

CITY OF FRANKLIN
COMMITTEE OF THE WHOLE MEETING
MONDAY, JUNE 6, 2016, 6:30 P.M.
COMMON COUNCIL CHAMBERS, FRANKLIN CITY HALL
9229 W. LOOMIS ROAD, FRANKLIN, WISCONSIN
AGENDA

1. Call to Order and Roll Call.
2. Update on the Status of the Ballpark Commons Development Project.
3. 2015 Comprehensive Annual Financial Report of the City of Franklin and the Required Communications Letter from Clifton Larson Allen, LLP Certified Public Accountants.
4. Request by Alderman D. Mayer for Recommendation Regarding Location and Day of Monthly St. Martins Fairs; and Future Green Markets and Future Farmers Markets.
5. Adjournment.

*Notice is given that a majority of the Plan Commission may attend this meeting to gather information about an agenda item over which the Plan Commission has decision-making responsibility. This may constitute a meeting of the Plan Commission, per State ex rel. Badke v. Greendale Village Board, even though the Plan Commission will not take formal action at this meeting.

**Supporting documentation and details of these agenda items are available at City Hall during normal business hours.

[Note: Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through appropriate aids and services. For additional information, contact the City Clerk's office at (414) 425-7500.]

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Committee of the Whole 6/06/2016 Item 2.

<p>Approval <i>Slw</i></p>	<p>Council Action Sheet</p>	<p>MEETING DATE 6/7/16</p>
<p>REPORTS & RECOMMENDATIONS</p>	<p>Update on the status of the Ballpark Commons development proposal</p>	<p>ITEM NUMBER <i>6.25.(a)</i></p>

Background

City of Franklin staff continues to coordinate with the Ballpark Commons development team as they work to meet the conditions set forth by the general plan approval granted at the April 4, 2016 Common Council meeting and to consider a tax increment finance (TIF) district for the area . With prior authorization from the Common Council, staff has contracted an independent market analysis of the project with Melaniphy & Associates and a TIF analysis with Ehlers. Both analyses are underway.

TIF Timeline:

Ehlers is preparing to make a TIF feasibility analysis presentation at the June 28th meeting of the Common Council. Their analysis will include variable modeling based on feedback from Melaniphy's market analysis. If the Council would like to proceed at that time, a tentative schedule is in place for notifications to property owners and taxing authorities, drafting a project plan, and the hosting of public hearings and Joint Review Board meetings to occur this summer. The Council would then be in a position to review and take action on district project plans to actually create the TIF before September 30, 2016.

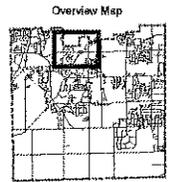
Note that under Wisconsin law, a TIF district created prior to September 30th uses the current year's assessments as a baseline (1/1/16). A district formed after September 30th, uses the following year's assessments (1/1/17). In the case of Ballpark Commons, additional increment is likely to be captured if the district is created prior to September 30, 2016. Not only are the taxable portions of the development likely to increase in value year-over-year, but the former Department of Transportation land (between Crystal Ridge Drive and Loomis Road) will go from having zero taxable value when it was owned by the State to some positive number since it was acquired by the development team. By acting on the district prior to September 30th, the increase in tax value can be captured by the tax increment district.

TIF Boundary:

Staff will be asking Ehlers to analyze a district roughly based on the boundary outlined in the map below. This only includes land west of Loomis Road, NOT land east of Loomis that was part of the City's larger Planning Area A. This decision came after careful consideration and discussion with Ehlers and the Ballpark Commons development team. The more narrowly defined district will help ensure increment generated from the Ballpark Commons development is utilized for expenses associated with meeting the "but for" requirements of the development. When larger development is more immediately anticipated on land east of Loomis, the TIF boundary could be amended or a second TIF district could be created for the rest or other portions of Area A.

The triangle of land south of Rawson, between Old Loomis and Loomis Roads is currently part of the Loomis Road right of way. It cannot be included in the proposed TIF district unless it is parceled off of the much larger Loomis Road parcel. There may be an opportunity to do so, particularly if this section of Old Loomis and the nearby southbound ramp entrance to Loomis are redesigned, as proposed in the City's traffic impact analysis discussed below. At that time, the City could amend the boundary of the district to include this land.

Proposed TIF Boundary Ballpark Commons



- Aldermanic District
 - Banking
 - City Boundary
 - Condo
 - CSM
 - Easement
 - Elementary District
 - Environmental Corridor
 - FEMA DFIRM Flood - Zone A
 - FEMA DFIRM Flood - Zone AE
 - FEMA - 0.2% Annual Chance
 - Parcel
 - Park
 - Pavement
 - County or State Hwy
 - Local Road
 - Road Right-of-Way
 - School District
 - Wetland
- Zoning Districts**
- | | | |
|-----|------|------|
| A-1 | FFD | R-2 |
| A-2 | FW | R-3 |
| B-1 | I-1 | R-3E |
| B-2 | I1 | R-4 |
| B-3 | M-1 | R-5 |
| B-4 | M-2 | R-6 |
| B-5 | M-3 | R-7 |
| B-6 | CL-1 | R-8 |
| B-7 | CL-2 | RK-1 |
| HP | P-1 | YB |
| CC | PDO | YR |
| C-1 | R-1 | |
| FC | R-1E | |
- Legend indicates all types unless they are not shown in this map.

City of Franklin
 Property Viewer beta v3.0g
 9229 W. Loomis Rd., Franklin, WI 53132
 www.franklinwi.gov

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 This map and information provided by the City of Franklin's Property Viewer are not legal instruments and are to be used for reference purposes only, not as a substitute for legal recorded maps, surveys, or other documents. The City of Franklin assumes no liability for any damages of loss resulting from the use or misuse of the maps and information offered through this site. The maps and information provided herein may have been compiled from various public, county, municipal, and private sources, and are intended to be used for general informational purposes only. The City of Franklin makes no warranty, express or implied, as to the accuracy, completeness, or timeliness of the information presented by this site, and provides such information without expressed or implied warranties, subject to the terms and conditions stated in the Disclaimer and as otherwise provided by law. While the City of Franklin makes every attempt to provide accurate, complete, and up-to-date information, it shall not be held responsible for any discrepancies or omissions. Each individual user shall use the information herein at their own risk. Use of the Property Viewer constitutes acceptance of all terms and conditions in this Disclaimer.



Loomis Road TIA:

In 2015, the City contracted with GRAEF to conduct a traffic impact analysis (TIA) for removing the ramps associated with Loomis Road 76th and Rawson Avenue, to increase development potential in Area A. An analysis based on conceptual development plans was prepared and submitted to the Wisconsin Department of Transportation in February of 2016. The DOT has reviewed the plan and requested additional information to clear up discrepancies between the original plan and the currently proposed Ballpark Commons development. Staff is in discussions with GRAEF and the Ballpark Commons development team as to how to appropriately respond to the DOT.

COUNCIL ACTION REQUESTED

Motion to receive and file update on the status of the Ballpark Commons development proposal.

Economic Development: AMH

APPROVAL <i>Slw</i>	REQUEST FOR COUNCIL ACTION	MEETING DATE June 7, 2016
REPORTS & RECOMMENDATIONS	2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRANKLIN AND THE REQUIRED COMMUNICATIONS LETTER FROM CLIFTON LARSON ALLEN, LLP CPA'S	ITEM NUMBER <i>6.25.(b)</i>

The 2015 Comprehensive Annual Financial Report (CAFR) will be presented by the Director of Finance & Treasurer. Jacob Lenell, partner with Clifton Larson Allen, LLC presented this report to the Finance Committee on May 31, 2016 and reported an un-qualified opinion on the statements and no deficiencies identified in the audit.

The Finance Committee recommends acceptance of the report.

The CAFR report is attached.

Upon acceptance of the report at the regular Common Council meeting, Clifton Larson Allen, LLC can complete their work and issue a final report.

This report is a major effort of the entire City Government, but more specifically the Finance Dept. As its name implies, it presents a Comprehensive look at the 2015 financial picture of the City of Franklin. In essence, this report ties a bow on the Annual Budgeting activity as it provides accountability on compliance with the Budgeting process and much more.

There are two formats, the Governmental which we discuss from month to month and focus on when developing the annual budget. And then the Government wide statements, which brings Debt and related Capital Assets, along with other obligations/commitments the City has made, principally to employees, and presents a more complete picture. Pension related balance sheet items are first appearing on the statements in 2015.

The Management's Discussion and Analysis (MD&A) starting on page 12, provides an overview of both sets of statements. That is an important 12 page read.

A look at Budgetary performance is presented for the two major funds, the General Fund, and the Debt Service Fund. Budgetary performance is also provided for significant Non-Major funds such as the Library, Solid Waste and Capital Funds. Exhibit F and Schedules 3 & 4 provide a summary and more detailed report on 2015 Actual results on a budgetary Basis for the General Fund. (See page 31) Note that total revenues were 0.8% above budget, while actual expenditures were only 92.9% of original budget. The Original Budget anticipated a \$926,000 deficit (including a \$950,000 restricted contingency) from operations. Actual operating results were a \$1,050,948 surplus before transfers in/out. The General Fund had net transfers out totaling \$574,000. All tolled, the 2015 General Fund had a Original budgeted \$1,450,000 deficit, while actual results were a \$476,946 surplus before encumbrances.

Budgetary controls are in place to protect against spending beyond the authorized appropriations. 2014 encumbrances and budgetary amendments added \$217,071 of authorized spending to the 2015 adopted budget. Still actual spending was within original budget in all Activities except Culture & Recreation where Parks Personnel costs exceeded the original budget for maintenance projects. Parks and Highway share personnel, and some of the Highway personnel costs were transferred to

parks. Both departments were within the original budget on a combined basis.

The ending 2015 General Fund balance totaled \$9,049,909. Of that, only \$6,662,986 is Unassigned. See page 27 for more details on the availability of fund balance.

Exhibit D (page 29) provides a summary of the actual results for all Governmental funds, the three major funds, and a summary of the non-major funds. On a Governmental basis, the General Government has a \$21,194,223 fund balance. Of that, \$2.2 million is non-spendable. See Exh C (page 27) for more details on fund balance.

Exhibits G, H & I present the Proprietary (Water & Sanitary Sewer Fund) & Internal Service (Active Employee Health insurance fund) fund results. 2015 is another year where these funds operated at a deficit, by design. The Enterprise funds are not building reserves to replace the tens of millions of dollars of infrastructure that has been contributed by developers, but will eventually need to be replaced. Longer term, this is a financing challenge the City faces.

Exhibit J & K (pages 37 & 38) speak to the Fiduciary Funds. These funds belong to other parties, but are maintained by the City. The larger of the two, Agency funds, holds Real Estate tax collections that were distributed in January 2016. The other, the Post Employment Benefit Trust is similar to a pension fund, in that it holds assets to satisfy estimated future retiree health claims. The Common Council decided in 2008 to create this fund. Eventually retiree health care annual operating charges will be reduced as this fund becomes fully funded. See the footnotes related to Post Employment Benefits.

The footnotes are an important part of the statements, as they outline the Significant Accounting Policies that govern how the statements are prepared. There are notes on significant account balances, such as cash & investments, capital assets used to provide services, inter-fund balances, (including the \$4.1 million in long term advances). Inter-fund activity includes the \$1,044,459 transferred to the General Fund by the Water Utility as a PILOT. That payment holds water rates up and Real Estate Taxes down. A description of the long term debt of the City and when it is due is detailed beginning on page 62.

A description of Fund Balances begins on page 64.

New in 2015, as a result of Government Accounting Standards Board (GASB) 68, is the pension information. The excess and unfunded balances of the Cities plans are now on the face of the statements (see Exhibit A) and detailed in the footnotes. The City participates in three pension plans, the Wisconsin Retirement System for Public Safety employees, a defined contribution plan for the former represented Public Works group and a Defined Contribution plan for all other eligible employees. The WRS plan is over funded and the City has a \$2.0 million restricted asset related to that plan. The DPW plan is underfunded, and a \$1.1 million liability now exists related to it. The Defined Contribution plan has no related asset or liability, as there is no guaranteed benefit that requires an actuarial review.

Beginning on page 89 are details of the individual governmental funds, starting with the Special Revenue and Capital funds on Sch 1 & 2. Detailed General Fund Budgetary information is provided on Sch 3 & 4 for the General Fund which demonstrates compliance with the budgetary controls. Additional Budgetary information on the Debt Service fund is on Sch 5, and the Library on Sch 6. The Solid Waste fund has budgetary information on Sch 7. Sch 8 provides budgetary information on all the Capital Funds except the Utility Development fund which had no 2015 budgetary controls. Sch 9 provides more detailed information on the Fiduciary Funds. Sch 10 & 11 give details on the TIDs and Sch 12 gives details on the fixed assets used to provide services.

Beginning on page 109, historical statistical information is provided for the City. This section becomes a great ready reference with a decade long view point.

- Tables 1 & 2 provide Government Wide information and Tables 3 & 4 give Governmental Financial activity.
- Tables 5 & 6 provide information on property values, which become the base for tax rates.
- Table 7 is history of the tax rates for all taxing authorities involved with the City.
- Table 8 provides a historical perspective on the largest tax payers.
- Tables 9 & 10 provides history on tax levies and collections.
- Tables 11, 12 & 13 provide information on the City's debt.
- Tables 14 & 15 provides an economic overview of the City.
- Table 16 gives a history on City employees by function.
- Finally Tables 17 & 18 gives some operating indicators on the City.

This 2015 CAFR gives a picture of the consequences of policy decisions made by Common Council and their long term impact on City finances. Decisions such as creating the Equipment Replacement Fund to accommodate replacing expensive equipment over time, the Solid Waste Fund to remove that cost from Tax Levy controls, the Development funds to provide a funding source for infrastructure supporting new development, and the OPEB Trust which will significantly reduce the tax burden for retiree health costs in the future.

A future challenge is the lack of resources to deal with replacing utility infrastructure. This becomes a long term issue.

Finally, let me express appreciation to the Finance & Treasury staff for their efforts to prepare this document. Without their assistance, this report would not be possible.

COUNCIL ACTION REQUESTED

Motion to receive and place on file the 2015 Comprehensive Annual Financial Report (CAFR), from Clifton Larson Allen, LLP, CPA's.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FRANKLIN, WISCONSIN

FOR THE YEAR ENDED DECEMBER 31, 2015

*Draft - Preliminary
For Discussion Purposes Only
Subject to Change
Not to be Reproduced*

**PREPARED BY THE
DEPARTMENT OF FINANCE**

DIRECTOR OF FINANCE & TREASURER

PAUL ROTZENBERG, CPA

CITY OF FRANKLIN, WISCONSIN

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June 7, 2016

Citizens of Franklin, Honorable Mayor and Common Council members:

Introduction

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2015, is hereby submitted. State law requires that all local governments with a population over 25,000 publish a complete set of financial statements that are presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by CliftonLarsonAllen LLP, a firm of certified public accountants experienced in auditing governmental entities. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2015, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

City Profile

The City of Franklin, incorporated in 1956, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 35,655. Over the last ten years the City has experienced an average annual population increase of 1.0 % per year. The city is a residential community (73.9%) with a commercial and industrial base (25.4 %). Approximately 35% of the acreage in the City is undeveloped, which demands attention to growth issues. It is considered to be one of the more desirable communities in the Milwaukee metropolitan area in which to live and work. The City provides a typical range of municipal services for a suburban community including police, fire protection, emergency medical/paramedic, maintenance of streets and other infrastructure, library, public health services, recreational activities, building inspection, zoning control, refuse collection, recycling collection, sanitary sewer, storm sewer and water services, both construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries to support the services provided.

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

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

actual comparisons are provided in this report for each governmental fund with an adopted budget. The General Fund comparison is presented in Exhibit F as part of the basic financial statements for the governmental funds and in Schedules 3 & 4 of the supplementary information. For governmental funds other than the General Fund with adopted budgets, this comparison is presented in the supplementary information section of this report.

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

Economic Condition and Outlook

The economic activity in Franklin in both the residential and the non-residential sectors was stable. New construction was lower in 2015 compared to 2014 as evidenced by reduced construction permit revenues. Prospects in 2016 for residential, commercial and industrial development are anticipated to be on a par to 2015, with growth dependent upon the development of new subdivisions and business parks.

Estimated actual property values have grown at an average annual rate of 1.9% since 2006. The new growth net of TIF Districts was \$33.7 million in 2015, \$46.8 million in 2014, and \$34.6 million in 2013. The growth in 2016 is expected to be in the \$20 to \$30 million dollar range reflecting the level of economic activity. The historical growth has allowed the City to maintain a relatively low municipal tax rate while still funding the increased cost of services required as a result of the City's growth.

Residential Growth

Over the past ten years, residential valuation has grown at an average annual rate of 1.6 %. Lingering effects of the economic slowdown will keep growth from new construction in 2016 at about the same level as 2015. Longer range, the City has the most developable land in the County and remains attractive to builders and potential residents.

Commercial and Industrial Growth

Over the past ten years, commercial and industrial valuation has increased at an average annual rate of 2.8 %.

In 2005, two TIF Districts (#3 & #4) were established on the eastern side of the City. The two districts have equalized value tax increments of \$73 and \$55 million, respectively.

Anticipated residential growth will continue to place demands on the commercial sector for goods and services that, in turn, is expected to continue the trend of commercial growth. Expansion of the commercial and industrial tax base is a goal of the City with respect to the overall tax rate. Currently 73.9 % of the City's property value is residential compared to 76.7 % ten years ago. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

2015 was a year where overall revenue rose 0.8% compared to budget and 1.8% compared to last year. A temporary increase in computer equipment located in the City drove state exempt computer aids up \$244,000 in 2015.

2015 was not a City-wide property reassessment year. The last reassessment was done in 2010. A re-valuation was completed in 2013. Performing revaluations on a regular basis is in line with the Common Council policy to schedule a revaluation every three years to keep property values in line with current market values. The State determined that the local

assessments after reassessments were 92.7% of fair value. The estimated actual value of City properties was approximately \$3.6 billion.

The challenge for the operating departments in 2015 was to continue to maintain service levels at a time of flat revenues and growth of 0.94% in new properties.

Internal Controls

The City's internal control structure is subject to ongoing evaluation by management. The City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with laws, regulations and good financial policies. The results of the City's audit for the fiscal year ended December 31, 2015 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws or regulations. As a recipient of federal and state financial assistance, if the level of grant expenditures exceeds an established level, currently \$ 750,000, a single audit of grants is required. The City was not required to have a single audit of grants for 2015.

Financial Planning

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

Financial Policies

The City maintains policies on fund balance level, debt policy, investment policies, budget forecasting policy and a capitalization policy. These policies, together with conservative management, has served the City well. The existence of a fund balance enabled the fund balance to be utilized in 2009 during the revenue decline and replenished in 2010 and 2011 when revenue stabilized. The City tapped the debt markets in 2014, for the first time since 2008, to finance two major capital projects. Debt Service planning has permitted a steadily declining Debt Service levy since 2008.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the 23rd consecutive year that the City has received this award.

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

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements. We will be submitting the CAFR to the GFOA to determine its eligibility for a 2015 Certificate.

Acknowledgments

Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also

Mayor, Common Council and Citizens
June 7, 2016

extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance Committee for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

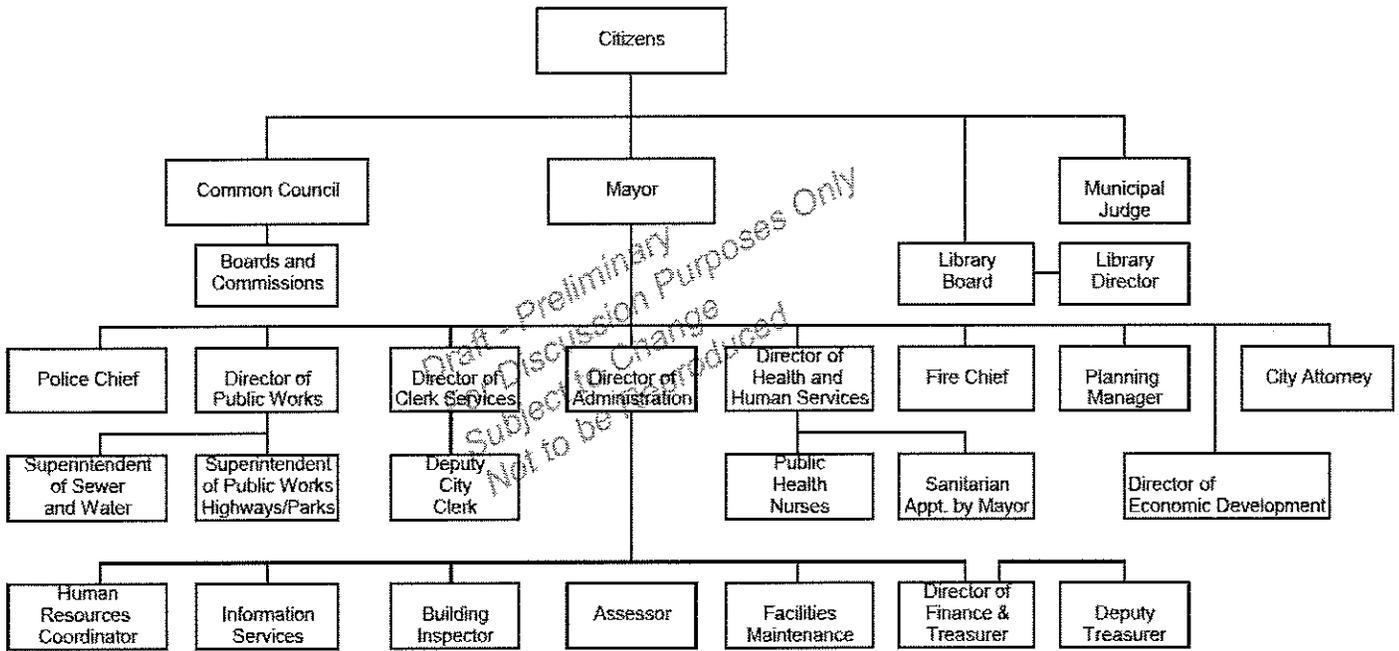
Respectfully submitted,



Paul Rotzenberg, CPA
Director of Finance & Treasurer

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**CITY OF FRANKLIN, WISCONSIN
Organization Chart**



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

Elected Officials

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

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Non-elected Officials	
Assessor	Mark Link
Building Inspector	Fred Baumgart
City Attorney	Jesse Wesolowski
City Clerk	Sandi Wesolowski
City Engineer/Public Works Director	Glen Morrow
Director of Administration	Mark Luberdia
Director of Economic Development	Aaron Hertzberg
Director of Finance & Treasurer	Paul Rotzenberg
Director of Health & Human Services	Bill Wucherer
Fire Chief - Acting	Adam Remington
Human Resources Coordinator	Dana Zahn
Library Director	Rachel Muchin Young
Planning Manager	Joel Dietl
Police Chief	Rick Oliva
Superintendent of Public Works	Jerry Schaefer
Superintendent of Sewer & Water	Mike Roberts



Government Finance Officers Association

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Presented to

**City of Franklin
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

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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, 2015, and the budgetary comparison for the General Fund for the year then ended, 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, 2015, and the budgetary comparison for the General Fund for the year then ended, 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 2014 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated May 5, 2015. 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, 2014 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 discussion and analysis, the schedule of funding progress, schedule of city's proportionate share of the net pension liability (asset), schedule of city's contributions, schedule of changes in net pension liability and related ratios, and schedule of contributions, on pages 84 and 85-86 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, 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 was derived from and relates 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

is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical tables 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 June __, 2016, 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
June __, 2016

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**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, 2015. 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, 2015, by \$ 223,118,687 (**net position**). Of this amount, \$ 19,255,669 (**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 \$7,513,253. Net investment in capital assets increased by \$1,447,175, while unrestricted net position increased by \$6,391,379 and restricted net position decreased by \$325,301. The increase in investment in capital assets was related to capital asset additions offset by debt payments, net of unspent bond proceeds and accumulated depreciation. The unrestricted increase was mainly due to the net pension asset recorded with the adoption of GASB 68. The restricted decrease was due to use of development revenues.
- The City's governmental funds reported, as of December 31, 2015, combined ending fund balances of \$ 21,194,223, an increase of \$ 3,163,566 from the prior year. This was caused by the repayment of \$2,575,000 interfund advances.
- The Nonspendable fund balances were \$ 2,240,532 a decrease of \$37,439 due a reduction of Prepaids and fuel Inventory.
- The restricted fund balances in total was \$ 7,387,917, an increase of \$ 494,348, which was the result of TID values increasing from repayment of interfund advances.
- The assigned fund balances in total of \$ 5,053,715 had an increase of \$ 146,986 related to capital projects.
- The unassigned fund balance as of December 31, 2015 for the general fund was \$6,662,986 or approximately 25 percent of total anticipated 2016 general fund expenditures.
- The City's Governmental activities debt decreased by \$615,000 from scheduled repayments. See table 11 for complete debt repayment details.
- The City's Business type activities completed the Water & Waste Water Building, a \$3 million 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. Table 1 provides a ten year history of Net Position.

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

The City maintains 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, another 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 – 83 of this report.

Other information

In addition to the basic financial statements, notes and accompanying notes, this report also presents certain **required supplementary information** concerning the City of Franklin's progress in funding its retiree health obligations to eligible full time employees and its participation in the Wisconsin Retirement System and City of Franklin Public Works Employees' Pension Plans. Required supplementary information can be found on pages 84-88 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 89-108 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 \$223,118,687 and \$215,605,434 at the end of 2015 and 2014, respectively.

CITY OF FRANKLIN NET POSITION December 31, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 56,138,443	\$ 27,388,262	\$ 2,076,362	\$ 5,144,767	\$ 58,214,805	\$ 32,533,029
Long term Note Rec	\$ -	\$ -	25,311,900	26,055,931	25,311,900	26,055,931
Capital assets	<u>115,505,274</u>	<u>114,884,684</u>	<u>90,084,026</u>	<u>88,567,257</u>	<u>205,589,300</u>	<u>203,451,941</u>
Total assets	<u>171,643,717</u>	<u>142,272,946</u>	<u>117,472,288</u>	<u>119,767,955</u>	<u>289,116,005</u>	<u>262,040,901</u>
Deferred Outflows	<u>2,843,406</u>	<u>163,578</u>	<u>286,380</u>	<u>-</u>	<u>3,129,786</u>	<u>163,578</u>
Current liabilities	6,075,553	3,781,964	9,248,819	3,230,972	9,324,372	7,012,933
Long-term liabilities	<u>12,554,722</u>	<u>13,781,606</u>	<u>22,438,800</u>	<u>23,640,538</u>	<u>34,993,031</u>	<u>37,422,144</u>
Total liabilities	<u>18,630,275</u>	<u>17,563,570</u>	<u>26,687,128</u>	<u>26,871,510</u>	<u>44,317,403</u>	<u>44,435,077</u>
Deferred Inflows	<u>24,809,701</u>	<u>24,414,291</u>	<u>-</u>	<u>-</u>	<u>24,809,701</u>	<u>24,414,291</u>
Net position:						
Net Investment in capital assets	107,184,603	106,031,877	88,861,706	88,567,257	196,046,309	194,599,134
Restricted	7,460,603	7,828,452	356,106	313,558	7,816,709	8,142,010
Unrestricted	<u>16,401,941</u>	<u>8,848,660</u>	<u>2,853,728</u>	<u>4,015,630</u>	<u>19,255,669</u>	<u>12,864,290</u>
Total net position	<u>\$ 131,047,147</u>	<u>\$ 122,708,989</u>	<u>\$ 92,071,540</u>	<u>\$ 92,896,445</u>	<u>\$ 223,118,687</u>	<u>\$ 215,605,434</u>

The largest portion of the City's net position (approximately 88 and 90 percent, in 2015 and 2014, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, net position is not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$196,046,309 and \$194,599,134 in 2015 and 2014, respectively of the year end net position. The changes in capital assets were as follows:

	Net Capital Asset Additions	Depreciation	Change in Capital Related Debt	Net Increase (Decrease)
2015	\$ 7,162,243	\$ (5,024,884)	\$ (690,184)	\$ 1,447,175
2014	4,715,188	(4,827,939)	894,721	781,970

2015 major projects were the \$3 million Water & Waste Water building, \$1 million of preliminary work on Kayla's Playground, and the South 27th improvement project to bury overhead utilities (\$1.4 million).

The major 2014 City projects were Pleasant View neighborhood park access and improvements, a water main extension on West St. Martin's Road, a snow plow and a police dispatch center.

Capital Assets contributed to the governmental activities included land dedicated to Parks, playground equipment for the Kayla's Krew playground and office furniture and equipment totaling \$680,818 in 2015 and \$284,994 in 2014.

Capital assets contributed to the business-type activities were \$566,251 in 2015 and \$317,738 in 2014.

An additional portion of the City's net position (3.5% and 3.8% in 2015 and 2014, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$7,816,709 and \$8,142,010 respectively in those net positions that were restricted to specific purposes.

The 2015 decrease of \$325,301 in restricted net position reported is due to the use of Development fund for park development.

The 2014 decrease of \$524,334 in restricted net position reported is due to transfers to the Enterprise funds from the Development fund.

The remaining balance in unrestricted net position of \$19,255,669 and \$12,864,290 in 2015 and 2014, respectively, may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years the City reported positive balances in the unrestricted net position for both the governmental and for its business-type activities. The \$6,391,379 increase in 2015 Unrestricted net position was the result of the adoption of GASB 68 which resulted in the recording a \$2.1 million net pension asset, \$3.0 million deferred outflow of resources, and a \$1.1 million net pension liability and the repayment of inter-fund advances.

The 2014 \$4,956,744 increase in Unrestricted net position was the result of retirement of non-capital debt.

Government-wide activities

The details of changes in net position follow:

**City of Franklin Changes in Net Position
For the Years Ending December 31, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 5,696,707	\$ 4,237,867	\$ 8,950,310	\$ 8,688,616	\$ 14,647,017	\$ 12,926,483
Operating grants & contributions	1,809,520	1,901,282	-	-	1,809,520	1,901,282
Capital grants & contributions	1,144,757	1,437,524	566,251	238,557	1,711,008	1,676,081
General revenue:						
Property taxes	23,312,724	24,200,884	-	-	23,312,724	24,200,884
Other taxes	785,195	726,774	-	-	785,195	726,774
Intergovernmental	1,804,045	1,519,848	-	-	1,804,045	1,519,848
Investment earnings	411,650	695,541	593,128	642,227	1,004,778	1,337,768
Other	61,791	60,158	73,601	50,878	135,392	111,036
Total revenue	35,026,389	34,779,856	10,183,290	9,620,278	45,209,679	44,400,136
Expenses:						
General government	2,990,355	2,919,940	-	-	2,990,355	2,919,940
Public safety	16,959,091	16,194,631	-	-	16,959,091	16,194,631
Public works	8,304,583	7,231,238	-	-	8,304,583	7,231,238
Health & human services	726,000	673,332	-	-	726,000	673,332
Culture & recreation	1,969,297	1,865,832	-	-	1,969,297	1,865,832
Conservation & development	576,421	459,884	-	-	576,421	459,884
Interest on long-term debt	405,022	582,211	-	-	405,022	582,211
Water	-	-	5,766,088	5,077,744	5,766,088	5,077,744
Sewer	-	-	4,148,420	4,180,946	4,148,420	4,180,946
Total expenses	31,930,769	29,927,068	9,914,508	9,258,690	41,845,277	39,185,758
Increase in net position before transfers	3,095,620	4,852,790	268,782	361,588	3,364,402	5,214,378
Transfers	(1,044,459)	(144,601)	(1,044,459)	144,601	-	-
Change in net position	4,140,079	4,708,189	(775,677)	506,189	3,364,402	5,214,378
Net position - beginning	122,708,989	118,000,800	92,896,445	92,390,256	215,605,434	210,391,056
Restatement - pension	4,198,079	-	(49,228)	-	4,148,851	-
Net position - beginning (restated)	126,907,068	118,000,800	92,847,217	92,390,256	219,754,285	210,391,056
Net position - ending	\$ 131,047,147	\$ 122,708,989	\$ 92,071,540	\$ 92,896,445	\$ 223,118,887	\$ 215,605,434

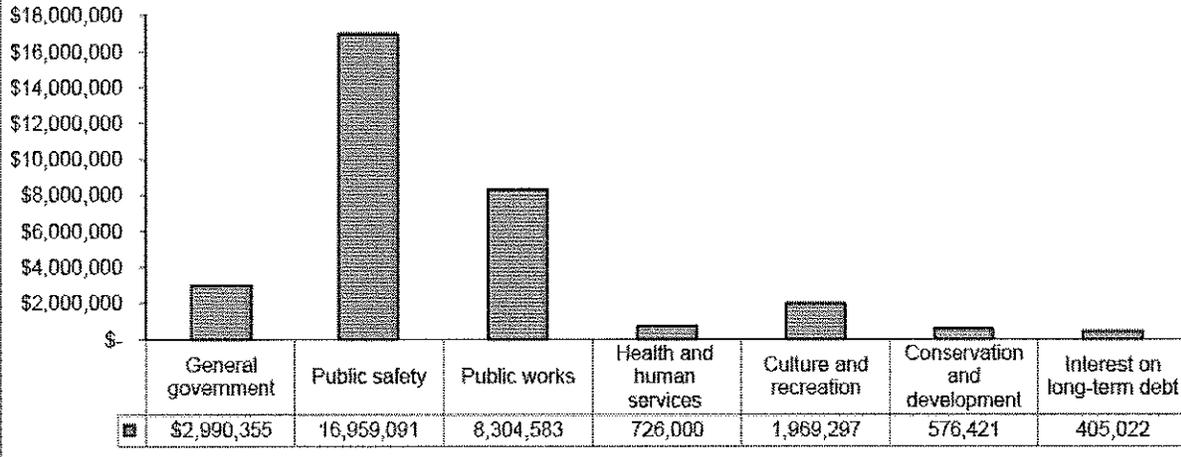
2015 Governmental activities increased the City's net position by \$4,140,079 or 123% of the total growth in the net position. Elements of this increase are:

- A \$1,724,138 increase in the TID position
- An increase from repayment of \$3,725,000 inter-fund advances

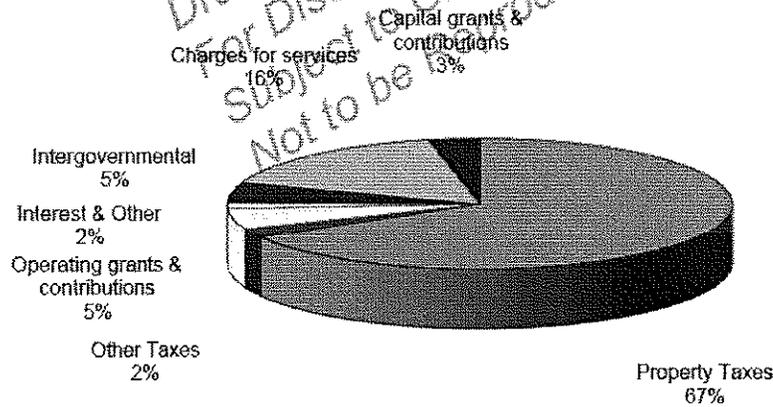
Governmental activities in 2014 increased the City's net position by \$4,708,189 or 90% of the total growth in the net position. Elements of this increase are:

- A \$908,184 surplus in General Government activity
- An increase from Debt Service of \$2,439,390
- Net increase from internal service activities of \$333,710
- Net decrease in development activities of \$734,488

Expenses by Function - Governmental Activities



Revenue by Source - Governmental Activities

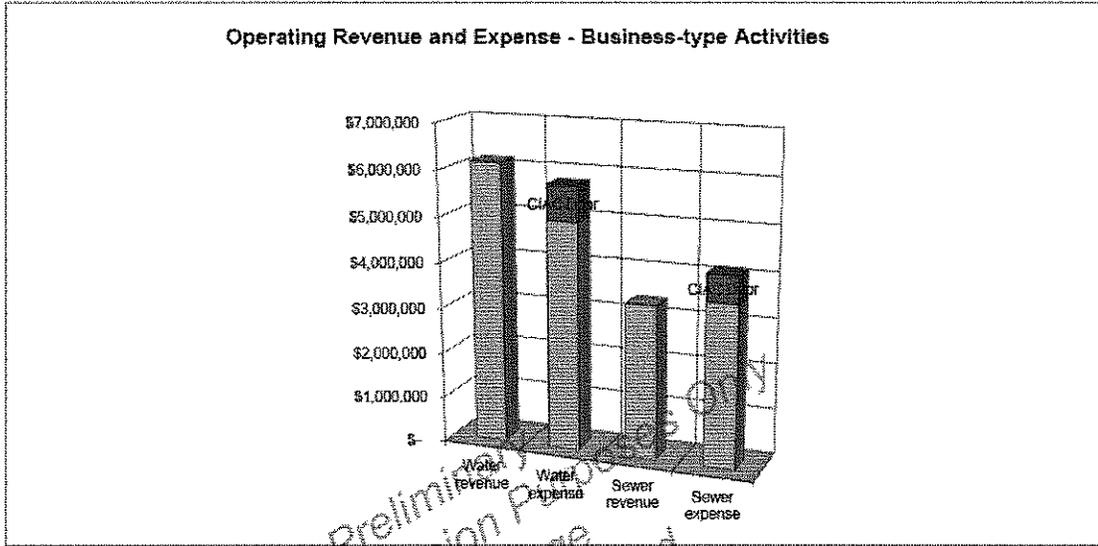


Business-type activities

In 2015, business-type activities decreased the City's net position by \$775,677 or -23%. Amortization of regulatory assets increased operating expense in the current year.

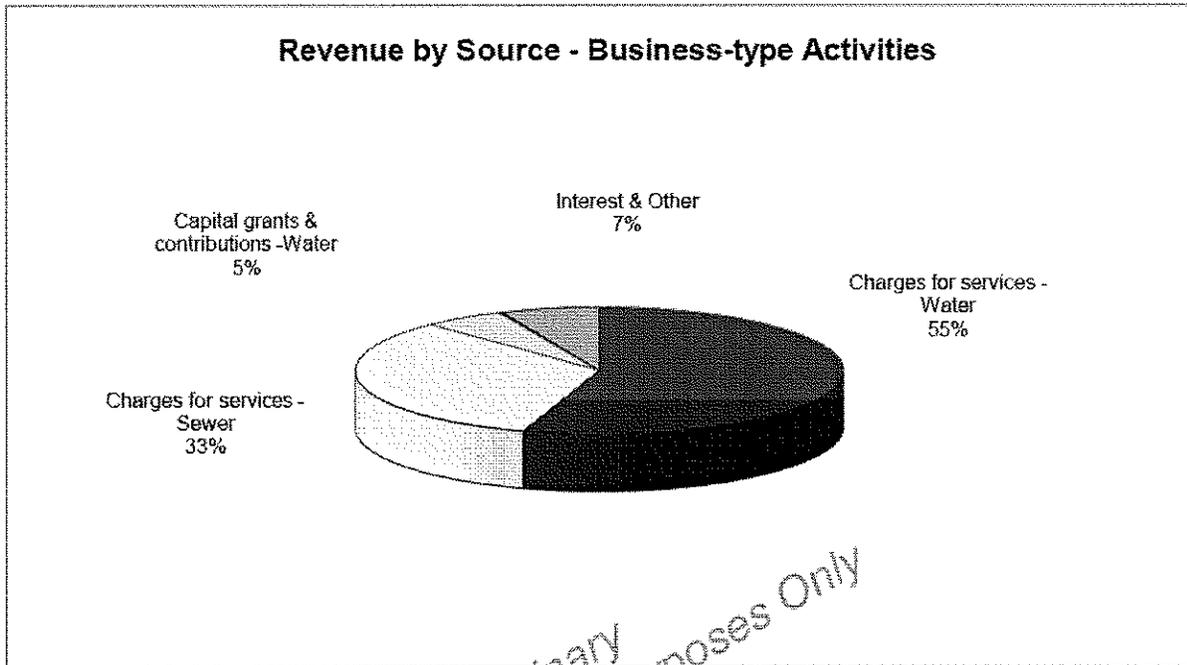
In 2014, business-type activities increased the City's net position by \$506,189 or 10%. The key elements of this increase were contributions from developers.

The following graph compares the 2015 charges for services to the operating expenses for water and sewer activities.



Water and Sewer expenses can exceed revenue due to the current policy of including only depreciation from City spending on capital assets in the rate formula. The large amount of new infrastructure that has been 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).



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 \$21,194,223, an increase of \$3,163,566 from the prior year. At year end the unassigned fund balance was \$6,512,059. Of this total \$6,662,986 was for general fund activities. This amount was offset by deficits in the TIF Districts and Nonmajor Governmental Funds. The TIF Districts have interfund loans with favorable financing 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 \$4,906,595. In addition, \$147,121 of General Fund Balance has been assigned for encumbrances into 2016.

Outside party restrictions have resulted in restricted fund balances:

- 1) to pay debt service -\$507,283,
- 2) for utility improvements - \$907,003,
- 3) for development purposes - \$3,851,653,
- 4) for TIF Districts of \$996,460,
- 5) for library services \$523,237 and
- 6) for donations, health, grant funds, solid waste and recreational activities – totaling \$602,281.

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 (\$41,916) and for advances to other funds (\$2,198,616). The advances are scheduled for repayment in 2017.

The **General Fund** is the chief operating fund of the City. As of December 31, 2015, the total fund balance of the general fund was \$9,049,909 of which \$6,662,986 was unassigned. This unassigned fund balance represents approximately 26% of 2016 general fund budgeted expenditures.

The total fund balance of the General Fund increased by \$416,797 during fiscal year 2015. 2015 Expenditures exceeded revenues by \$53,663, a one-time exempt computer aid boosted Intergovernmental revenues by \$244,000, while a lack of large building project reduced Building Permit revenues. Reduced oil prices drove fuel costs lower than expected, and a mild winter reduced road salt needs. \$574,000 Transfers out to the Capital funds increased costs compared to 2014.

The **Debt Service Fund** has a total fund balance of \$507,283, restricted for the payment of debt service. The fund balance increase of \$932,004 related to the repayment of interfund advances.

The **TIF Districts Fund** has total fund balance of \$858,244 and a restricted fund of \$996,460 and a deficit fund balance of \$138,216 related to interfund advances.

The **Nonmajor Governmental Funds** have a total fund balance of \$10,778,787. The fund balance increase of \$90,627 came principally from the transfer in from the General Fund and collections of Utility Special Assessments. The major fund balances relate to future development and capital project fund balances.

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 \$1,672,024, an increase of \$207,301 from the prior year.

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$1,181,704, a decrease of \$1,369,203 from the prior year.

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 \$193,261. Exempt Computer Aid revenues exceeded budget by \$245,000 on a temporary placement of equipment in the City. Building permit revenues were below budget by \$187,000 due to the lack of any major projects.

Actual expenditures were less than budgeted expenditures by \$1,990,956. The largest favorable variances were in General Government and Public Works. The City established a \$950,000 restricted

contingency reserve to preserve shared revenue from the State. That contingency was not needed. Reductions in oil prices and a warm winter reduced the need for road salt, both reducing Public Works costs.

A \$476,946 surplus compares favorably to the originally budgeted \$1,450,000 deficit. Reduced expenditures are the driver behind these results.

Capital assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to \$205,589,710 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

City of Franklin's Investment in Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 25,268,691	\$ 24,949,631	\$ 521,225	\$ 521,225	\$ 25,789,916	\$ 25,470,856
Buildings and Improvements	24,880,902	24,717,845	6,646,943	3,434,412	31,527,845	28,152,257
Improvements other than buildings	95,141,359	93,860,788	108,949,807	110,447,988	204,091,166	204,308,776
Machinery and and equipment	18,137,992	17,514,597	5,296,978	2,694,341	23,434,970	20,208,938
Construction in process	1,180,903	423,313	40,484	351,610	1,221,387	774,923
Total capital assets	164,609,847	161,466,174	121,455,437	117,449,576	286,065,284	278,915,750
Less Accumulated depreciation	(49,104,573)	(46,581,490)	(31,371,411)	(28,882,319)	(80,475,984)	(75,463,809)
Capital assets net of depreciation	<u>\$ 115,505,274</u>	<u>\$ 114,884,684</u>	<u>\$ 90,084,026</u>	<u>\$ 88,567,257</u>	<u>\$ 205,589,300</u>	<u>\$ 203,451,941</u>

The total increase in the City's net investment in capital assets net of depreciation for the current fiscal year was \$2,137,359 or 1.1%

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, 2015, the City had general obligation note and bond issues outstanding totaling \$35,912,276. The current legal debt limitation for the City is \$182,459,295. The City's current outstanding general obligation debt is 20% of the statutory debt limit. In the last 15 years the City has not exceeded 29% of the statutory debt limit.

By City policy, outstanding general obligation debt is limited to 2% of total equalized value or \$72,983,718. Outstanding debt represents 49% of this internal limit, leaving an internal debt limit margin of \$37,071,441.

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

In December 2014, a new \$5,320,000 ten year debt issue was sold. TIF District #3 sold \$3,330,000 for infrastructure costs on the 27th Street project, while the City will use \$1,990,000 for Capital Improvement projects. The Franklin Water Utility borrowed \$1,290,000 on a 20 year bond to finance construction of the Water & Waste Water Building. 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.

In April 2016, the City refunded the 2007 bonds with a notional value of \$5,895,000. The interest rate dropped from 3.8% to 2.0%.

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. The note had a balance of \$22,357,277 at December 31, 2015. The Notes have a 20 year repayment schedule to May, 2031. The City has an intergovernmental agreement with another government to pay the City the required interest and principal with payments on the Clean Water Fund loan beginning in 2015.

City of Franklin's Outstanding Debt (All purposes)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General obligation						
Bonds	\$ 7,095,000	\$ 7,615,000	\$ 23,592,276	\$ 24,776,522	\$ 30,687,276	\$ 32,391,522
Notes	5,225,000	5,320,000	-	-	5,225,000	5,320,000
Total	\$ 12,320,000	\$ 12,935,000	\$ 23,592,276	\$ 24,776,522	\$ 35,912,276	\$ 37,711,522

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 2015 was \$324,393 and for 2014 was \$551,716. The City prepaid \$151,058 when the ARC unexpectedly declined more than expected.

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, 2015 for the City was 4.0% and Milwaukee County which includes the City, was 5.2%. This compares with an unemployment rate of 4.3% for the State of Wisconsin.
The local tax rate decreased 0.3% for operations for the current and in the prior two years changed (0.2), and (0.3)%, respectively. The tax levy was un-changed the past three years

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 24,154,465	\$ 828,364	\$ 24,982,829
Receivables, net			
Accounts receivable	849,234	2,453,201	3,302,435
Taxes receivable	25,069,277	291,685	25,360,962
Special assessments receivable	1,299,346	-	1,299,346
Internal balances	99,221	(99,221)	0
Due from other governments	156,313	-	156,313
Prepaid items	83,864	6,148	90,012
Inventories	15,552	-	15,552
Long term advances	2,198,616	(2,198,616)	-
Restricted cash and investments	-	356,106	356,106
Due from other governments - long term	-	25,311,900	25,311,900
Regulatory asset	-	434,057	434,057
Restricted pension asset - WRS	2,066,135	-	2,066,135
Net OPEB asset	146,420	4,638	151,058
Capital assets (net of accumulated depreciation)			
Land	25,268,691	521,225	25,789,916
Buildings and improvements	15,288,651	5,345,449	20,634,100
Machinery and equipment	6,812,142	1,797,294	8,609,436
Improvements other than buildings	66,954,887	82,979,574	149,334,461
Construction in progress	1,180,903	40,484	1,221,387
Total assets	<u>171,643,717</u>	<u>117,472,288</u>	<u>289,116,005</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding costs	121,419	-	121,419
Pension resources	2,721,987	286,380	3,008,367
Total deferred outflow of resources	<u>2,843,406</u>	<u>286,380</u>	<u>3,129,786</u>
LIABILITIES			
Accounts payable	2,099,550	1,428,134	3,527,684
Accrued liabilities	1,011,790	63,665	1,075,455
Due to other governments	3,281	-	3,281
Accrued interest	135,966	103,301	239,267
Special deposits	141,250	-	141,250
Pension obligation - DPW	733,716	377,974	1,111,690
Noncurrent liabilities			
Due within one year	2,681,386	1,275,745	3,957,131
Due in more than one year	11,823,336	22,438,309	34,261,645
Total liabilities	<u>18,630,275</u>	<u>25,687,128</u>	<u>44,317,403</u>
DEFERRED INFLOWS OF RESOURCES			
Subsequent year property taxes	24,809,701	-	24,809,701
NET POSITION			
Net investment in capital assets	107,184,603	88,861,706	196,046,309
Restricted for			
Debt service	482,773	-	482,773
Utility improvements	1,999,759	-	1,999,759
Development	3,851,653	-	3,851,653
Library	524,137	-	524,137
Solid Waste	260,944	-	260,944
Recreation services	47,656	-	47,656
Health	160,003	-	160,003
Donations	133,678	-	133,678
Sewer equipment replacement	-	356,106	356,106
Unrestricted	16,401,941	2,853,728	19,255,669
Total net position	<u>\$ 131,047,147</u>	<u>\$ 92,071,540</u>	<u>\$ 223,118,687</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Activities
Year Ended December 31, 2015

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	\$ 2,990,355	\$ 150,787	\$ -	\$ 15,540	\$ (2,824,028)	\$ -	\$ (2,824,028)
Public safety	16,959,091	2,362,176	310,522	77,903	(14,208,490)	-	(14,208,490)
Public works	8,304,583	2,719,888	1,286,577	280,675	(4,017,443)	-	(4,017,443)
Health and human services	726,000	164,674	53,337	1,440	(506,549)	-	(506,549)
Culture and recreation	1,969,297	146,594	159,084	767,313	(896,306)	-	(896,306)
Conservation and development	576,421	152,588	-	1,886	(421,947)	-	(421,947)
Interest on long term debt	405,022	-	-	-	(405,022)	-	(405,022)
Total governmental activities	31,930,769	5,696,707	1,809,520	1,444,757	(23,279,785)	-	(23,279,785)
Business-type activities:							
Water	5,766,088	5,609,928	-	541,420	-	385,260	385,260
Sewer	4,148,420	3,940,382	-	24,831	-	(783,207)	(783,207)
Total business-type activities	9,914,508	8,950,310	-	566,251	-	(397,947)	(397,947)
Total primary government	\$ 41,845,277	\$ 14,647,017	\$ 1,809,520	\$ 1,711,008	(23,279,785)	(397,947)	(23,677,732)
General revenue:							
Property taxes levied for general purposes					19,022,087	-	19,022,087
Property taxes levied for debt service					1,600,000	-	1,600,000
Property taxes levied for TIF Districts					2,690,637	-	2,690,637
Other taxes					785,195	-	785,195
Intergovernmental revenue not restricted to specific programs					1,804,045	-	1,804,045
Investment earnings					411,650	593,128	1,004,778
Miscellaneous revenue					48,685	73,601	122,286
Gain on sale of capital assets					13,106	-	13,106
Transfers					1,044,459	(1,044,459)	-
Total general revenue and transfers					27,419,864	(377,730)	27,042,134
Change in net position					4,140,079	(775,677)	3,364,402
Net position - beginning					122,708,989	92,896,445	215,605,434
Restatement - pension					4,198,079	(49,228)	4,148,851
Net position - beginning (restated)					126,907,068	92,847,217	219,754,285
Net position - ending					\$ 131,047,147	\$ 92,071,540	\$ 223,118,687

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2015

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 7,386,259	\$ 474,944	\$ 2,752,183	\$ 10,954,011	\$ 21,567,397
Receivables					
Accounts receivable	775,854	-	44,061	29,127	849,042
Taxes receivable	16,359,185	1,532,339	3,020,351	4,157,402	25,069,277
Special assessments receivable	-	111,456	-	1,187,890	1,299,346
Due from other funds	71,384	-	-	131,198	202,582
Due from other governments	71,352	-	-	84,961	156,313
Prepaid items	25,634	-	-	730	26,364
Inventories	15,552	-	-	-	15,552
Advances to other funds	2,198,616	-	-	850,000	3,048,616
TOTAL ASSETS	\$ 26,903,836	\$ 2,118,739	\$ 5,816,595	\$ 17,395,319	\$ 52,234,489
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 569,150	\$ -	\$ -	\$ 1,530,022	\$ 2,099,172
Accrued liabilities	717,854	-	-	23,436	741,290
Due to other funds	91,809	-	-	11,552	103,361
Due to other governments	2,875	-	-	406	3,281
Special deposits	141,250	-	-	-	141,250
Advance from other funds	-	-	1,938,000	-	1,938,000
Total liabilities	<u>1,522,938</u>	<u>-</u>	<u>1,938,000</u>	<u>1,565,416</u>	<u>5,026,354</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned & unavailable revenue	16,330,989	1,611,456	3,020,351	5,051,116	26,013,912
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventories and prepaid items	47,186	-	-	730	41,916
Advances to other funds	2,198,616	-	-	-	2,198,616
Restricted:					
Debt service	-	507,283	-	-	507,283
Utility improvements	-	-	-	907,003	907,003
Development	-	-	-	3,851,653	3,851,653
TIF Districts	-	-	996,460	-	996,460
Donations	-	-	-	133,678	133,678
Health services	-	-	-	160,003	160,003
Library services	-	-	-	523,237	523,237
Solid waste	-	-	-	260,944	260,944
Recreational services	-	-	-	47,656	47,656
Assigned:					
Purchases on order	147,121	-	-	-	147,121
Capital projects	-	-	-	4,906,594	4,906,594
Unassigned (deficit)	6,662,986	-	(138,216)	(12,711)	6,512,059
Total fund balances (deficit)	<u>9,049,909</u>	<u>507,283</u>	<u>858,244</u>	<u>10,778,787</u>	<u>21,194,223</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICIT)	\$ 26,903,836	\$ 2,118,739	\$ 5,816,595	\$ 17,395,319	\$ 52,234,489

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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, 2015

Fund balances - total governmental funds \$ 21,194,223

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

Certain assets used in government activities are not financial resources and are therefore are not reported in the funds

Capital assets, net of depreciation	115,505,274
Restricted pension asset - WRS	2,066,135
Net OPEB asset	146,420

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	1,204,211
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Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in fund statements 2,721,987

Internal Service Fund net position 3,461,882

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	(12,523,902)
Compensated absences	(1,980,820)
Unamortized refunding costs	121,419
Accrued interest	(135,966)
Pension obligation - DPW	<u>(733,716)</u>

Net position of governmental activities \$ 131,047,147

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2015

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$17,015,261	\$ 1,600,000	\$ 2,782,658	\$ 2,700,000	\$ 24,097,919
Intergovernmental revenue	2,775,349	-	441,341	273,347	3,490,037
Licenses and permits	669,367	-	-	37,610	706,977
Fines, forfeitures and penalties	484,957	-	-	-	484,957
Public charges for services	1,544,611	-	-	2,520,723	4,065,334
Special assessments	-	47,683	-	594,573	642,256
Intergovernmental charges for services	192,188	-	-	-	192,188
Investment earnings	238,562	12,500	7,830	167,126	426,018
Miscellaneous revenue	155,576	-	138,885	125,003	419,464
Total revenue	<u>23,075,871</u>	<u>1,660,183</u>	<u>3,370,714</u>	<u>6,418,382</u>	<u>34,525,150</u>
EXPENDITURES					
Current					
General government	2,720,473	-	52,921	10,351	2,783,745
Public safety	15,983,174	-	-	23,013	16,006,187
Public works	3,046,338	-	313	1,540,457	4,587,108
Health and human services	633,387	-	-	82,782	716,169
Culture, recreation and education	177,798	-	-	1,428,229	1,606,027
Conservation and development	568,364	-	-	-	568,364
Capital outlay	-	-	1,428,942	3,688,104	5,097,046
Debt service	-	-	-	-	-
Principal	-	695,000	20,000	-	615,000
Interest	-	315,672	144,400	-	460,072
Debt issuance costs	-	-	-	-	-
Total expenditures	<u>23,129,534</u>	<u>910,672</u>	<u>1,646,576</u>	<u>6,752,936</u>	<u>32,439,718</u>
Excess (deficiency) of revenue over expenditures	(53,663)	749,511	1,724,138	(334,554)	2,085,432
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	33,675	33,675
Transfers in	1,044,460	182,493	-	1,181,300	2,408,253
Transfers out	(574,000)	-	-	(789,794)	(1,363,794)
Total other financing sources and uses	<u>470,460</u>	<u>182,493</u>	<u>-</u>	<u>425,181</u>	<u>1,078,134</u>
Net change in fund balances	416,797	932,004	1,724,138	90,627	3,163,566
Fund balances (deficit) - beginning	<u>8,633,112</u>	<u>(424,721)</u>	<u>(865,894)</u>	<u>10,688,160</u>	<u>18,030,657</u>
Fund balances (deficit) - ending	<u>\$ 9,049,909</u>	<u>\$ 507,283</u>	<u>\$ 858,244</u>	<u>\$ 10,778,787</u>	<u>\$ 21,194,223</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, 2015

Net change in fund balances - total governmental funds \$ 3,163,566

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	3,085,235
Depreciation	(3,124,894)
Net book value of assets disposed	(20,569)

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

680,818

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	615,000
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Government funds report the effects of premiums, discounts and refunding losses when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.

6,212

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	(156,486)
Accrued interest payable	(33,824)

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	(178,317)
-------------------------	-----------

Long-term assets, deferred outflows, and liabilities related to net OPEB and pension obligations, are not due in the current period and, therefore, are not reported in the fund statements. The change in the net OPEB asset, net WRS pension asset and net DPW pension obligation reported in the Statement of Activities is not reported in the fund statements.

81,627

Internal service fund change in net position

21,711

Net change in net position of governmental activities

\$ 4,140,079

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
Year Ended December 31, 2015

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with final budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUE				
Taxes	\$ 18,125,700	\$ 18,125,700	\$ 18,059,721	\$ (65,979)
Intergovernmental revenue	2,480,500	2,480,500	2,775,349	294,849
Licenses and permits	862,100	862,100	669,367	(192,733)
Fines, forfeitures and penalties	422,600	422,600	484,957	62,357
Public charges for services	1,515,070	1,524,870	1,544,611	19,741
Intergovernmental charges for services	201,300	201,300	192,188	(9,112)
Investment earnings (loss)	206,500	206,500	238,562	32,062
Miscellaneous revenue	103,500	103,500	155,576	52,076
Total revenue	<u>23,917,270</u>	<u>23,927,070</u>	<u>24,120,331</u>	<u>193,261</u>
EXPENDITURES				
Current				
General government	3,676,116	3,655,924	2,711,718	944,206
Public safety	16,289,014	16,332,888	15,990,875	342,013
Public works	3,594,653	3,562,872	3,079,890	482,982
Health and human services	647,732	656,732	633,388	23,344
Culture and recreation	155,328	181,573	176,452	5,121
Conservation and development	480,427	670,352	477,062	193,290
Total expenditures	<u>24,843,270</u>	<u>25,060,341</u>	<u>23,069,385</u>	<u>1,990,956</u>
Excess (deficiency) of revenue over (under) expenditures	(926,000)	(1,133,271)	1,050,946	2,184,217
OTHER FINANCING SOURCES (USES)				
Transfers in	175,000	175,000	-	(175,000)
Transfers out	(699,000)	(749,000)	(574,000)	175,000
Net change in fund balance - budgetary basis	(1,450,000)	(1,707,271)	476,946	2,184,217
Adjustments to generally accepted accounting principles basis				
2015 encumbrances	-	-	147,121	(147,121)
2014 encumbrances	-	-	(207,270)	207,270
Net change in fund balance - generally accepted accounting principles basis	(1,450,000)	(1,707,271)	416,797	2,244,366
Fund Balances - beginning	<u>8,633,112</u>	<u>8,633,112</u>	<u>8,633,112</u>	<u>-</u>
Fund Balances - ending	<u>\$ 7,183,112</u>	<u>\$ 6,925,841</u>	<u>\$ 9,049,909</u>	<u>\$ 2,244,366</u>

See accompanying notes to the financial statements.

Exhibit G

CITY OF FRANKLIN, WISCONSIN
 Statement of Net Position
 Proprietary Funds
 December 31, 2015
 (with comparative information for December 31, 2014)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
ASSETS						
Current assets						
Cash and investments	\$ 828,364	\$ 2,403,805	\$ -	\$ 1,832,100	\$ 828,364	\$ 2,587,068
Receivables						
Accounts receivable	1,309,816	1,281,230	1,143,385	1,189,712	2,453,201	192
Taxes receivable	167,052	189,877	124,633	110,305	291,685	-
Due from other funds	107,810	20,919	89,219	73,532	197,029	-
Due from other governments	-	-	-	4,109	-	-
Prepaid expenses	4,039	-	2,109	-	6,148	57,500
Advance to other funds	-	-	-	-	-	1,088,000
Total current assets	<u>2,417,081</u>	<u>3,895,831</u>	<u>1,359,346</u>	<u>3,209,758</u>	<u>3,776,427</u>	<u>3,732,760</u>
Noncurrent assets						
Restricted cash and investments			356,106	313,558	356,106	-
Due from other governments			25,311,900	26,055,931	25,311,900	-
Regulatory assets	434,057	-	-	-	434,057	-
Net OPEB Asset	2,319	-	2,319	-	4,638	-
Capital assets						
Land	162,885	162,885	358,340	358,340	521,225	-
Buildings and improvements	3,369,472	1,812,979	3,277,771	1,621,433	6,646,943	-
Improvements other than buildings	54,668,851	56,332,711	54,380,957	54,115,277	108,949,808	-
Machinery and equipment	14,500,307	1,923,630	796,670	770,711	5,296,977	-
Construction in progress	21,389	183,552	19,095	168,058	40,484	-
Less accumulated depreciation	(17,147,492)	(15,338,874)	(14,223,919)	(13,543,445)	(31,371,411)	-
Total capital assets (net of accumulated depreciation)	<u>45,475,112</u>	<u>45,076,883</u>	<u>44,608,914</u>	<u>43,490,374</u>	<u>90,084,026</u>	<u>-</u>
Total noncurrent assets	<u>45,911,488</u>	<u>45,076,883</u>	<u>70,279,239</u>	<u>69,859,863</u>	<u>116,190,727</u>	<u>-</u>
Total assets	<u>48,328,569</u>	<u>48,972,714</u>	<u>71,638,585</u>	<u>73,069,621</u>	<u>119,967,154</u>	<u>3,732,760</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension resources	180,266	-	106,114	-	286,380	-
Total deferred outflows of resources	<u>180,266</u>	<u>-</u>	<u>106,114</u>	<u>-</u>	<u>286,380</u>	<u>-</u>

Continued

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds
December 31, 2015
(with comparative information for December 31, 2014)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
LIABILITIES						
Current liabilities						
Accounts payable	\$ 830,203	\$ 810,829	\$ 587,931	\$ 839,679	\$ 1,428,134	\$ 378
Accrued liabilities	21,798	215,271	41,867	22,073	63,665	270,500
Accrued interest payable	11,562	1,451	91,739	96,373	103,301	-
Due to other funds	186,335	65,554	109,915	10,210	296,250	-
Special deposits	-	100	-	-	-	-
Current portion of long-term obligations	86,849	85,424	1,188,896	1,159,672	1,275,745	-
Total current liabilities	<u>1,136,747</u>	<u>1,178,729</u>	<u>2,030,348</u>	<u>2,128,007</u>	<u>3,167,095</u>	<u>270,878</u>
Noncurrent liabilities						
Pension Liability	244,572	-	133,402	-	377,974	-
General obligation notes payable	1,167,320	1,221,494	21,200,228	22,357,276	22,367,548	-
Accrued compensated absences	35,380	30,885	35,381	30,883	70,761	-
Total noncurrent liabilities	<u>1,447,272</u>	<u>1,252,379</u>	<u>21,369,011</u>	<u>22,388,159</u>	<u>22,816,283</u>	<u>-</u>
Long-term advances	-	-	2,198,616	2,198,616	2,198,616	-
Total liabilities	<u>2,584,019</u>	<u>2,431,108</u>	<u>25,597,975</u>	<u>28,714,782</u>	<u>28,181,994</u>	<u>270,878</u>
NET POSITION						
Net Investment in capital assets	44,252,792	45,076,883	44,808,914	43,490,374	88,861,706	-
Restricted for						
Sewer equipment replacement	-	-	356,106	313,558	356,106	-
Unrestricted	<u>1,672,024</u>	<u>1,464,723</u>	<u>1,181,704</u>	<u>2,550,907</u>	<u>2,853,728</u>	<u>3,461,882</u>
Total net position	<u>\$ 45,924,816</u>	<u>\$ 46,541,606</u>	<u>\$ 46,146,724</u>	<u>\$ 46,354,839</u>	<u>\$ 92,071,540</u>	<u>\$ 3,461,882</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2015
(with comparative information for December 31, 2014)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year		
OPERATING REVENUE						
Metered sales						
Residential	\$ 2,822,150	\$ 2,872,235	\$ 1,871,113	\$ 1,849,264	\$ 4,693,263	\$ -
Multi-family	663,537	-	424,760	-	1,088,297	-
Commercial	777,818	1,386,801	467,975	836,370	1,245,791	-
Industrial	392,069	389,418	406,203	396,238	798,272	-
Public authority	250,751	283,623	133,395	152,953	384,146	-
Total metered sales	4,906,323	4,732,075	3,303,446	3,234,825	8,209,769	-
Group health & dental charges	-	-	-	-	-	3,149,719
Unmetered sales	11,385	8,557	-	-	11,385	-
Public fire protection service	517,722	511,413	-	-	517,722	-
Private fire protection service	121,055	118,154	-	-	121,055	-
Forfeited discounts, penalties and other	53,443	51,520	36,936	32,072	90,379	-
Total operating revenue	5,609,928	5,421,719	3,340,382	3,266,897	8,950,310	3,149,719
OPERATING EXPENSES						
Cost of sales and services	3,621,471	3,521,334	2,678,872	2,730,849	6,300,343	3,196,302
Depreciation and amortization	1,557,514	1,097,571	692,909	661,745	2,250,423	-
Administration	2,978,166	437,030	216,935	281,202	793,101	-
Total operating expenses	5,755,951	5,055,935	3,588,716	3,593,796	9,343,867	3,196,302
Operating income (loss)	(145,229)	365,784	(248,334)	(326,899)	(393,557)	(46,583)
NONOPERATING REVENUE (EXPENSES)						
Investment earnings (loss)	3,368	(4,504)	589,760	646,731	593,128	68,294
Sundry	67,475	49,263	8,126	1,615	73,801	-
Interest expense	(10,937)	(21,809)	(559,704)	(587,150)	(570,641)	-
Total non-operating revenue (expenses)	59,906	22,950	36,182	61,196	96,088	68,294
Income (loss) before capital contributions and transfers	(85,317)	388,734	(212,152)	(285,703)	(297,469)	21,711
Capital contributions	541,420	406,080	24,831	150,235	566,261	-
Transfers in	-	873,727	-	-	-	-
Transfers out	(1,041,040)	(1,044,446)	(3,419)	(2,418)	(1,044,459)	-
Change in net position	(584,937)	624,075	(190,740)	(117,886)	(775,677)	21,711
Net position - beginning	46,541,606	45,917,531	46,354,839	46,472,725	92,896,445	3,440,171
Restatement - pension	(31,853)	-	(17,375)	-	(49,228)	-
Net position - beginning (restated)	46,509,753	45,917,531	46,337,464	46,472,725	92,847,217	3,440,171
Net position - ending	\$ 45,924,816	\$ 46,541,606	\$ 46,146,724	\$ 46,354,839	\$ 92,071,540	\$ 3,461,882

See accompanying notes to the financial statements.

Exhibit I

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2015
(with comparative information for the year ended December 31, 2014)

	Business-type Activities - Enterprise Funds				Current Year Totals	Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 5,397,656	\$ 5,224,511	\$ 3,382,616	\$ 2,991,421	\$ 8,780,272	\$ 3,161,224
Receipts for interfund services provided	273,986	269,324	-	-	273,986	-
Payments to suppliers	(3,580,074)	(3,151,993)	(2,534,518)	(2,170,464)	(6,114,582)	(3,301,404)
Payments to employees	(616,922)	(487,161)	(403,655)	(431,693)	(1,020,577)	-
Payments for interfund services used	(96,600)	(95,400)	(96,600)	(95,400)	(193,200)	-
Net cash flows provided by (used in) operating activities	1,378,046	1,759,281	347,843	293,864	1,725,889	(149,180)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer out - paid for tax equivalent	(1,041,040)	(1,044,446)	(3,419)	(2,418)	(1,044,459)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	-	1,276,404	-	23,211	-	-
Transfers from other funds	-	873,727	-	-	-	-
Advances from other funds	-	-	-	1,693,576	-	-
Loss on Disposal of Asset	86,741	-	-	-	86,741	-
Payments on capital debt	(55,000)	-	(1,129,246)	(1,102,112)	(1,184,246)	-
Advances to other governments	-	-	744,031	(604,546)	744,031	-
Interest on capital debt	-	(20,358)	(564,338)	(591,464)	(564,338)	-
Acquisition of capital assets	(1,947,556)	(490,511)	(1,774,183)	(184,583)	(3,721,739)	-
Net cash provided (used) by capital and related financing activities	(1,915,815)	1,639,352	(2,723,736)	(785,918)	(4,639,551)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments received on advances to other funds	-	-	-	-	-	1,250,000
Investment earnings	3,368	(4,504)	599,760	646,731	593,128	68,294
Net cash provided (used) by investing activities	3,368	(4,504)	599,760	646,731	593,128	1,318,294
Net increase (decrease) in cash and cash equivalents	(1,575,441)	2,349,663	(1,789,552)	172,259	(3,364,993)	1,178,114
Cash and cash equivalents - Beginning	2,403,605	54,122	2,145,658	1,973,399	4,549,463	1,409,954
Cash and cash equivalents - Ending	\$ 828,364	\$ 2,403,805	\$ 356,106	\$ 2,145,658	\$ 1,184,470	\$ 2,587,068
Cash and Investments - Unrestricted	\$ 828,364	\$ 2,403,805	\$ -	\$ 1,832,100	\$ 828,364	\$ 2,587,068
Cash and Investments - Restricted	-	-	356,106	313,558	356,106	-
	\$ 828,364	\$ 2,403,805	\$ 356,106	\$ 2,145,658	\$ 1,184,470	\$ 2,587,068

Continued

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2015
(with comparative information for the year ended December 31, 2014)

	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	
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ (145,223)	\$ 365,784	\$ (248,334)	\$ (326,899)	\$ (393,557)	\$ (46,583)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities						
Depreciation	1,557,514	1,097,571	692,909	661,745	2,250,423	-
Depreciation allocated to other funds	12,435	5,424	(12,435)	(5,424)	-	-
Nonoperating revenues	67,475	49,263	6,126	1,615	73,601	-
(Increase) decrease in assets						
Accounts receivable	(28,586)	25,476	46,327	(300,039)	17,741	11,505
Taxes receivable	22,626	(8,048)	(14,328)	22,948	8,497	-
Prepaid expense	(34,039)	602	(2,109)	-	(6,148)	-
Due from other funds	(86,694)	55,205	(15,687)	(18,634)	(102,578)	-
Due from other governments	-	-	4,109	(4,109)	4,109	-
Regulatory asset	-	-	-	-	-	-
Other post employment benefits asset	(2,319)	-	(2,319)	-	(4,638)	-
Pension benefits	(180,266)	-	(106,114)	-	(286,380)	-
Increase (decrease) in liabilities						
Accounts payable	19,274	75,280	(241,748)	256,061	(222,474)	(5,102)
Accrued liabilities	(193,473)	214,582	19,794	3,979	(173,679)	(100,000)
Due to other governments	-	-	-	-	-	-
Due to other funds	120,781	(122,940)	89,705	(761)	220,486	-
Customer deposits	(100)	(2,400)	-	-	(100)	-
Pension obligations	212,719	-	116,027	-	328,746	-
Compensated absences	5,920	3,582	5,920	3,582	11,840	-
Total adjustments	1,523,269	1,393,497	596,177	620,763	2,119,446	(93,587)
Net cash flows provided by (used in) operating activities	\$ 1,378,046	\$ 1,759,281	\$ 347,843	\$ 293,864	\$ 1,725,889	\$ (140,180)
Noncash Capital Activities						
Cost of Utility plant installed and/or financed by external parties or the City	\$ 541,420	\$ 406,060	\$ 24,831	\$ 150,235	\$ 566,251	\$ -
See accompanying notes to the financial statements.						

CITY OF FRANKLIN, WISCONSIN
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	<u>Agency Funds</u>	<u>City of Franklin Post Employment Benefits Trust</u>
ASSETS		
Cash	\$ 52,804,482	\$ 187,669
Investments:		
Fixed Income Securities - Corporate Bonds	-	1,195,435
Domestic Equities	-	2,876,660
International Equities	-	449,124
Total Cash & Investments	<u>52,804,482</u>	<u>4,708,888</u>
Accounts receivable	9,069	941
Taxes receivable	18,319,156	-
Due from Municipality	-	-
Total assets	<u>\$ 71,132,707</u>	<u>\$ 4,709,829</u>
LIABILITIES		
Accounts payable	\$ 165,535	\$ 146,844
Accrued liabilities	-	45,000
Due to other governments	70,957,235	-
Due to municipality	-	-
Special deposits	9,937	-
Total liabilities	<u>\$ 71,132,707</u>	<u>191,844</u>
Total net position held in trust for post employment benefits		<u>\$ 4,517,985</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2015

	<u>City of Franklin Post Employment Benefits Trust</u>
ADDITIONS	
Contributions	
City of Franklin	\$ 475,451
Retirees	85,444
Net investment earnings	<u>18,704</u>
Total additions	<u>579,599</u>
DEDUCTIONS	
Incurring claims	612,282
Prescription drug claims	88,845
Claims fees	10,187
Stop loss premiums less claims received	<u>(231,461)</u>
Total deductions	<u>479,853</u>
Change in net position	99,746
NET POSITION HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:	
Beginning of year	<u>4,418,239</u>
End of year	<u>\$ 4,517,985</u>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

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, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

- a. Total assets and deferred outflows, 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 TID along with payments made for capital outlay, other expenditures, principal and interest on long-term debt obligations of the TIDs. Each TID is a sub fund of the TID Fund.

Major Enterprise Funds

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

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In addition the City reports:

Nonmajor Governmental Funds

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally or policy restricted to expenditures for specified purposes. The funds include Library Operating, Library Auxiliary, 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, deferred inflows, liabilities and deferred outflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year that they are levied for.

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (continued)

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

Fund Financial Statements

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

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

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

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.

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.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (continued)

Fund Financial Statements (continued)

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

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

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

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

All Financial Statements

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Investments (continued)

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

- a. Requires the investment to be in a section 115 trust for retiree health purposes.
- b. Requires compliance with the "prudent person" standard.
- c. Requires asset allocation policy that considers the liability stream of benefits, the relationship to current and projected assets, the historical performance of capital markets and the perception of future economic conditions.
- d. Primary investment objectives are safety, diversification and return.
- e. Allows investment in various asset classes.
- f. Limits investment in equities after 2015 to 75% of total assets to be invested. Prior to January 1, 2016 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 a trustee or third party custodian.
 - deposits in excess of FDIC insurance limits are maintained in the State LGIP or secured bank balances in amounts of at least 75% of the year end cash balances.
- b. Credit risk – securities purchased need to have an AA or better investment rating.
- c. Concentration of credit risk – issuer or asset class not to exceed 10% of the market value of the portfolio with the exception of U.S. issued securities.
- d. Interest rate risk – managed by limiting the length of maturity of newly purchased investments and limits the average life of the portfolio to control risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2015, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables

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

Property tax calendar – 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due	March 31, 2016
Third installment due	May 31, 2016
Personal property taxes in full	January 31, 2016
Final tax settlement with County	August 20, 2016
Tax deed by County – 2015	
Delinquent real estate taxes	October 2018

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

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

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Inventories and Prepaid Items

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

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

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

4. Restricted Assets

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

5. Pensions

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$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.

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. \$24,601 of 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	10-50 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.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. 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.

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

8. Compensated Absences

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Long-term Obligations/Conduit Debt

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

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

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

10. Claims and Judgments

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Unspent related debt proceeds are excluded from the calculation of net investment in capital assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, committed fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Equity Classifications (continued)

Fund Statements (continued)

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

13. 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, 2014 from which the data was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

A budget has been adopted for the General, Debt Service, 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.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

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

B. LIMITATIONS ON THE CITY'S TAX LEVY

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%. Limited amounts of unused tax levy may be carried forward into the following year. Changes in debt service from one year to the next are generally exempt from this limit.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety). For the year ended December 31, 2015 the General Fund did not exceed budgeted expenditures, except for Alderman personnel services.

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, 2015, 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.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

The City maintains a collateral arrangement with its main bank to provide collateralization in excess of deposits maintained at the bank. The collateral is maintained in the form of a letter of credit from the Federal Home Loan Bank of Cincinnati in the amount of \$20,000,000. Cash and investments as shown on the December 31, 2015 City of Franklin Statement of Net position are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 233,082	\$ 233,082	Credit and interest rate
Money market funds	204,884	204,884	Credit and interest rate
Certificates of deposit	1,470,000	1,470,000	Custodial
U.S. treasuries	2,004,062	2,004,062	Interest rate
U.S. agencies	7,055,737	7,055,737	Credit, interest rate and concentration of credit
Municipal Bonds	1,041,060	1,041,060	Credit, interest rate
Corporate notes	6,540,859	6,540,859	Credit, interest rate and concentration of credit
Total fixed income investments	18,549,684	18,549,684	
Equity funds	3,475,966	3,475,966	Custodial
Fixed income funds	1,045,253	1,045,253	Custodial and credit
Cash and demand deposits	55,781,402	55,526,385	Custodial
Total	<u>\$ 82,852,305</u>	<u>\$ 78,597,288</u>	

Reconciliation to the financial statements is shown below:

Per Statement of Net Position	
Primary Government:	
Unrestricted cash and investments	\$ 24,982,829
Restricted cash and investments	356,106
Per Statement of Fiduciary Net Position - Agency Funds	52,804,482
- Post Employment Benefits Trust	4,708,888
	<u>\$ 82,852,305</u>

Custodial Credit Risk For deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2015, none of the City's total bank balances of \$ 55,526,385 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, 2015**

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 Aa3 at time of purchase. The City's fixed income investments subject to credit risk include agencies securities, corporate asset backed securities, corporate bonds, government repurchase agreements and money market funds and were rated by Moody's Investor Service.

As of December 31, 2015, 89.7% of the fixed income investments were in rated fixed income investments and subject to credit risk. The ratings as a percentage of the total investment portfolio were as follows: Aaa at 48.1%, Aa1 at 8.8%, Aa2 at 10.9%, and Aa3 at 4.3%. The portfolio makeup of fixed income investments was corporate securities at 35.3%, treasury and agency securities at 48.8%, Municipal Bonds at 5.6%, certificates of deposit at 7.9%, Local Government Investment Pool at 1.3% and money market funds at 1.1%. The Local Government Investment Pool and money market funds are not rated but are subject to credit risk. The certificates of deposit are not rated and are not subject to credit risk. Equities and fixed income mutual funds held in trust at 19.6% make up the remainder of the investments and are not rated.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to a large investment position in a single issuer. As of the December 31, 2015 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, 2015, the City's investments exposed to interest rate risk were as follows:

Investment type (in thousands)	Fair Value	Investment Maturity in years		
		Less than 1	1 - 5	5 - 7
Money market funds	\$ 204,884	\$ 204,884	\$ -	\$ -
Certificates of deposit	1,470,000	1,225,000	245,000	-
U.S. treasuries and agencies	9,059,799	4,000,834	5,058,965	-
Municipal bonds	1,041,060	-	1,041,060	-
Corporate notes	6,540,859	1,998,075	4,542,784	-
Local government investment pool	233,082	233,082	-	-
Total	\$ 18,549,684	\$ 7,661,875	\$ 10,887,809	\$ -

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Receivables consist of accounts, taxes, notes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and ambulance revenue, was \$ 80,106 at December 31, 2015. Other than the special assessment receivables, all other receivables are expected to be collected within one year.

C. DUE FROM OTHER GOVERNMENTS

In 2011, the City 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. This is presented as Due from other governments in the statement Net Position.

D. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2015 is \$356,106.

The Pension Asset has been reported as restricted. This asset represents funds held by the Plan Trust, which can only be used to settle Plan obligations. The balance of the Pension Asset related to the Wisconsin Retirement System (WRS) at December 31, 2015 is \$2,066,135.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 24,949,631	\$ 319,060	\$ -	\$ 25,268,691
Construction in progress	423,313	1,188,207	430,617	1,180,903
Total capital assets not depreciated	<u>25,372,944</u>	<u>1,507,267</u>	<u>430,617</u>	<u>26,449,594</u>
Capital assets depreciated:				
Buildings & improvements	24,717,845	163,057	-	24,880,902
Machinery & equipment	17,514,597	1,245,775	622,380	18,137,992
Infrastructure	93,860,788	1,280,571	-	95,141,359
Total capital assets depreciated	<u>136,093,230</u>	<u>2,689,403</u>	<u>622,380</u>	<u>138,160,253</u>
Less: Accumulated depreciation for:				
Buildings & improvements	9,104,243	488,008	-	9,592,251
Machinery & equipment	10,888,324	1,039,337	601,811	11,325,850
Infrastructure	26,588,923	1,597,549	-	28,186,472
Total accumulated depreciation	<u>46,581,490</u>	<u>3,124,894</u>	<u>601,811</u>	<u>49,104,573</u>
Net capital assets depreciated	<u>89,511,740</u>	<u>(435,491)</u>	<u>20,569</u>	<u>89,055,680</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 114,884,684</u>	<u>\$ 1,071,776</u>	<u>\$ 451,186</u>	<u>\$ 115,505,274</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 136,550
Public safety	702,123
Public works	1,934,325
Health & human services	6,096
Culture & recreation	344,062
Conservation & development	1,738
Total governmental activities depreciation expense	<u>\$ 3,124,894</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Dispositions	Adjustment	Ending Balance
Business-type Activities					
Capital Assets not depreciated:					
Land	\$ 521,225	\$ -	\$ -		\$ 521,225
Construction in progress	351,610	3,668,220	3,979,346	-	40,484
Total capital assets not depreciated	<u>872,835</u>	<u>3,668,220</u>	<u>3,979,346</u>	-	<u>561,709</u>
Capital assets depreciated:					
Buildings & improvements	3,434,412	3,336,718	124,187	-	6,646,943
Machinery & equipment	2,694,341	158,387	261,153	2,705,403	5,296,978
Infrastructure	110,447,988	847,540	875,245	(1,470,476)	108,949,807
Total capital assets depreciated	<u>116,576,741</u>	<u>4,342,645</u>	<u>1,260,585</u>	<u>1,234,927</u>	<u>120,893,728</u>
Less: Accumulated depreciation for:					
Buildings & improvements	1,239,632	168,244	106,382	-	1,301,494
Machinery & equipment	1,633,171	267,498	225,818	1,824,833	3,499,684
Infrastructure	26,009,516	1,464,248	40,036	(863,495)	26,570,233
Total accumulated depreciation	<u>28,882,319</u>	<u>1,899,990</u>	<u>372,236</u>	<u>961,338</u>	<u>31,371,411</u>
Net capital assets depreciated	<u>87,694,422</u>	<u>2,442,655</u>	<u>888,349</u>	<u>273,589</u>	<u>89,522,317</u>
Business-type Activities Capital Assets					
Net of Accumulated Depreciation	<u>\$ 88,567,257</u>	<u>\$ 6,110,875</u>	<u>\$ 4,867,695</u>	<u>\$ 273,589</u>	<u>\$ 90,084,026</u>

Depreciation expense was charged to functions as follows.

Business-Type Activities:

Water	\$ 1,207,081
Sewer	692,909
	<u>\$ 1,899,990</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

F. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

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, 2015 are as follows:

Payable Fund	Receivable Fund				Total
	General	Nonmajor	Water Utility	Sanitary Sewer	
General	\$ -	\$ -	\$ 57,727	\$ 34,082	\$ 91,809
Non-Major	11,552	-	-	-	11,552
Water Utility	-	131,198	-	55,137	186,335
Sanitary Sewer	59,832	-	50,083	-	109,915
Totals	\$ 71,384	\$ 131,198	\$ 107,810	\$ 89,219	\$ 399,611

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	Internal Service	Capital Projects Development		
TIF Districts	\$ -	\$ 1,088,000	\$ 850,000	\$ 1,938,000	\$ 1,388,000
Sanitary Sewer	2,198,616	-	-	2,198,616	-
	\$ 2,198,616	\$ 1,088,000	\$ 850,000	\$ 4,136,616	\$ 1,388,000

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, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

F. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Transfers as presented on the fund financial statements during the year ended December 31, 2015 were as follows:

	Transfers Out			Fund Totals
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	
Transfers In				
General Fund	\$ -	\$ -	\$ 1,044,459	\$ 1,044,459
Debt Service Fund	-	182,494	-	182,494
Nonmajor Governmental Funds	574,000	607,300	-	1,181,300
Total	<u>\$ 574,000</u>	<u>\$ 789,794</u>	<u>\$ 1,044,459</u>	<u>\$ 2,408,253</u>

A reconciliation of fund statement transfers to government wide transfers for the year ended December 31, 2015 is as follows:

	Governmental Funds	Enterprise Funds
Transfers In per fund statements	\$ 2,408,253	\$ -
Transfers Out per fund statements	(1,363,794)	(1,044,459)
Government Wide Transfers	<u>\$ 1,044,459</u>	<u>\$ (1,044,459)</u>

G. DEFERRED INFLOWS AND DEFERRED OUTFLOWS

Governmental funds report deferred inflows in connection with receivables for revenues 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 cannot 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	\$ -	\$ 24,809,701	\$ 24,809,701
Special assessments not yet due	1,204,211	-	1,204,211
Total deferred inflows	<u>\$ 1,204,211</u>	<u>\$ 24,809,701</u>	<u>\$ 26,013,912</u>
for governmental funds			

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2015 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 12,935,000	\$ -	\$ 615,000	\$ 12,320,000	\$ 1,950,000
Premium	252,273	-	48,371	203,902	-
Sub-total	<u>13,187,273</u>	<u>-</u>	<u>663,371</u>	<u>12,523,902</u>	<u>1,950,000</u>
Compensated absences					
Accrued vacation pay	427,655	1,002,753	990,132	440,276	440,276
Accrued severance pay	1,188,583	221,672	91,925	1,318,330	68,896
Accrued compensatory time	208,096	240,140	226,022	222,214	222,214
Total compensated absences	<u>1,824,334</u>	<u>1,464,565</u>	<u>1,308,079</u>	<u>1,980,820</u>	<u>731,386</u>
Governmental activities					
Long-term liabilities	<u>\$ 15,011,607</u>	<u>\$ 1,464,565</u>	<u>\$ 1,971,450</u>	<u>\$ 14,504,722</u>	<u>\$ 2,681,386</u>

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

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

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Business-type Activities					
General obligation debt	\$ 24,776,522	\$ -	\$ 1,184,245	\$ 23,592,277	\$ 1,212,048
Discount	(13,507)	-	(826)	(12,681)	-
Subtotal	<u>24,763,015</u>	<u>-</u>	<u>1,183,419</u>	<u>23,579,596</u>	<u>1,212,048</u>
Compensated absences					
Accrued vacation pay	44,159	39,900	41,880	42,179	42,178
Accrued severance pay	61,769	8,991	-	70,760	-
Accrued compensatory time	16,691	9,845	5,017	21,519	21,519
Business-type activities					
Long-term liabilities	<u>\$ 24,885,634</u>	<u>\$ 58,736</u>	<u>\$ 1,230,316</u>	<u>\$ 23,714,054</u>	<u>\$ 1,275,745</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

Details of general obligation notes and bonds payable as of December 31, 2015 are as follows:

<u>Type</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Interest Payable</u>	<u>Original Amount</u>	<u>Balance Outstanding 12/31</u>
General obligation promissory notes	12/18/14	2.0-2.5	3/1/15-24	3/1 & 9/1	\$ 5,320,000	\$ 5,225,000 ¹
General obligation refunding bonds	1/3/07	3.80	3/ 1/08-21	3/1 & 9/1	9,925,000	<u>7,095,000</u>
Total Governmental Activities Debt						<u>\$ 12,320,000</u>
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	\$ 22,357,277 ²
	12/18/14	2.0-3.125	3/1/15-34	3/1 & 9/1	1,290,000	<u>1,235,000</u> ³
Total Business-type Activities Debt						<u>\$ 23,592,277</u>

¹ Issued 63% for capital TIF purposes and 33% for general capital purposes, ² Issued for a sewer extension on W Ryan Rd, ³ Issued for water building 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:

<u>Year Ending 31-Dec</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,950,000	\$ 377,598	\$ 1,212,048	\$ 570,330
2017	3,010,000	297,388	1,240,535	540,393
2018	2,320,000	207,958	1,269,723	509,746
2019	1,365,000	143,987	1,299,629	478,371
2020	1,320,000	95,852	1,330,272	446,251
2021-25	2,355,000	82,846	7,168,066	1,713,235
2026-30	-	-	8,095,547	766,529
2031-35	-	-	1,976,457	40,202
Total	<u>\$ 12,320,000</u>	<u>\$ 1,205,629</u>	<u>\$ 23,592,277</u>	<u>\$ 5,065,057</u>

The City's statutory debt limit and margin of indebtedness at December 31, 2015 are \$182,459,295 and \$ 146,547,018, respectively. By City debt policy, the debt limit and margin of indebtedness limit are \$ 72,983,718 and \$ 37,071,441, respectively.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

Conduit Debt Obligations

Eleven series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$102,992,000 are outstanding with a December 31, 2015 balance of \$93,157,637.

I. NET POSITION/FUND BALANCES

Governmental Activities

Governmental activities net position reported on the government-wide statement of net position at December 31, 2015 include the following:

Net investment in capital assets	
Land	\$ 25,268,691
Construction in process	1,180,903
Other capital assets, net of accumulated depreciation	89,055,680
Less: related long term debt outstanding	<u>(8,320,671)</u>
Net investment in capital assets	<u>107,184,603</u>
Restricted for:	
Debt service	482,773
Utility improvement	1,999,759
Development	3,851,653
Library	524,137
Solid waste	260,944
Recreation services	47,656
Health	160,003
Donations	<u>133,678</u>
Total restricted	<u>7,460,603</u>
Unrestricted	<u>16,401,941</u>
Total governmental activities net position	<u>\$ 131,047,147</u>

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**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Governmental Fund Balances

Reported on the fund financial statements at December 31, 2015 include the following:

General Fund - advances	2,198,616
General Fund - prepaid items and inventory	41,186
Library Fund - prepaid items	<u>730</u>
Total nonspendable	<u>\$ 2,281,718</u>
Restricted fund balances	
Debt Service	\$ 507,283
Utility Improvements	907,003
Development	3,851,653
TIF Districts	996,460
Donations	133,678
Health services	160,003
Library services	523,237
Solid Waste	260,944
Recreational services	<u>47,656</u>
Total restricted	<u>\$ 7,387,917</u>
Assigned Fund balances:	
General Fund	\$ 147,121
Capital Projects:	
Capital Outlay	666,161
Equipment Replacement	2,304,643
Capital Improvement	1,689,835
Street Improvement	<u>245,955</u>
Total Assigned fund balances	<u>\$ 5,053,715</u>
Unassigned fund balances	
General Fund	\$ 6,662,986
TIF Districts - Deficit	(138,216)
St Martin's Fair - Deficit	<u>(12,711)</u>
Total Unassigned fund balances	<u>\$ 6,512,059</u>

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**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Business-type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2015 include the following:

Net investment in capital assets		
Land	\$	521,225
Construction in process		40,484
Other capital assets, net of accumulated depreciation		89,522,317
Less: related long term debt outstanding, net of unspent bond proceeds		<u>(1,222,320)</u>
Net investment in capital assets		<u>88,861,706</u>
 Restricted for:		
Sewer equipment replacement		<u>356,106</u>
 Unrestricted		<u>2,853,728</u>
 Total business-type activities net position	\$	<u><u>92,071,540</u></u>

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