pay you \$_____ (not less than \$1,283,750, nor more than \$1,378,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2015	_____ % due 2022	_____ % due 2029
_____ % due 2016	_____ % due 2023	_____ % due 2030
_____ % due 2017	_____ % due 2024	_____ % due 2031
_____ % due 2018	_____ % due 2025	_____ % due 2032
_____ % due 2019	_____ % due 2026	_____ % due 2033
_____ % due 2020	_____ % due 2027	_____ % due 2034
_____ % due 2021	_____ % due 2028	

* The City reserves the right to increase or decrease the amount of any individual maturity of the Bonds in increments of \$5,000 on the day of sale. If individual maturities are increased or decreased, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%). All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our good faith deposit in the amount of \$26,000, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our good faith deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138.** Such good faith deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about December 18, 2014.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 18, 2014 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Franklin, Wisconsin, on December 2, 2014.

By: _____ By: _____

Title: _____ Title: _____