

# **Comprehensive Annual Financial Report**

City of Franklin, Wisconsin

For the Year Ended December 31, 2008



# **Franklin**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF FRANKLIN**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**PREPARED BY THE  
DEPARTMENT OF FINANCE**

**DIRECTOR OF FINANCE & TREASURER  
CALVIN A. PATTERSON**

# CITY OF FRANKLIN

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December 31, 2008

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# **INTRODUCTORY SECTION**

April 16, 2009

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

### **Introduction**

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2008, is hereby submitted. State law requires that all general purpose local governments with a population over 25,000 publish within six months of the end of the fiscal year a complete set of financial statements 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.

The City's financial statements have been audited by Virchow, Krause & Company, LLP, a firm of licensed public accountants. 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, 2008, 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, 2008, 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 33,550. Over the last ten years the City has experienced an average annual population increase of 2.1% per year. The city is a residential community with a growing commercial and industrial base. 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 and fire protection; emergency medical/paramedic, health and sanitary services; building inspection and zoning control; street, sanitary, storm sewer and water construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of the 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 fourteen 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.

The City provides a full range of services, including police, fire protection and emergency medical services; street construction, maintenance of highways, streets and other infrastructure; recreational and cultural activities and sanitation services. 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 was established to finance and construct a City Business Park located within the City of Franklin Tax Incremental Financing District No. 2. 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 preparation of a forecast for the existing programs for the following year is prepared during May and June. Departmental requests for personnel changes and new capital outlay expenditures are made by the end of July. 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 end of September. The Council through its Finance Committee reviews the recommended budget and submits a proposed budget to the Council 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 fund with an adopted budget. The General Fund comparison is presented in Exhibit F as part of the basic financial statements for the government 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**

In line with economic slowdowns nationally and regionally, the pace of growth in Franklin in 2008 was again down significantly both in the residential sector and the non-residential sectors. The 52 units of new residential construction was down 47.5% from 2007 and 85.6% below the 361 units averaged during the previous ten years. The value of non-residential construction dropped 29.0% from 2007 and was 39.3% below the average value realized during the previous ten years. Prospects in 2009 for residential, commercial and industrial development is guardedly expected to approximate 2008 levels.

Estimated actual property values have grown at an average annual rate of 9.9% since 1998. The new growth net of TIF Districts was \$49.8 million in 2008, \$80.9 million in 2007 and \$107 million in 2006. The growth in 2009 is expected to be in the \$20 to \$40 million dollar range reflecting the slowdowns during the last two years. Growth after 2009 is expected to return to levels higher than the past two years. The history of higher 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 9.5%. In 2008, permits for 52 new equivalent residential units were issued. The decrease from the prior year reflects the area housing slowdown in residential construction. Lingering effects of the slowdown will keep growth from new construction in 2009, at about the same level as 2008. Longer range the City 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 12.1%. In 2008, 49 building permits were issued for commercial and industrial projects. The value of those projects decreased by 29.0% from the 2007 level.

The City's Business Park has 19 acres (6%) unsold with another 47 acres (14%) sold but not yet developed. The total incremental value of the Business Park, which comprises the City's TIF District No. 2, exceeded \$139 million in equalized value at January 1, 2008. This value and the projected increases in values should generate sufficient tax increment to repay the existing TIF District debt by 2011, the last scheduled principal repayment date. Based on preliminary projections, when the TIF District No. 2 is closed (currently expected to be in 2012), over \$180 million of additional value is expected to be added to the property tax rolls.

In 2005 the City established two new TIF Districts (#3 & #4) on the eastern side of the City. The two districts have experienced a good start with increments of \$74.9 and \$10.8 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, as 74.9% of the City's property value is currently residential down from 76.1% the prior year. Future tax relief will need to come from industrial and commercial tax base expansion.

### **Organizational and Service Growth**

The year 2008 was a year of adjustment for the City. Development revenues rapidly decreasing due to the economic slowdown made some significant adjustments necessary. A hiring freeze in the early part of the year followed by several employee reductions later in the year to adjust to a reduced level of expected revenue.

Planning issues including a revision to the comprehensive master plan and the 27<sup>th</sup> Street corridor planning continue to receive much attention. Impact fees are charged to new development to be sure that new development pays its fair share of the infrastructure costs. The expansion and development of parks also received attention. The Parks Commission continues to plan for implementing the Comprehensive Outdoor Recreation Plan. The Health Department continued its outreach to the local schools and continued offering immunizations at businesses in the Business and Industrial Parks, including Hepatitis B vaccines.

2008 was not a City-wide property re-assessment year. The last re-assessment was done in 2006. Performing revaluations on a regular basis is in line with the Common Council's policy decision to schedule a revaluation every three years to keep property values in line with current market values. The State determined that the local assessments were 95.8% of fair value. The estimated actual value of City properties has exceeded \$3.8 billion.

The challenge for the operating departments in 2008 was to maintain the service levels at a time of declining revenues to the City and a growth of 1.5% in new properties. Limited tax growth did not provide resources to maintain services in the light of other revenue declines and employment cutbacks were necessary.

### **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, 2008 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 \$500,000, a single audit of grants is required. The City was not required to have a single audit of grants for 2008.

### **Budgeting Controls**

The City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Common Council. Activities of the General Fund, Library Fund, Sanitary Sewer Fund, Debt Service Fund, Capital Outlay Fund, Capital Improvement Fund, Equipment Replacement Fund and Street Improvement Fund are included in the annual appropriated budget. The legal level for budgetary control is at the function level (e.g. public safety) within individual funds. The legal level of control is defined as the level at which expenditures cannot legally exceed the appropriated amount without a resolution approved by Common Council. Any unencumbered appropriations lapse at year end.

Long range financial planning is in place especially for the Capital funds and debt service funds to insure that resources are in place to meet committed projects and insure 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.

### **Cash Management**

Short term cash is pooled and invested in demand deposits, savings deposits and the State of Wisconsin Local Government Investment Pool. Cash reserves are invested by an investment manager in commercial paper, U.S. Treasury notes, Government Agency instruments, corporate notes and U.S. Treasury money market funds until needed for operations. Interest income from these programs are allocated to the various funds based on their respective balances of the pooled investments.

### **Risk Management**

The City is exposed to a wide variety of risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care for its employees. Third-party insurance is maintained for workers' compensation, property, liability and many other potential losses. The City offers full time and some part time employees a group health and dental plan, which is self-insured by the City. The risk of this plan is reduced through the purchase of an excess loss health insurance policy with a deductible of \$50,000 per covered participant.

### **Pension**

The City provides pension benefits to its employees. The public works, sewer and water and maintenance employees are covered by a single employer defined benefit pension plan. The Police and Fire employees are covered by the Wisconsin Retirement System pension program. The remainder of eligible employees are covered by a defined contribution pension plan.

### **Other Post employment benefits**

In addition to pensions, the City also provides postretirement health care benefits for certain retirees and their dependants. As of the end of the current fiscal year there were 18 retired employees receiving some type of postretirement health care benefits. Effective January 1, 2008 the City implemented Government Accounting Standards Board (GASB) Statement No. 45, Accounting for post employment benefits.

This new standard requires the City to account for post retirement health costs over the working lives of the employees. The City of Franklin has also elected to fund the annual required contribution under the standard and has established a trust for the investment of those funds until needed to pay benefits.

#### **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, 2007. 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 sixteenth 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 2008 Certificate.

#### **Acknowledgments**

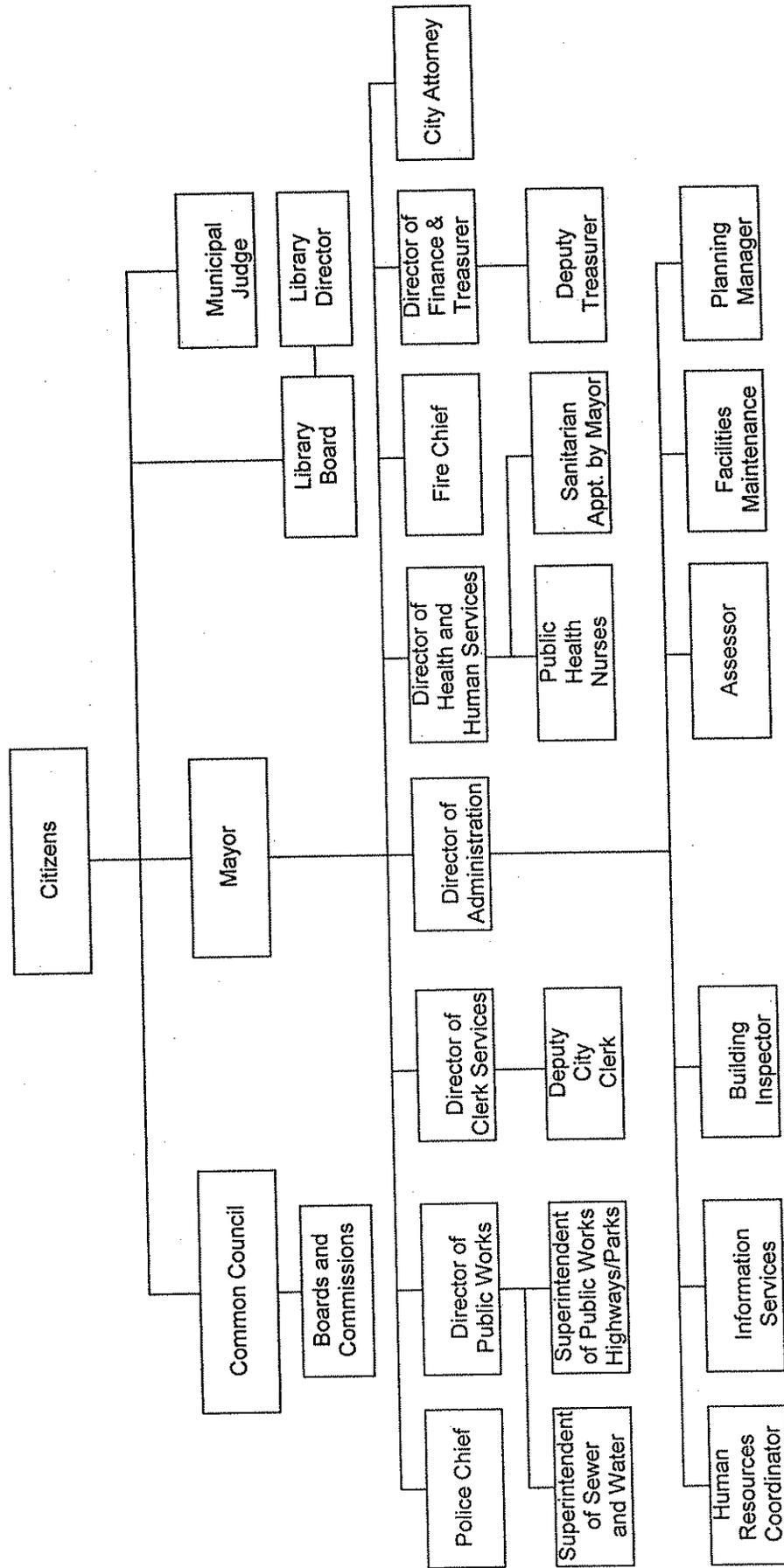
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance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

Respectfully submitted,



Calvin A. Patterson  
Director of Finance & Treasurer

**City of Franklin  
Organization Chart  
Chart 1**



**CITY OF FRANKLIN  
LIST OF PRINCIPAL OFFICIALS**

Elected Officials

<u>Title</u>	<u>Name</u>
Mayor	Tom Taylor
Aldermen:	
District No. 1	Steve Olson
District No. 2	Tim Solomon
District No. 3	Kristen Wilhelm
District No. 4	Steve F. Taylor
District No. 5	Lyle Sohns
District No. 6	Ken Skowronski
Municipal Judge	Fred Klimetz

Non-elected Officials

Assessor	Mark Link
Building Inspector	Fred Baumgart
City Attorney	Jesse Wesolowski
City Clerk	Sandi Wesolowski
City Engineer/Public Works Director	John Bennett
Director of Administration	Mark Luberda
Director of Finance & Treasurer	Cal Patterson
Director of Health & Human Services	Bill Wucherer
Fire Chief	Jim Martins
Human Resources Coordinator	Dana Zahn
Library Director	Barbara Roark
Planning Manager	Joel Dietl
Police Chief	Rick Oliva
Superintendent of Public Works	Jerry Schaefer
Superintendent of Sewer & Water	Roy Kainz

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Franklin  
Wisconsin

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. +".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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# **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

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

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Franklin's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information for the enterprise funds has been derived from the City of Franklin's 2007 financial statements and, in our report dated April 15, 2008, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5 C., the City of Franklin adopted the provisions of Governmental Accounting Standard Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective January 1, 2008.

To the Mayor and Common Council  
City of Franklin

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The combining and individual fund financial statements and schedules as 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The "Letter of Transmittal" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Franklin, Wisconsin. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

*Virelow, Krause & Company, LLP*

Milwaukee, Wisconsin  
April 16, 2009

## 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, 2008. 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 1-6 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2008, by \$178,033,690 (**net assets**). Of this amount, \$7,218,061 (**unrestricted net assets**) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by a net amount of \$5,293,632. Investment in capital assets, net of related debt decreased by \$1,246,231, while unrestricted net assets increased by \$5,975,467 and restricted net assets increased by \$564,396. In the prior year the City used cash reserves as interfund advances to facilitate investments in infrastructure in the new TIF Districts. Then in 2008 the TIF Districts obtained some permanent financing for those investments. The impacts of that activity on the Debt Service and TIF District funds accounted for most of the change in net assets.
- The City's governmental funds reported, as of December 31, 2008, combined ending fund balances of \$25,799,211, an increase of \$4,188,211 from the prior year. There was a (**unreserved fund balance**) in total of only \$897,552 due primarily to the fund deficit in the TIF Districts Fund which represents the approximate amount of interfund advances remaining. The receipt of future tax increments will address that issue. Unreserved fund balances in other funds amounted to \$7,778,108 or approximately 30 percent of the total fund balance that is available for spending at the government's discretion.
- The unreserved fund balance as of December 31, 2008 for the general fund was \$5,545,041 or approximately 22 percent of total anticipated 2009 general fund expenditures.
- The City's Governmental activities debt increased by \$4,000,000 during 2008. Normal repayments of \$6,000,000 were offset by the issuance of \$10,000,000 in debt used by TIF District #3.

### 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The governmental activities of the City include general government, public safety, public works, health & human services, culture & recreation and conservation & development. The business-type activities include the Franklin Water Utility and the City 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 & 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 sixteen 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 thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 & 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, Capital Outlay Fund, Equipment Replacement Fund, Street Improvement Fund, Capital Improvement Fund, Sanitary Sewer Fund and the Franklin Water Utility. A budgetary comparison statement has been provided for all governmental funds demonstrating compliance with their budgets.

### **Proprietary funds**

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

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

### **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The fiduciary funds maintained by the City are the Property Tax Agency Fund, that records the tax roll and tax collections for the City and other taxing jurisdictions, an other agency funds to record their activity and a post employment benefits trust to hold funds until needed to pay designated health benefits for 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 is found on pages 38 – 73 of this report.

### **Other information**

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

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the

budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 9 can be found on pages 75 – 89 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$178,033,690 and \$172,740,058 at the end of 2008 and 2007, respectively.

### CITY OF FRANKLIN NET ASSETS December 31, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 59,842,143	\$ 54,283,378	\$ 3,672,234	\$ 3,570,688	\$ 63,514,377	\$ 57,854,066
Capital assets	<u>112,989,942</u>	<u>108,520,754</u>	<u>90,842,486</u>	<u>90,242,855</u>	<u>203,832,428</u>	<u>198,763,609</u>
Total assets	<u>172,832,085</u>	<u>162,804,132</u>	<u>94,514,720</u>	<u>93,813,543</u>	<u>267,346,805</u>	<u>256,617,675</u>
Long-term liabilities	50,845,466	47,294,304	80,634	70,071	50,926,100	47,364,375
Current liabilities	<u>37,336,035</u>	<u>35,580,150</u>	<u>1,050,980</u>	<u>933,091</u>	<u>38,387,015</u>	<u>36,513,241</u>
Total liabilities	<u>88,181,501</u>	<u>82,874,454</u>	<u>1,131,614</u>	<u>1,003,162</u>	<u>89,313,115</u>	<u>83,877,616</u>
Net assets:						
Invested in capital assets, net of related debt	74,009,675	75,855,538	90,842,486	90,242,854	164,852,161	166,098,392
Restricted	5,732,084	5,173,895	231,384	225,177	5,963,468	5,399,072
Unrestricted	<u>4,908,825</u>	<u>(1,099,755)</u>	<u>2,309,236</u>	<u>2,342,349</u>	<u>7,218,061</u>	<u>1,242,594</u>
Total net assets	<u>\$ 84,650,584</u>	<u>\$ 79,929,678</u>	<u>\$ 93,383,106</u>	<u>\$ 92,810,380</u>	<u>\$ 178,033,690</u>	<u>\$ 172,740,058</u>

The largest portion of the City's net assets (approximately 93 and 96 percent, in 2008 and 2007, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these net assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$164,852,161 and \$166,098,392 in 2008 and 2007, respectively of the year end net assets. The changes in capital assets were as follows:

	Net Capital Asset		Change in Capital		Net
	Additions	Depreciation	Related Debt		Increase
2008	\$ 9,180,579	\$ (4,111,758)	\$ (6,315,052)	\$	(1,246,231)
2007	\$ 12,905,808	\$ (3,914,628)	\$ 7,210,220	\$	16,201,400

The major City projects contributing to this increase was in 2008 the reconstruction of Drexel Avenue from Highway 36 to Highway 100 and the installation of a 24" transmission main from 68<sup>th</sup> to 51<sup>st</sup> along Puetz Road. However that increase was offset by an increase in capital related debt resulting in net decrease for the year. In 2007 the increase was the reconstruction of 31<sup>st</sup> Street from Drexel north to the extension, the reconstruction 51<sup>st</sup> Street north of Drexel and the reconstruction of Oakwood Road from 34<sup>th</sup> Street east. Infrastructure contributed by developers as part of developer's agreements contributed approximately \$864,000 in 2008 and \$953,000 in 2007 to the capitalized infrastructure through capital grants and contributions of governmental activities and \$734,000 in 2008 and \$1,630,000 in 2007 to capitalized infrastructure through capital grants and contributions for business-type activities.

An additional portion of the City's net assets (3.3 percent and 3.1 percent in 2008 and 2007, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$5,963,468 and \$5,399,072, respectively in those net assets that were restricted to specific purposes with the remaining balance in unrestricted net assets of \$7,218,061 and \$1,242,594, in 2008 and 2007 respectively may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year the City was able to report positive balances in the unrestricted net assets of the government as a whole as well as for its separate business-type activities. The governmental activities unrestricted net assets did show a deficit in 2007 primarily due to the City's decision to use available resources through interfund advances to the new TIF's to provide the initial funding needed by these TIF's. In this way after the TIF expenditures are substantially completed, a external borrowing can be completed for that district with the interfund advances then repaid. The benefits to this process include borrowing what is needed for actual expenses, not having excess funds in the district before expenditures and achieving lower interest costs due to a shorter loan repayment period.

There was a 2008 increase of \$558,189 in restricted net assets reported in connection with governmental activities. The increase was primarily due to the increase in available debt service funds (\$407,000), and growth in available Development funds (\$440,000) offset by the use of utility improvement funds to pay for Puetz Road 24" transmission main (\$368,000).

There was a 2007 decrease of \$2,121,141 in restricted net assets reported in connection with governmental activities. The decrease was due to the reduction in available debt service funds (\$1,296,000), the reduction in impact fees (\$841,000) and the growth in other restricted funds (\$16,000).

There was a 2008 increase of \$6,008,580 in unrestricted net assets reported in governmental activities. The major reason for the increase was the decrease in the advances to other funds that resulted in increased unrestricted net assets.

There was a 2007 decrease of \$11,975,821 in unrestricted net assets reported in connection with governmental activities. The major reasons for the decrease was the initial expenditures in the new TIF Districts (\$9,029,000) and the expenditure of funds in the Capital Improvement fund (\$3,138,768)

## Governmental activities

The details of changes in net assets follow:

### City of Franklin Changes in Net Assets For the Year Ending December 31, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,753,496	\$ 4,128,196	\$ 6,925,236	\$ 5,956,073	\$ 10,678,732	\$ 10,084,269
Operating grants & contributions	2,285,275	2,957,937	-	-	2,285,275	2,957,937
Capital grants & contributions	1,735,333	2,753,612	734,367	1,629,536	2,469,700	4,383,148
General revenue:						
Property taxes	24,219,961	21,641,373	-	-	24,219,961	21,641,373
Other taxes	472,575	429,674	-	-	472,575	429,674
Intergovernmental	1,320,286	1,461,840	-	-	1,320,286	1,461,840
investment earnings	1,862,688	2,547,179	67,617	113,197	1,930,305	2,660,376
Other	14,451	452,613	267,819	41,436	282,270	494,049
<b>Total revenue</b>	<b>35,664,065</b>	<b>36,372,424</b>	<b>7,995,039</b>	<b>7,740,242</b>	<b>43,659,104</b>	<b>44,112,666</b>
<b>Expenses:</b>						
General government	3,028,903	2,769,041	-	-	3,028,903	2,769,041
Public safety	15,598,643	14,387,891	-	-	15,598,643	14,387,891
Public works	6,900,407	6,800,767	-	-	6,900,407	6,800,767
Health & Human services	663,262	630,002	-	-	663,262	630,002
Culture & Recreation	1,803,155	1,766,274	-	-	1,803,155	1,766,274
Conservation & development	718,032	6,591,661	-	-	718,032	6,591,661
Interest on long-term debt	2,654,969	2,705,294	-	-	2,654,969	2,705,294
Water	-	-	3,928,578	3,620,524	3,928,578	3,620,524
Sewer	-	-	3,069,523	2,640,092	3,069,523	2,640,092
<b>Total expenses</b>	<b>31,367,371</b>	<b>35,650,930</b>	<b>6,998,101</b>	<b>6,260,616</b>	<b>38,365,472</b>	<b>41,911,546</b>
Increase in net assets before transfers	4,296,694	721,494	996,938	1,479,626	5,293,632	2,201,120
Transfers	424,212	(560,258)	(424,212)	560,258	-	-
Increase in net assets	4,720,906	161,236	572,726	2,039,884	5,293,632	2,201,120
Net assets - beginning	79,929,678	79,768,442	92,810,380	90,770,496	172,740,058	170,538,938
Net assets - ending	<u>\$ 84,650,584</u>	<u>\$ 79,929,678</u>	<u>\$ 93,383,106</u>	<u>\$ 92,810,380</u>	<u>\$ 178,033,690</u>	<u>\$ 172,740,058</u>

Governmental activities in 2008 increased the City's net assets by \$4,720,906 accounting for 89 percent of the total growth in the net assets of the City. Elements of this increase follow:

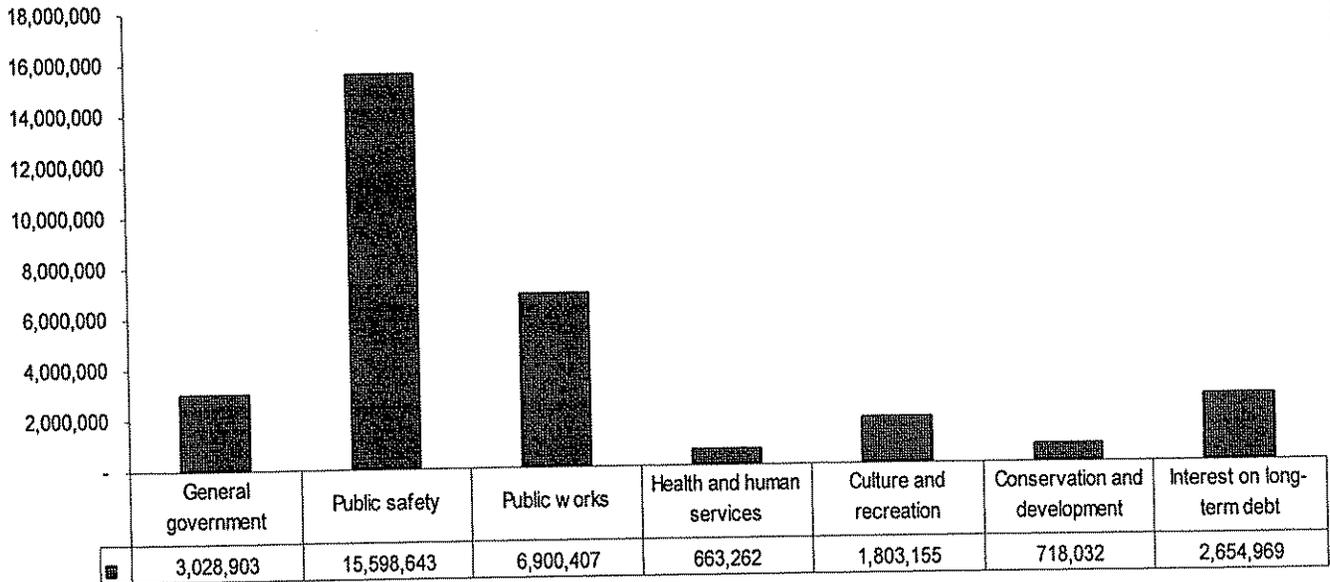
- Decrease due to General Fund activity of \$608,554
- Net decrease in Debt service activities of \$876,545
- Increase in governmental activities capital assets net of depreciation of \$4,469,188
- Net increase from internal service activities of \$910,553
- Net decrease from special assessment activities of \$628,933
- Net increase from TIF Districts activities of \$1,371,002
- Net increase from other funds activities of \$84,195

Governmental activities in 2007 increased the City's net assets by \$161,236 accounting for 7 percent of the total growth in the net assets of the City. Elements of this increase follow:

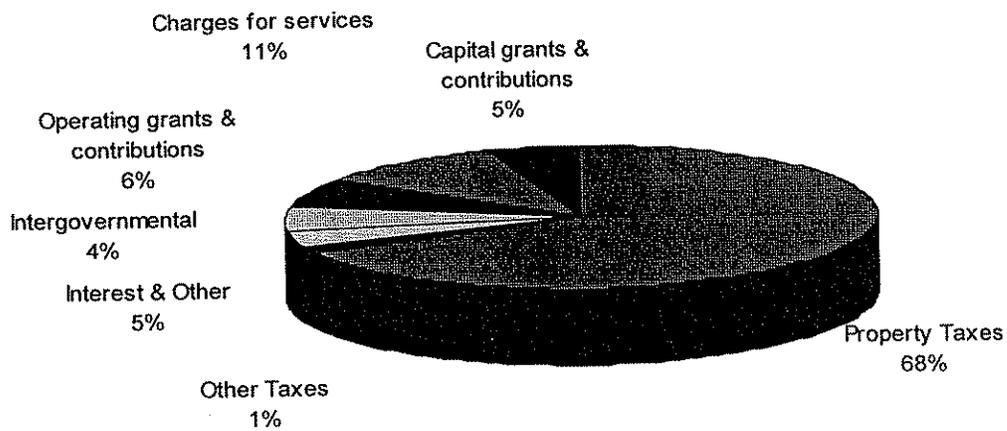
- Decrease due to General Fund activity of \$1,397,983

- Decrease due to the increase in Long term Debt of \$5,268,153
- Increase in governmental activities capital assets net of depreciation of \$7,047,978
- Net increase from internal service activities of \$528,961
- Net decrease from special assessment activities of \$309,927
- Net decrease from other funds activities of \$600,876

### Expenses by Function - Governmental Activities



### Revenue by Source - Governmental Activities



**Business-type activities**

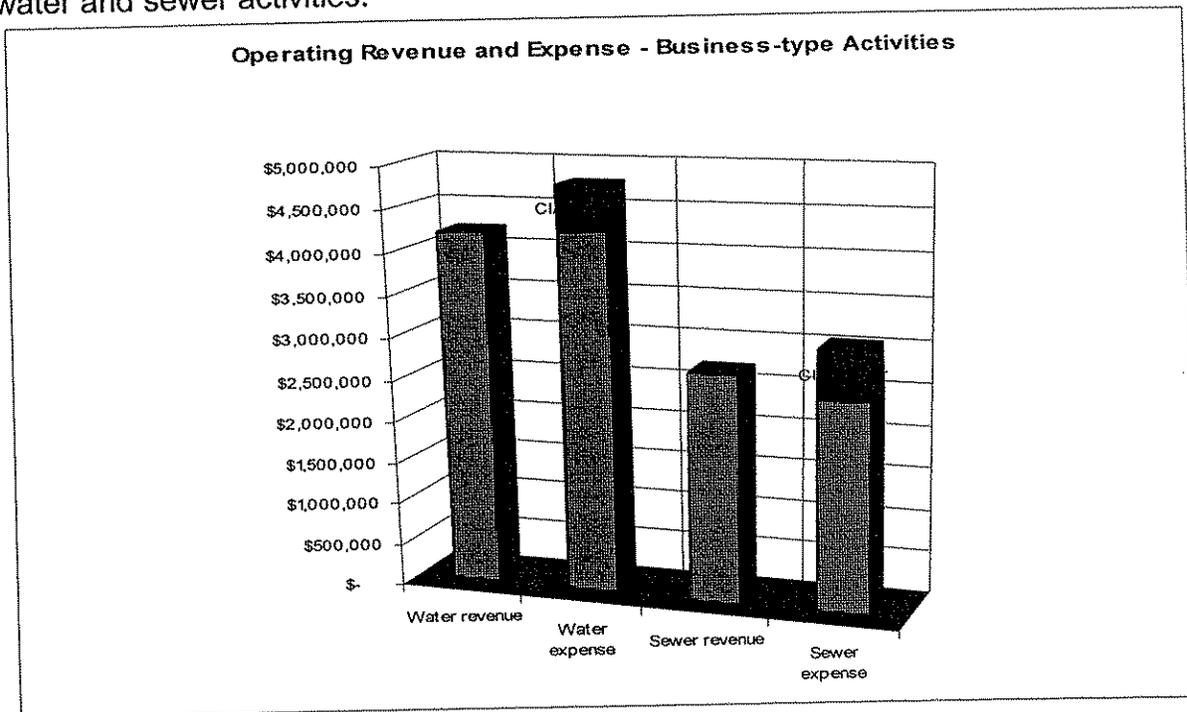
In 2008, business-type activities increased the City's net assets by \$572,726 or .6 percent from the prior year. The key elements of this increase follow:

- The increase from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$500,584. The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The sewer revenue is currently below the level necessary to meet this goal.
- Contributions of water infrastructure - \$689,955 consisting of four developer projects and one City project
- Contributions of sewer infrastructure - \$477,220 consisting of three developer projects and one City project
- Depreciation expense related to contributed assets - \$1,095,033

In 2007, business-type activities increased the City's net assets by \$2,039,884 or 2.2 percent from the prior year. The key elements of this increase follow:

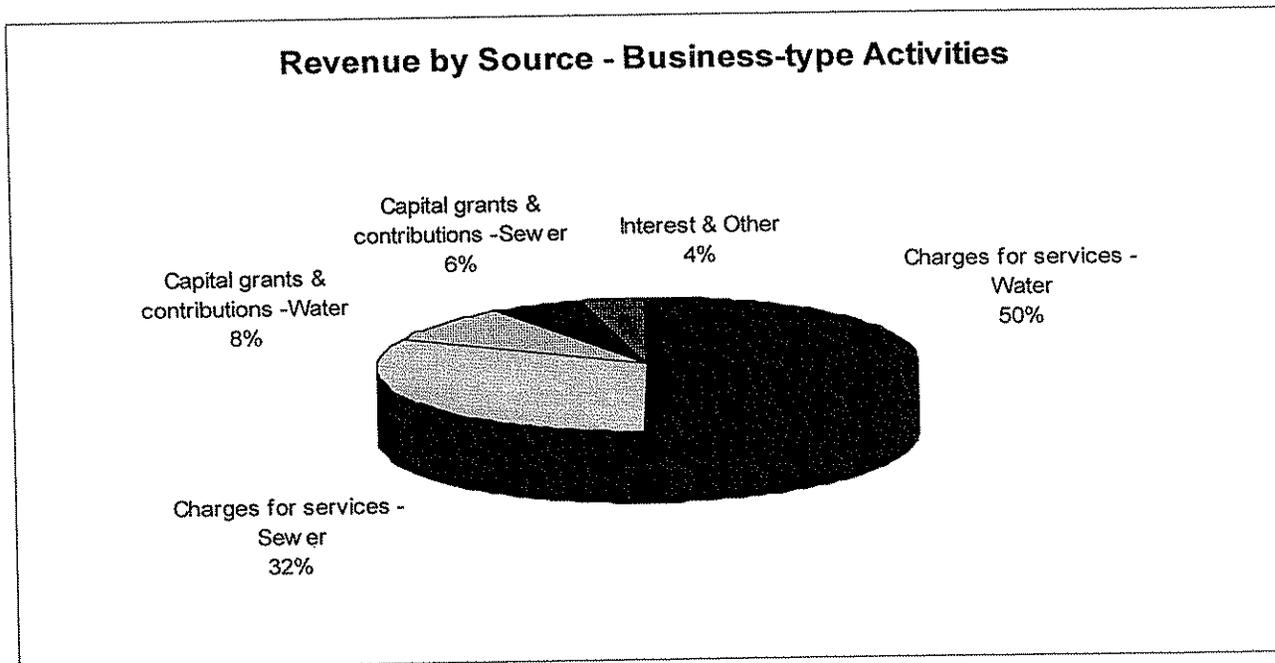
- The increase from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$83,112. The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The sewer revenue remains below the level necessary to meet this goal.
- Contributions of water infrastructure - \$1,966,833 consisting of thirteen developer projects and two City projects
- Contributions of sewer infrastructure - \$1,060,306 consisting of eleven developer projects
- Depreciation expense related to contributed assets - \$1,070,367

The following graph compares the 2008 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 only including depreciation from City spending on capital assets in the rate formula. The large amount of new infrastructure that is being installed each year is the reason for this policy. When maintenance and replacement costs begin to 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, unreserved 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 \$25,799,211, an increase of \$4,188,211 in comparison with the prior year. At year end there was unreserved fund balance in total of \$897,552. Of this total unreserved fund balance, the following amounts were committed to specific types of activities; i.e., \$5,519,932 for general fund activities, \$132,206 for special revenue fund activities, \$2,125,970 for capital project activities and offset by a \$6,880,556 deficit in the TIF Districts activities. The TIF Districts deficit is due to the favorable type of interim financing selected and will be addressed by a permanent source of financing at an appropriate time.

The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$12,091,660), 2) for advances to other funds (\$6,300,000) 3) for development purposes (\$3,083,708), 4) for library purposes (\$414,428), 5) uncompleted contracts (\$1,452,000), 6) encumbrances (\$1,236,000) and 7) for emergency medical services, prepaid expenses, inventories, utility improvement, donations and grants (\$323,863).

The **General Fund** is the chief operating fund of the City. As of December 31, 2008, the total fund balance of the general fund was \$5,545,041 of which \$5,519,932 was unreserved. This unreserved fund balance represents approximately 22 percent of 2009 total general fund expenditures.

The total fund balance of the general fund decreased by \$390,441 in fiscal year 2008. The 2008 annual program budget for the City's general fund identified an appropriation of \$697,000 in fund balance to reduce the impact of taxes levied and to balance the budget. Actual expenses were less than budgeted expenses by 3.9 percent or \$959,399 and actual revenue was less than budget revenue in the general fund by \$653,456 or 2.8 percent. This resulted in the fund balance declining by \$390,441. The total included the City's Common Council transferring \$948,646 to the fund balance of the General Fund. The underexpenditures were mainly from vacancy in authorized positions and unused contingency.

The **Debt Service Fund** has a total fund balance of \$8,339,240, \$2,639,240 of which is reserved for the payment of debt service and \$5,700,000 is reserved for advances made to the TIF Districts fund. The fund balance decrease came from payment of debt service and advances returned and transferred to the Capital Improvement Fund (\$2.5 million).

The **TIF Districts Fund** has an unreserved fund deficit of \$6,880,556 and a reserved fund balance of \$10,625,420 for a net fund balance of \$3,744,864. The fund deficit is due to receiving long term advances from the Debt Service Fund and investing those funds in infrastructure less a \$9.4 million loan to support a note receivable issued under a development agreement.

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

Unrestricted net assets of the Water Utility at the end of the year amounted to \$1,574,449, a decrease of \$135,248 from December 31, 2007. The growth in total net assets was \$437,916.

Unrestricted net assets of the Sanitary Sewer Fund at the end of the year amounted to \$734,787, an increase of \$102,135 from December 31, 2007. The growth in total net assets was \$134,810.

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

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were relatively minor except for the \$948,000 in transfers in from other funds and the establishment of departmental budgets for the OPEB expense both due to the adoption and funding of GASB

Statement #45 regarding retiree health charges. There were other non significant appropriations that came from other departments or from the contingency budgeted.

Actual revenue was \$653,486 below budgeted revenue. This was primarily due to development related (building permits, engineering review fees, zoning and filing fees) down \$690,000, interest revenue down \$75,000 partially offset by ambulance and FEMA revenue.

Actual expenditures were less than budgeted expenditures by \$959,399. This amount was across all functions and impacted by a hiring freeze due to economic conditions. The Information services, Police, Dispatch, Engineering, Parks and City Development departments accounted for the largest portion of the under expenditures. The unused contingency budget was \$115,000. The underexpenditures were reduced by overexpenditures in elections, legal, highway, refuse collection, street lighting and animal control budgets.

With significant economy related revenue decreases, budget under expenditures were unable to offset the revenue decline and resulted in a reduction in the general fund balance. This was the first such unplanned reduction since 2001.

### Capital assets.

The City's investment in capital assets for its governmental and business type activities as of December 31, 2008, amounts to \$198,763,608 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

	City's Investment in Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 24,648,453	\$ 24,286,755	\$ 426,384	\$ 426,384	\$ 25,074,837	\$ 24,713,139
Buildings and Improvements	23,069,585	22,198,446	2,322,250	2,383,341	25,391,835	24,581,787
Improvements other than buildings	81,281,205	77,748,558	105,178,334	103,178,888	186,459,539	180,927,446
Machinery and and equipment	14,223,837	13,685,806	1,975,076	1,959,801	16,198,913	15,645,607
Construction in process	<u>1,624,809</u>	<u>144,154</u>	<u>611,614</u>	<u>662,700</u>	<u>2,236,423</u>	<u>806,854</u>
Total capital assets	144,847,889	138,063,719	110,513,658	108,611,114	255,361,547	246,674,833
Less Accumulated depreciation	<u>(31,857,947)</u>	<u>(29,542,965)</u>	<u>(19,671,172)</u>	<u>(18,368,260)</u>	<u>(51,529,119)</u>	<u>(47,911,225)</u>
Capital assets net of Depreciation	<u>\$ 112,989,942</u>	<u>\$ 108,520,754</u>	<u>\$ 90,842,486</u>	<u>\$ 90,242,854</u>	<u>\$ 203,832,428</u>	<u>\$ 198,763,608</u>

The total increase in the City's net investment in capital assets for the current fiscal year was a total of \$5,068,820 net of depreciation or a 2.6 percent increase.

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 8 – 8.2.

## Long-term debt

At December 31, 2008, the City had general obligation note and bond issues outstanding totaling \$56,080,000. State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. The current debt limitation for the City is \$194,919,365., The City's current outstanding general obligation debt is 29% of the statutory debt limit. In the last 15 years the City has not exceeded 34 percent of the statutory debt limit.

In early 2008 the City borrowed \$10,000,000 in tax exempt general obligation notes for the City's TIF District No. 3. The purpose was to fund infrastructure expenses and repay interfund advances from other City funds.

The City's present rating from Moody's for its general obligation debt is "Aa2".

The final repayment was made in 2008 on redevelopment revenue bonds that were issued by the City's Community Development Authority (CDA).

The Franklin Water Utility has no debt outstanding. The Board of Water Commissioners intention is to generally avoid debt by maintaining and building cash and investments and from time to time making improvements to its rate structure. The utility's plan is to make future infrastructure improvements including water main replacement and new water service from current reserves and from City collected impact fees.

### City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation notes	\$ 46,050,000	\$ 39,525,000	\$ -	\$ -	\$ 46,050,000	\$ 39,525,000
bonds	\$ 10,030,000	\$ 10,180,000			10,030,000	10,180,000
Revenue bonds	-	2,375,000	-	-	-	2,375,000
Total	<u>\$ 56,080,000</u>	<u>\$ 52,080,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,080,000</u>	<u>\$ 52,080,000</u>

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 10 – 12 in the statistical section of the report.

## Other Changes of Significance

### Defined Benefit Pension Plan Administration

During 2008 the review of the administration contract for the Public Works Employee Pension Plan was completed and a new administration contract was implemented. The new administration contract allows for a wider range of investments that in turn allows for a higher investment return assumption in the annual actuarial report. The result of the change in assumption was the reduction in the annual required contribution for the plan from \$252,283 in 2007 to \$99,781 in 2008. Future years cost may fluxuate somewhat from the 2008 level depending upon market forces but should remain significantly below the 2007 level of contribution.

## **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 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 City has studied the issues surrounding GASB Statement #45 over the last four years. The Common Council came to the conclusion 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. The actuarial computed annual required contribution under GASB #45 for 2008 was \$864,799. This amount was reduced to \$703,713 with the establishment of a section 115 trust but was still a significant cost increase compared to the pay as you go cost for 2008 of \$126,595.

To fund this cost the City will use a combination of fund balance from the General Fund, revenue from landfill siting fees and property tax levy that will be increased over a four year period to cover the increased cost. The new standard provided that if a trust was established to hold these funds for this purpose a higher interest assumption could be used in calculating the annual required contribution. The City of Franklin did establish a trust for this purpose in 2008. The result was the 2008 annual required contribution was reduced by \$161,086 to \$703,713. 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, 2008 for the City was 4.4%, Milwaukee County which includes the City, is 6.5 percent. This compares with an unemployment rate of 5.8 percent for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were 3.18%, 1.93% and -1.63%, respectively.
- The tax levy increase for the current and prior two years were, \$1,054,000, \$935,000, and \$666,700, respectively.
- The 2009 budgets require a local tax rate that increases 1.52% which together with growth will result in a tax levy increase of \$587,000 or 3.0 percent.

## **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, 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](http://www.franklinwi.gov) - Finance Department tab.

# **BASIC FINANCIAL STATEMENTS**

**CITY OF FRANKLIN**  
**Statement of Net Assets**  
**December 31, 2008**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 20,296,891	\$ 1,558,519	\$ 21,855,410
Receivables			
Accounts receivable	888,235	1,679,864	2,568,099
Taxes receivable	25,476,047	218,841	25,694,888
Note receivable	9,400,000	-	9,400,000
Special assessments receivable	2,256,368	-	2,256,368
Internal balances	16,374	(16,374)	-
Due from other governments	664,791	-	664,791
Prepaid items	53,474	-	53,474
Inventories	19,056	-	19,056
Restricted cash and investments	-	231,384	231,384
Capital assets (net of accumulated depreciation)			
Land	24,648,453	426,384	25,074,837
Buildings and improvements	17,229,966	1,594,952	18,824,918
Machinery and equipment	5,873,622	649,933	6,523,555
Improvements other than buildings	63,613,092	87,559,603	151,172,695
Construction in progress	1,624,809	611,614	2,236,423
Deferred charges	770,907	-	770,907
<b>Total assets</b>	<b>\$ 172,832,085</b>	<b>\$ 94,514,720</b>	<b>\$ 267,346,805</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,970,230	\$ 970,873	\$ 2,941,103
Accrued liabilities	1,488,026	36,345	1,524,371
Due to other governments	66,639	-	66,639
Accrued interest	756,466	-	756,466
Special deposits	492,740	2,252	494,992
Unearned revenue	25,460,986	-	25,460,986
Noncurrent liabilities:			
Due within one year	7,100,948	41,510	7,142,458
Due in more than one year	50,845,466	80,634	50,926,100
<b>Total liabilities</b>	<b>88,181,501</b>	<b>1,131,614</b>	<b>89,313,115</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	74,009,675	90,842,486	164,852,161
Restricted for:			
Debt service	1,935,194	-	1,935,194
Library	414,428	-	414,428
Utility improvements	12,640	-	12,640
Development	3,083,708	-	3,083,708
Other purposes	286,114	231,384	517,498
Unrestricted	4,908,825	2,309,236	7,218,061
<b>Total net assets</b>	<b>\$ 84,650,584</b>	<b>\$ 93,383,106</b>	<b>\$ 178,033,690</b>

See accompanying notes to the financial statements.



**CITY OF FRANKLIN**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2008**

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 6,845,967	\$ 2,639,240	\$ 758,873	\$ 8,260,517	\$ 18,504,597
Receivables					
Accounts receivable	664,688	-	-	108,838	773,526
Taxes receivable	15,581,720	2,207,196	4,829,215	2,857,916	25,476,047
Note receivable	-	-	9,400,000	-	9,400,000
Special assessments receivable	-	915,468	-	1,340,900	2,256,368
Due from other funds	16,374	-	-	-	16,374
Due from other governments	200,011	-	122,881	341,899	664,791
Prepaid items	6,053	-	-	8,342	14,395
Inventories	19,056	-	-	-	19,056
Long term advances	-	5,700,000	-	600,000	6,300,000
<b>TOTAL ASSETS</b>	<b>\$ 23,333,869</b>	<b>\$ 11,461,904</b>	<b>\$ 15,110,969</b>	<b>\$ 13,518,412</b>	<b>\$ 63,425,154</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 624,414	\$ -	\$ 193,790	\$ 1,122,957	\$ 1,941,161
Accrued liabilities	1,080,142	-	15,000	26,573	1,121,715
Due to other governments	66,639	-	-	-	66,639
Special deposits	450,974	-	28,100	-	479,074
Deferred revenue	15,566,659	3,122,664	4,829,215	4,198,816	27,717,354
Long term advances	-	-	6,300,000	-	6,300,000
<b>Total Liabilities</b>	<b>17,788,828</b>	<b>3,122,664</b>	<b>11,366,105</b>	<b>5,348,346</b>	<b>37,625,943</b>
<b>FUND BALANCES</b>					
Reserved for:					
Inventories and prepaid items	25,109	-	-	-	25,109
Advances to other funds	-	5,700,000	-	600,000	6,300,000
Encumbrances	-	-	-	1,236,000	1,236,000
Contractual obligations	-	-	1,173,000	279,000	1,452,000
Debt service	-	2,639,240	9,452,420	-	12,091,660
Library services	-	-	-	414,428	414,428
Emergency medical services	-	-	-	9,568	9,568
Utility improvements	-	-	-	12,640	12,640
Development	-	-	-	3,083,708	3,083,708
Donations & grants	-	-	-	276,546	276,546
Unreserved balance (deficit) reported in:					
General Fund	5,519,932	-	-	-	5,519,932
Special Revenue Funds	-	-	-	132,206	132,206
Capital Project Funds	-	-	(6,880,556)	2,125,970	(4,754,586)
<b>Total fund balances</b>	<b>5,545,041</b>	<b>8,339,240</b>	<b>3,744,864</b>	<b>8,170,066</b>	<b>25,799,211</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 23,333,869</b>	<b>\$ 11,461,904</b>	<b>\$ 15,110,969</b>	<b>\$ 13,518,412</b>	<b>\$ 63,425,154</b>
Total fund balances of governmental funds					\$ 25,799,211
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in government funds are not financial resources and are not reported in the funds.					112,989,942
Internal service net assets					1,653,347
Other long-term assets that are not available to pay for current period expenditures and are deferred in the funds.					2,256,368
Long-term liabilities, including long-term debt, are not due and payable in the current period and are not reported in the funds.					(58,048,284)
<b>Net assets of governmental activities</b>					<b>\$ 84,650,584</b>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2008**

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUE</b>					
Taxes	\$ 15,104,725	\$ 2,000,000	\$ 4,685,811	\$ 2,902,000	\$ 24,692,536
Intergovernmental revenue	2,608,433	-	383,896	544,306	3,536,635
Licenses and permits	723,225	-	-	-	723,225
Fines, forfeitures and penalties	362,928	-	-	-	362,928
Public charges for services	1,868,363	-	-	40,110	1,908,473
Special assessments	-	383,148	-	731,350	1,114,498
Intergovernmental charges for services	206,156	-	-	-	206,156
Investment earnings	730,239	558,465	63,725	445,309	1,797,738
Miscellaneous revenue	105,425	-	223,962	394,337	723,724
<b>Total Revenue</b>	<u>21,709,494</u>	<u>2,941,613</u>	<u>5,357,394</u>	<u>5,057,412</u>	<u>35,065,913</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	2,825,791	-	-	44	2,825,835
Public safety	15,205,978	-	-	30,662	15,236,640
Public works	4,632,957	-	-	-	4,632,957
Health and human services	605,012	-	-	61,352	666,364
Culture, recreation and education	157,229	-	-	1,333,707	1,490,936
Conservation and development	452,859	-	276,415	-	729,274
Capital outlay	-	-	2,199,988	5,427,467	7,627,455
<b>Debt service</b>					
Principal	-	3,025,000	2,975,000	-	6,000,000
Interest	-	1,133,681	1,409,513	-	2,543,194
Debt issuance costs	-	-	65,650	-	65,650
<b>Total Expenditures</b>	<u>23,879,826</u>	<u>4,158,681</u>	<u>6,926,566</u>	<u>6,853,232</u>	<u>41,818,305</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(2,170,332)	(1,217,068)	(1,569,172)	(1,795,820)	(6,752,392)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,805,666	-	6,565	3,973,950	5,786,181
Transfers out	(25,775)	(2,684,477)	(124,974)	(2,093,935)	(4,929,161)
General obligation debt issued	-	-	10,000,000	-	10,000,000
Premium (Discount) on debt issued	-	-	83,583	-	83,583
<b>Net change in fund balances</b>	(390,441)	(3,901,545)	8,396,002	84,195	4,188,211
Fund balances (deficit) - beginning	5,935,482	12,240,785	(4,651,138)	8,085,871	21,611,000
<b>Fund balances - ending</b>	<u>\$ 5,545,041</u>	<u>\$ 8,339,240</u>	<u>\$ 3,744,864</u>	<u>\$ 8,170,066</u>	<u>\$ 25,799,211</u>

**CITY OF FRANKLIN**  
**Reconciliation of the Statement of Revenue**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**Year Ended December 31, 2008**

Net change in fund balances - total governmental funds	\$ 4,188,211
Amounts reported for governmental activities in the statement of activities (page 25) 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. This is the amount by which capital outlays (\$5,983,226) exceeded depreciation (\$2,670,459) in the current period.	3,312,767
Contributed capital assets are reported as revenues in the statement of activities.	1,156,421
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 assets. This amount is the net effect of differences in the treatment of long term debt.	(4,000,000)
Government funds report the effects of issuance costs, premiums, discounts and similar items 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.	(86,118)
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	(131,995)
Revenue in the statement of activities not providing current financial resources are not reported as revenue in the funds	359,322
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	(988,255)
Internal service fund change in net assets	<u>910,553</u>
<b>Net change in net assets of governmental activities</b>	<b><u>\$ 4,720,906</u></b>

**CITY OF FRANKLIN**  
**General Fund**  
**Statement of Revenue, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (on a Budgetary basis)**  
**Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>REVENUE</b>				
Taxes	\$ 15,868,000	\$ 15,993,000	\$ 15,961,745	\$ (31,255)
Intergovernmental revenue	2,271,000	2,449,000	2,608,433	159,433
Licenses and permits	1,279,500	1,279,500	723,225	(556,275)
Fines, forfeitures and penalties	411,000	411,000	362,928	(48,072)
Public charges for services	1,865,200	1,885,200	1,868,363	(16,837)
Intergovernmental charges for services	284,000	284,000	206,156	(77,844)
Investment earnings	804,900	804,900	730,239	(74,661)
Miscellaneous revenue	113,400	113,400	105,425	(7,975)
Total Revenue	<u>22,897,000</u>	<u>23,220,000</u>	<u>22,566,514</u>	<u>(653,486)</u>
<b>EXPENDITURES</b>				
Current				
General government	3,062,709	3,044,209	2,820,591	223,618
Public safety	14,866,269	15,641,669	15,201,878	439,791
Public works	4,441,196	4,662,496	4,632,957	29,539
Health and human services	643,267	647,667	605,012	42,655
Culture and recreation	261,274	270,374	183,004	87,370
Conservation and development	572,285	577,585	441,159	136,426
Total Expenditures	<u>23,847,000</u>	<u>24,844,000</u>	<u>23,884,601</u>	<u>959,399</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(950,000)	(1,624,000)	(1,318,087)	305,913
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	948,000	948,646	646
Transfers out	-	-	-	-
Net change in fund balance - budgetary basis	(950,000)	(676,000)	(369,441)	306,559
Adjustments to generally accepted accounting principles basis				
2008 encumbrances	-	-	-	-
2007 encumbrances	(21,000)	(21,000)	(21,000)	-
Net change in fund balance - generally accepted accounting principles basis	(971,000)	(697,000)	(390,441)	306,559
Fund Balances - beginning	<u>5,935,482</u>	<u>5,935,482</u>	<u>5,935,482</u>	<u>-</u>
<b>Fund Balances - ending</b>	<u>\$ 4,964,482</u>	<u>\$ 5,238,482</u>	<u>\$ 5,545,041</u>	<u>\$ 306,559</u>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2008**  
 (with comparative information for the year ended December 31, 2007)

	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		
<b>ASSETS</b>							
Current assets							
Cash and investments	\$ 1,179,017	\$ 1,307,375	\$ 379,502	\$ 428,941	\$ 1,558,519	\$ 1,792,294	
Receivables							
Accounts receivable	966,604	912,273	713,260	550,525	1,679,864	114,709	
Taxes receivable	115,531	95,799	103,310	61,794	218,841	-	
Due from other funds	-	-	46,256	45,572	46,256	-	
Prepaid expenses	-	-	-	-	-	39,079	
Total current assets	<u>2,261,152</u>	<u>2,315,447</u>	<u>1,242,328</u>	<u>1,086,832</u>	<u>3,503,480</u>	<u>1,946,082</u>	
Noncurrent assets							
Restricted cash and investments	-	-	231,384	225,177	231,384	-	
Total restricted assets	-	-	<u>231,384</u>	<u>225,177</u>	<u>231,384</u>	-	
Capital assets							
Land	115,465	115,465	310,919	310,919	426,384	-	
Buildings and improvements	730,075	730,075	1,592,175	1,653,266	2,322,250	-	
Improvements other than buildings	52,030,542	50,643,157	53,147,792	52,535,731	105,178,334	-	
Machinery and equipment	1,354,765	1,370,638	620,311	589,163	1,975,076	-	
Construction in progress	585,614	633,848	26,000	28,852	611,614	-	
Less accumulated depreciation	<u>(9,859,742)</u>	<u>(9,109,628)</u>	<u>(9,811,430)</u>	<u>(9,258,632)</u>	<u>(19,671,172)</u>	-	
Total capital assets ( net of accumulated depreciation)	<u>44,956,719</u>	<u>44,383,555</u>	<u>45,885,767</u>	<u>45,859,299</u>	<u>90,842,486</u>	-	
Total noncurrent assets	<u>44,956,719</u>	<u>44,383,555</u>	<u>46,117,151</u>	<u>46,084,476</u>	<u>91,073,870</u>	-	
<b>Total assets</b>	<u>\$ 47,217,871</u>	<u>\$ 46,699,002</u>	<u>\$ 47,359,479</u>	<u>\$ 47,171,308</u>	<u>\$ 94,577,350</u>	<u>\$ 1,946,082</u>	

Continued

**CITY OF FRANKLIN**  
Statement of Net Assets  
Proprietary Funds  
December 31, 2008

(with comparative information for the year ended December 31, 2007)

	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	
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 560,749	\$ 467,507	\$ 410,124	\$ 344,777	\$ 970,873
Accrued liabilities	-	23,431	36,345	53,059	36,345
Due to other funds	62,630	56,768	-	-	62,630
Special deposits	2,252	1,700	-	-	2,252
Current portion of compensated absences	20,755	21,309	20,755	21,308	41,510
Total current liabilities	646,386	570,715	467,224	419,144	1,113,610
Noncurrent liabilities					
Accrued compensated absences	40,317	35,035	40,317	35,036	80,634
Total noncurrent liabilities	40,317	35,035	40,317	35,036	80,634
Total liabilities	686,703	605,750	507,541	454,180	1,194,244
<b>NET ASSETS</b>					
Invested in capital assets	44,956,719	44,383,555	45,885,767	45,859,299	90,842,486
Restricted for					
Sewer equipment replacement	-	-	231,384	225,177	231,384
Unrestricted	1,574,449	1,709,697	734,787	632,652	2,309,236
Total net assets	\$ 46,531,168	\$ 46,093,252	\$ 46,851,938	\$ 46,717,128	\$ 93,383,106
					\$ 1,653,347
					\$ 1,653,347

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Revenue, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2008**  
**(with comparative information for the year ended December 31, 2007)**

	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	
<b>OPERATING REVENUE</b>					
Metered sales	\$ 2,035,675	\$ 1,916,420	\$ 1,568,915	\$ 1,211,132	\$ 3,604,590
Residential	961,520	862,377	678,153	474,484	1,639,673
Commercial	229,014	225,281	238,452	196,430	467,466
Industrial	270,696	235,767	191,351	128,704	462,047
Public authority	3,496,905	3,239,845	2,676,871	2,010,750	6,173,776
Total metered sales	-	-	-	-	3,659,506
Group health & dental charges	2,782	18,418	-	-	2,782
Unmetered sales	568,819	541,518	-	-	568,819
Public fire protection service	111,439	94,529	-	-	111,439
Private fire protection service	38,708	32,316	29,712	18,697	68,420
Forfeited discounts, penalties and other	4,218,653	3,926,626	2,706,583	2,029,447	6,925,236
Total operating revenue	2,591,573	2,353,129	2,191,809	1,760,179	4,783,382
<b>OPERATING EXPENSES</b>					
Cost of sales and services	804,341	789,562	636,958	620,906	1,441,299
Depreciation	532,664	450,683	225,113	259,007	757,777
Administration	3,928,578	3,593,374	3,053,880	2,640,092	6,982,458
Total operating expenses	290,075	333,252	(347,297)	(610,645)	(57,222)
Operating income (loss)	46,469	86,352	21,148	26,845	67,617
<b>NON-OPERATING REVENUE (EXPENSES)</b>					
Investment earnings	266,099	37,271	1,720	4,165	267,819
Sundry	-	(27,150)	(15,643)	-	(15,643)
Loss on property abandoned	312,568	96,473	7,225	31,010	319,793
Total non-operating revenue (expenses)	602,643	429,725	(340,072)	(579,635)	262,571
Income (loss) before capital contributions and transfers	689,955	1,966,833	477,220	1,060,306	1,167,175
Capital contributions	-	-	-	-	-
Transfers in	(854,682)	(835,196)	(2,338)	(2,149)	(857,020)
Transfers out	437,916	1,561,362	134,810	478,522	572,726
Change in net assets	46,093,252	44,531,890	46,717,128	46,238,606	92,810,380
Net assets - beginning	\$ 46,531,168	\$ 46,093,252	\$ 46,851,938	\$ 46,717,128	\$ 93,383,106
<b>Net assets - ending</b>					<b>\$ 1,653,347</b>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Cash Flows**  
**Proprietary Funds**

Year Ended December 31, 2008

(with comparative information for the year ended December 31, 2007)

	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		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 4,180,327	\$ 3,680,829	\$ 2,501,157	\$ 1,981,829	\$ 6,681,484
Receipts for interfund services provided	240,928	227,686	2,895	1,943	243,823
Payments to suppliers	(2,432,463)	(2,166,430)	(1,827,589)	(1,613,428)	(4,260,052)
Payments to employees	(515,140)	(473,825)	(464,145)	(474,669)	(979,285)
Payments for interfund services used	(97,200)	(90,000)	(97,200)	(90,000)	(194,400)
Net cash flows provided by (used in) operating activities	1,376,452	1,178,260	115,118	(194,325)	1,491,570
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer out - paid for tax equivalent	(854,682)	(835,196)	(2,338)	(2,149)	(857,020)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(696,597)	(247,926)	(177,160)	(94,212)	(873,757)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment earnings	46,469	86,352	21,148	26,845	67,617
Net increase (decrease) in cash and cash equivalents	(128,358)	181,490	(43,232)	(263,841)	(171,590)
Cash and cash equivalents - Beginning	1,307,375	1,125,885	654,118	917,959	1,961,493
<b>Cash and cash equivalents - Ending</b>	<b>\$ 1,179,017</b>	<b>\$ 1,307,375</b>	<b>\$ 610,886</b>	<b>\$ 654,118</b>	<b>\$ 1,789,903</b>
Cash and Investments - Unrestricted	\$ 1,179,017	\$ 1,307,375	\$ 379,502	\$ 428,941	\$ 1,558,519
Cash and Investments - Restricted	-	-	231,384	225,177	231,384
	<u>\$ 1,179,017</u>	<u>\$ 1,307,375</u>	<u>\$ 610,886</u>	<u>\$ 654,118</u>	<u>\$ 1,789,903</u>

Continued

**CITY OF FRANKLIN**  
Statement of Cash Flows  
Proprietary Funds

Year Ended December 31, 2008  
(with comparative information for the year ended December 31, 2007)

	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	
	\$ 290,075	\$ 333,252	\$ (347,297)	\$ (610,645)	\$ (57,222)
	804,341	789,562	636,958	620,906	1,441,299
	9,046	8,407	(9,046)	(8,407)	-
	266,099	37,271	1,720	4,165	267,819
	-	(27,150)	(12,600)	-	(12,600)
	-	15,607	(3,043)	-	(3,043)
	(52,811)	(98,083)	(162,735)	(53,909)	(215,546)
	(19,732)	34,294	(41,516)	4,069	(61,248)
	-	(43,789)	(684)	-	(684)
	93,242	50,165	65,347	23,869	158,589
	(23,431)	16,040	(16,714)	7,895	(40,145)
	4,029	60,537	-	(184,315)	4,029
	866	100	-	-	866
	4,728	2,047	4,728	2,047	9,456
	<u>1,086,377</u>	<u>845,008</u>	<u>462,415</u>	<u>416,320</u>	<u>1,548,792</u>
	\$ 1,376,452	\$ 1,178,260	\$ 115,118	\$ (194,325)	\$ 1,491,570
	\$ 689,955	\$ 1,966,833	\$ 477,220	\$ 1,060,306	\$ 1,167,175
					\$ 839,889

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**  
 Operating income (loss)  
 Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities  
 Depreciation  
 Depreciation allocated to other funds  
 Other nonoperating income  
 Loss on property abandoned  
 Net book value of property abandoned  
 (Increase) decrease in assets  
 Accounts receivable  
 Taxes receivable  
 Due from other funds  
 Increase (decrease) in liabilities  
 Accounts payable  
 Accrued liabilities  
 Due to other governments  
 Due to other funds  
 Customer deposits  
 Compensated absences  
 Total Adjustments  
**Net cash flows provided by (used in) operating activities**

**Noncash Capital Activities**  
 Cost of Utility plant installed and/or financed by external parties

**CITY OF FRANKLIN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2008**

<b>ASSETS</b>	<b>Agency Funds</b>	<b>City of Franklin Post Employment Benefits Trust</b>
Cash and investments	\$ 45,516,389	\$ 610,497
Accounts receivable	27,060	1,326
Taxes receivable	17,147,677	
Prepaid expense	-	3,318
<b>Total assets</b>	<u>62,691,126</u>	<u>615,141</u>
 <b>LIABILITIES</b>		
Accounts payable	69,908	7,629
Accrued liabilities	-	6,000
Due to other governments	62,601,035	-
Special deposits	20,183	-
<b>Total liabilities</b>	<u>62,691,126</u>	<u>13,629</u>
<b>Total net assets</b>		
<b>held in trust for post employment benefits</b>	<u>\$ -</u>	<u>\$ 601,512</u>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended December 31, 2008**

	<u>City of Franklin Post Employment Benefits Trust</u>
<b>ADDITIONS</b>	
Contributions	
City of Franklin	\$ 703,713
Retirees	163,217
Investment earnings	<u>15,788</u>
<b>Total additions</b>	<u>882,718</u>
 <b>DEDUCTIONS</b>	
Incurring claims	174,530
Prescription drug claims	76,805
Claims fees	6,794
Stop loss premiums less claims received	<u>23,077</u>
<b>Total deductions</b>	<u>281,206</u>
<b>Change in Net Assets</b>	601,512
 <b>NET ASSETS HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:</b>	
<b>Beginning of year</b>	<u>-</u>
<b>End of year</b>	<u>\$ 601,512</u>

See accompanying notes to the financial statements.

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# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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. Each discretely presented component unit is 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 a certain Tax Incremental Financing (TIF) development within the City. The Authority is governed by a seven member board appointed by the Mayor and confirmed by the Common Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and manage certain TIF development projects for the benefit of the City and its citizens. The Authority's operations are included in the governmental activities of the government-wide financial statements and in a TIF District capital projects fund. The Authority follows the accounting policies of the City. Separate financial statements are not published for the Authority.

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement establishes uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans.

In June 2004, the GASB issued Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The City made the decision to implement this standard effective January 1, 2008. See Note 5C.

**Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange 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 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, liabilities, net assets/fund equity, revenue and expenditures/expenses.

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter is excluded from the 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 non-major funds within the governmental and proprietary fund statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, 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 – A capital projects fund that accounts for resource accumulation from the tax increment and other revenue along with payments made for capital outlay, other expenditures, principal and interest on long-term debt obligations of the TIF Districts.

#### Major Enterprise Funds

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

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

In addition the City reports:

##### Non-Major Governmental Funds

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally or policy restricted to expenditures for specified purposes. The funds include OPEB, Library Operating, Library Auxiliary, Master Plan, Donations, Civic Celebrations and Grants.

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 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 and a post employment benefits trust.

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

##### Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

##### Government-Wide Financial Statements (Continued)

transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year that they are levied.

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

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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 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 revenue 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 that are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are recorded as deferred revenue.

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

##### Fund Financial Statements (continued)

Special assessments levied for benefits to property owners for installation of sanitary sewers, water mains, roads, and other improvements are recorded as revenue when they become measurable and available. Annual installments due in future years are recorded as receivables and deferred revenue.

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

Deferred revenue is reported on the governmental funds balance sheet. Deferred revenue arises from taxes levied in the current year that are for subsequent year's operations. For governmental funds financial statements deferred revenue arises where potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also 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 for deferred revenue 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.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenue of the water and sanitary sewer funds are charges to customers for sales and services provided. The rates billed in the water utility are approved by the Public Service Commission. Sanitary sewer charges are billed at rates established by City policy based on the charges received from the Milwaukee Metropolitan Sewage District.

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

**CITY OF FRANKLIN**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

**All Financial Statements**

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

**D. ASSETS, LIABILITIES AND NET ASSETS 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 an investment policy that 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 of AA by either Moody's and Standard & Poor's.
- b. Limits an issuer to 10% or less and asset classes to 35% or less of the market value of the portfolio with the exception of U.S. Government Treasury, Agency and securities that have the full faith guarantee of the U.S. Government.
- c. Specifies a minimum amount of cash equivalents be maintained, an average life of the portfolio not exceeding 2 ½ years and no individual issue with a maturity exceeding 5 years at the date of purchase.
- d. Limits investments highly sensitive to market changes through its duration and diversification policies.
- 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 that limits investments to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. The Local Government Investment Pool.
- c. Bonds or securities issued or guaranteed by the federal government.

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

##### 1. Cash and Investments (continued)

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

The City of Franklin also maintains an investment policy 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 management by an outside investment manager.
- c. Requires compliance with the "prudent person" standard.
- d. 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.
- e. Primary investment objectives are safety, diversification and return.
- f. Allows investment in various asset classes.
- e. Limits investment in equities to 75% of total assets to be invested.

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

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

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

##### 1. Cash and Investments (continued)

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 City accounting funds is allocated based on average investment balances.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31 2008, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

##### 2. Receivables

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

Property tax calendar – 2008 tax roll:

Lien date and levy date	December 2008
Tax bills mailed	December 2008
Payment in full, or	January 31, 2009
First installment due	January 31, 2009
Second installment due	March 31, 2009
Third installment due	May 31, 2009
Personal property taxes in full	January 31, 2009
Final tax settlement with County	August 20, 2009
Tax deed by County – 2008	
Delinquent real estate taxes	October 2011

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.

**CITY OF FRANKLIN**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

**2. Receivables (continued)**

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 (non-current portion) 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 assets. Any residual balances outstanding between the governmental activities and the proprietary activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

**3. Inventories and Prepaid Items**

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

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

**4. Restricted Assets**

Mandatory segregation of assets are presented as restricted assets. Such segregation is required by bond agreements and other external parties. Current liabilities payable from restricted assets are so classified. The excess of restricted assets over current liabilities will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

**5. Capital Assets**

**Government-Wide Statements**

Capital assets, which include property plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$10,000 for infrastructure assets with estimated useful life 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.

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

##### 5. Capital Assets (continued)

###### Government-Wide Statements (continued)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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 assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by asset type of follows:

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

###### Fund Financial Statements

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

##### 6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

##### 7. Compensated Absences

Under terms of employment, employees may earn compensatory time and are granted sick leave, severance pay and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

##### 7. Compensated Absences (continued)

All vested compensatory time, sick leave, 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, as a result of employee resignations or retirements and are payable with expendable available resources.

Payments for vested compensatory time, sick leave, severance pay and vacation pay will be made at rates in effect when the benefits are used. Accumulated vested compensatory time, sick leave, severance pay and vacation pay liabilities are determined on the basis of current salary rates and include salary related payments.

##### 8. Long-term Obligations/Conduit Debt

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

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

For the government-wide and proprietary fund statements, issuance costs, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. 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 both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

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

##### 9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the government funds.

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

**9. Claims and Judgments (continued)**

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.

**10. Equity Classifications**

**Government-Wide Statements**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding any unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

**Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year’s budget due to legal restrictions or resources which are not available for current spending. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**10. Equity Classifications (continued)**

**Fund Statements (continued)**

**11. Comparative data**

The basic financial statements include comparative data for the prior year for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. This comparative data is not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2007 from which the data was derived.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long term assets that are not available to pay for current period expenditures and therefore are deferred in the funds”. The details of this difference are as follows:

Special Assessments	<u>\$2,256,368</u>
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Capital assets used in government funds are not financial resources and, therefore, are not reported in the funds.

Land	\$24,648,453
Buildings	23,069,585
Machinery and equipment	14,223,837
Infrastructure	81,281,205
Construction in progress	1,624,809
Less: Accumulated depreciation	<u>(31,857,947)</u>
Adjustment for capital assets	<u>\$112,989,942</u>

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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#### A. Explanation of Certain differences between the Governmental Fund Balance Sheet and the Statement of Net Assets (continued)

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. All liabilities-both current and long-term-are reported in the statement of net assets.

General obligation debt	\$56,080,000
Deferred amounts for premiums	327,542
Unamortized debt issue costs	(770,907)
Compensated absences	1,538,872
Net pension obligation	116,311
Accrued interest	<u>756,466</u>
Combined adjustment for long-term liabilities	<u>\$58,048,284</u>

#### B. Explanation of Certain differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances include a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government wide statement of activities. One element of that reconciliation explains that “revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds”. The details of this difference are as follows:

Special assessment levies	<u>\$359,322</u>
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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets”. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$10,000,000
Principal repayments:	
General obligation debt	<u>6,000,000</u>
Net adjustment to decrease net changes	
In fund balances – total governmental	
Funds to arrive at changes in net	
Assets of governmental activities	<u>\$4,000,000</u>

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

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#### B. Explanation of Certain differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

Another element of that reconciliation states that "Governmental funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of the differences are as follows:

Debt issuance costs incurred	\$65,650
Premium received	(83,583)
Amortization of issuance costs	(128,360)
Amortization of premium	<u>60,175</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(86,118)</u>

Another element of that reconciliation states that "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 governmental funds". The details of this difference are as follows:

Compensated absences	\$105,252
Net pension obligations	(16,847)
Accrued interest	<u>43,590</u>
Net adjustments to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$131,995</u>

Another element of that reconciliation states that "revenue in the governmental funds that provides current financial resources but have been previously recorded as revenue in the statement of activities". The details of this difference are as follows:

Special assessment collections	<u>\$988,255</u>
Net adjustments to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$988,255</u>

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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#### 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 and tax equivalent from the water utility. Actual (Budgetary basis) expenditures presented reflect actual (GAAP) expenditures adjusted for expenditures liquidated under the prior period budget and encumbrances expected to be liquidated under the current period budget. Actual (budgetary basis) revenue present the tax equivalent from the water utility as tax revenue while the GAAP basis statements present this item as a transfer in.

A budget has been adopted for the general, debt service, library, capital outlay, equipment replacement, capital improvement, street improvement, sanitary sewer and water utility funds. Budgets have not been formally adopted for other funds.

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

#### B. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 20 (2007), new legislation was passed that limits the city's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction, or 2.0%% for the 2008 levy collected in 2009. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2008 levy.

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### NOTE 4 - DETAILED NOTES ON ALL FUNDS

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#### 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 assets 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 interest bearing accounts and unlimited for non interest bearing accounts.

**CITY OF FRANKLIN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**A. CASH AND INVESTMENTS (continued)**

The City's bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to the City. This coverage has not been considered in computing the insured or collateralized amounts.

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by FDIC and State of Wisconsin Deposit Guarantee Fund insurance. This coverage expired on February 15, 2009.

The City maintains a collateral arrangement with its main bank to provide collateralization in excess (about 20%) of deposits maintained at the bank. The collateral is maintained at the Federal Reserve and the City receives monthly reports of the collateral in place. The collateral balance at December 31, 2008 was \$13,667,725.

Cash and investments as shown on the December 31, 2008 City of Franklin Statement of Net Assets are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Cash and demand deposits	\$ 18,088,710	\$ 3,334,151	Custodial
U.S. treasuries and agencies	13,844,919	13,844,919	Credit and interest rate
Asset backed securities	1,155,666	1,155,666	Credit and interest rate
Corporate bonds	3,406,730	3,406,730	Credit, interest rate and concentration of credit
Local Government Investment Pool	<u>31,717,655</u>	<u>31,717,655</u>	Credit and interest rate
Total	<u>\$ 68,213,680</u>	<u>\$ 53,459,121</u>	

Reconciliation to the financial statements is shown below:

Per Statement of Net Assets	
Primary Government:	
Unrestricted cash and investments	\$ 21,855,410
Restricted cash and investments	231,384
Per Statement of Fiduciary Net Assets - Agency Funds	45,516,389
- Post Employment Benefits Trust	<u>610,497</u>
	<u>\$ 68,213,680</u>

**CITY OF FRANKLIN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**A. CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk** For deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2008 none of the City's total bank balances of \$1,682,878 was 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. The City does not have any investments that were exposed to custodial credit risks at December 31, 2008.

**Credit Risk** Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. As of December 31, 2008 the City's investments in treasuries, agencies, corporate asset backed securities and corporate bonds were rated by Moody's Investor Service. Ratings ranged from AAA at 76.5%, AA3 at 8.4%, A1 at 6.0% and A2 at .9% of the portfolio subject to credit risk. Investment grade corporate securities (asset backed and bonds) make up 8.8%, treasury and agency securities make up 26.7% and money market funds make up 3.2% of the portfolio and are subject to credit risk. Local Government Investment Pool was 61.3% of the portfolio and is not rated or subject to credit risk.

**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, 2008 no issue other than the Local Government Investment Pool, treasury or agency securities had a position of greater than five 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 in portfolio value.

As of December 31, 2008 the City's investments were as follows:

Investment Type ( in thousands)	Fair Value	Investment Maturity in years		
		Less than 1	1 - 5	More than 5
Money Market	\$ 1,651,273	\$ 1,651,273	\$ -	\$ -
U.S. treasuries and agencies	13,844,919	3,554,037	10,180,791	110,091
Asset backed securities	1,155,666	74,236	1,081,430	-
Corporate bonds	3,406,730	500,503	2,906,227	-
Local Government Investment Pool	<u>31,717,655</u>	<u>31,717,655</u>	-	-
Total	<u>\$ 51,776,243</u>	<u>\$ 37,497,704</u>	<u>\$ 14,168,448</u>	<u>\$ 110,091</u>

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**NOTE 4 - 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 a general valuation allowance, was \$169,940 at December 31, 2008. Other than the note receivable and special assessment receivables, all other receivables are expected to be collected within one year.

The City has a note receivable with a local business in the amount of \$9,400,000. Terms of the note call for semi-annual payments of interest at 1.95% and annual principal ranging from \$615,000 to \$670,000 until maturity on February 28, 2014 at that time the remaining balance will be due.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Funds:			
Property taxes receivable	\$ -	\$ 25,460,986	\$ 25,460,986
Special assessments not yet due	<u>2,256,368</u>	<u>-</u>	<u>2,256,368</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 2,256,368</u>	<u>\$ 25,460,986</u>	<u>\$ 27,717,354</u>

**C. RESTRICTED ASSETS**

**Sewer Equipment Replacement Account**

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 are accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2008 is \$231,384.

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 24,286,755	\$ 361,698	\$ -	\$ 24,648,453
Construction in progress	144,154	1,480,655	-	1,624,809
Total capital assets not depreciated	<u>24,430,909</u>	<u>1,842,353</u>	<u>-</u>	<u>26,273,262</u>
Capital assets depreciated:				
Buildings & improvements	22,198,446	871,139	-	23,069,585
Machinery & equipment	13,685,806	893,508	(355,477)	14,223,837
Infrastructure	77,748,558	3,532,647	-	81,281,205
Total capital assets depreciated	<u>113,632,810</u>	<u>5,297,294</u>	<u>(355,477)</u>	<u>118,574,627</u>
Less: Accumulated depreciation for:				
Buildings & improvements	5,323,545	516,074	-	5,839,619
Machinery & equipment	7,869,197	836,495	(355,477)	8,350,215
Infrastructure	16,350,223	1,317,890	-	17,668,113
Total accumulated depreciation	<u>29,542,965</u>	<u>2,670,459</u>	<u>(355,477)</u>	<u>31,857,947</u>
Net capital assets depreciated	<u>84,089,845</u>	<u>2,626,835</u>	<u>-</u>	<u>86,716,680</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 108,520,754</u>	<u>\$ 4,469,188</u>	<u>\$ -</u>	<u>\$ 112,989,942</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 147,540
Public safety	598,614
Public works	1,601,436
Health & human services	6,119
Culture & recreation	312,350
Conservation & development	4,400
Total governmental activities depreciation expense	<u>\$ 2,670,459</u>

**CITY OF FRANKLIN**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**D. CAPITAL ASSETS (continued)**

	Beginning Balance	Additions	Dispositions	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not depreciated:				
Land	\$ 426,384	\$ -	\$ -	\$ 426,384
Construction in progress	662,700	(48,043)	(3,043)	611,614
Total capital assets not depreciated	<u>1,089,084</u>	<u>(48,043)</u>	<u>(3,043)</u>	<u>1,037,998</u>
Capital assets depreciated:				
Buildings & improvements	2,383,341	2,409	(63,500)	2,322,250
Machinery & equipment	1,959,801	85,525	(70,250)	1,975,076
Infrastructure	<u>103,178,888</u>	<u>2,004,083</u>	<u>(4,637)</u>	<u>105,178,334</u>
Total capital assets depreciated	<u>107,522,030</u>	<u>2,092,017</u>	<u>(138,387)</u>	<u>109,475,660</u>
Less: Accumulated depreciation for:				
Buildings & improvements	717,150	73,648	(63,500)	727,298
Machinery & equipment	1,291,160	104,233	(70,250)	1,325,143
Infrastructure	<u>16,359,950</u>	<u>1,263,418</u>	<u>(4,637)</u>	<u>17,618,731</u>
Total accumulated depreciation	<u>18,368,260</u>	<u>1,441,299</u>	<u>(138,387)</u>	<u>19,671,172</u>
Net capital assets depreciated	<u>89,153,770</u>	<u>650,718</u>	<u>-</u>	<u>89,804,488</u>
<b>Business-type Activities Capital Assets, Net of Accumulated Depreciation</b>	<u><b>\$ 90,242,854</b></u>	<u><b>\$ 602,675</b></u>	<u><b>\$ (3,043)</b></u>	<u><b>\$ 90,842,486</b></u>

Depreciation expense was charged to functions as follows.

Business-Type Activities:

Water	\$ 804,341
Sewer	<u>636,958</u>
	<u><b>\$ 1,441,299</b></u>

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The interfund receivables and payables at December 31, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental funds:		
General	Water Utility	\$ 16,374
Enterprise funds:		
Sanitary Sewer	Water Utility	<u>46,256</u>
Subtotal - Fund Financial Statements		62,630
Less: Fund eliminations		<u>46,256</u>
Total internal balances - Government-Wide Statement of Net Assets		<u>\$ 16,374</u>

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

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

**Long Term Advances**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amounts not due within one year</u>
Governmental funds:			
Debt service	TIF Districts	\$ 5,700,000	\$ 5,163,000
Equipment replacement	TIF Districts	600,000	-
Less: Fund eliminations		<u>(6,300,000)</u>	
Total long-term advances - Government-Wide Statement of Net Assets		<u>\$ -</u>	

**CITY OF FRANKLIN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)**

**Interfund Transfers**

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

Transfers during the year ended December 31, 2008 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Enterprise - Water Utility	\$ 854,682
	Enterprise - Sanitary Sewer	2,338
	Special Revenue - OPEB	948,646
TIF Districts	Capital Projects - Capital Improvement	6,565
Special Revenue: Civic Celebrations	General	25,775
Capital Projects Funds: Capital Improvements	Debt Service	2,500,000
	TIF Districts	36,824
	Capital Projects - Development	415,179
	Capital Projects - Utility Improvement	723,545
Utility Improvement	TIF Districts	88,150
Development	Debt Service	184,477
Subtotal - Fund financial statements		5,786,181
Less: Fund eliminations		(4,929,161)
Less: Government-wide eliminations		(432,808)
Total transfers - Government-wide Statement of Activities		<u>\$ 424,212</u>

**CITY OF FRANKLIN**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM OBLIGATIONS**

**General Obligation Debt**

Long-term liabilities for the year ended December 31, 2008 were as follows:

	Balance 12/31/07	Additions	Deletions	Balance 12/31/08	Amounts due within one year
<b>Governmental Activities</b>					
General obligation debt	\$ 49,705,000	\$ 10,000,000	\$ 3,625,000	\$ 56,080,000	\$ 6,515,000
Lease revenue debt	2,375,000	-	2,375,000	-	-
Unamortized premium	304,134	83,583	60,175	327,542	68,533
Sub-total	<u>52,384,134</u>	<u>10,083,583</u>	<u>6,060,175</u>	<u>56,407,542</u>	<u>6,583,533</u>
 Compensated absences					
Accrued vacation pay	360,149	827,096	811,315	375,930	375,930
Accrued severance pay	961,987	80,254	20,784	1,021,457	-
Accrued compensatory time	111,484	239,188	209,187	141,485	141,485
Total compensated absences	<u>1,433,620</u>	<u>1,146,538</u>	<u>1,041,286</u>	<u>1,538,872</u>	<u>517,415</u>
Government activities					
Long-term liabilities	<u>\$ 53,817,754</u>	<u>\$ 11,230,121</u>	<u>\$ 7,101,461</u>	<u>\$ 57,946,414</u>	<u>\$ 7,100,948</u>

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

**Business-type Activities**

Compensated absences					
Accrued vacation pay	\$ 39,515	\$ 45,063	\$ 47,205	\$ 37,373	\$ 37,372
Accrued severance pay	70,072	10,561	-	80,633	-
Accrued compensatory time	3,102	7,410	6,374	4,138	4,138
Business-type activities					
Long-term liabilities	<u>\$ 112,689</u>	<u>\$ 63,034</u>	<u>\$ 53,579</u>	<u>\$ 122,144</u>	<u>\$ 41,510</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.

**CITY OF FRANKLIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM OBLIGATIONS (continued)**

Details of general obligation notes and bonds payable 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						
	5/ 1/99	3.5-4.3	5/1/00-09	5/1&11/1	\$ 7,850,000	\$ 1,125,000
	5/15/01	4.25-4.60	3/ 1/02-11	3/1& 9/1	10,000,000	5,875,000
	8/15/05	3.75-3.90	3/ 1/07-15	3/1& 9/1	10,000,000	9,650,000
	1/1/06	3.75-3.90	3/ 1/09-11	3/1& 9/1	10,000,000	10,000,000
	1/3/07	4.95	3/ 1/08-14	3/1& 9/1	10,000,000	9,400,000
	8/26/08	3.00-3.50	3/ 1/09-14	3/1& 9/1	10,000,000	10,000,000
General obligation bonds						
	4/15/01	4.3-5.40	3/ 1/02-21	3/1& 9/1	10,000,000	205,000
General obligation refunding bonds						
	1/3/07	3.80	3/ 1/08-21	3/1& 9/1	9,925,000	<u>9,825,000</u>
						<u>\$ 56,080,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance Outstanding 12/31</u>
2008				\$ 56,080,000
2009	\$ 6,515,000	\$ 2,128,459	\$ 8,643,459	49,565,000
2010	7,450,000	1,840,276	9,290,276	42,115,000
2011	9,620,000	1,491,505	11,111,505	32,495,000
2012	4,675,000	1,208,524	5,883,524	27,820,000
2013	5,640,000	1,014,820	6,654,820	22,180,000
2014 - 2018	18,655,000	1,568,496	20,223,496	3,525,000
2019 - 2021	<u>3,525,000</u>	<u>200,355</u>	<u>3,725,355</u>	-
	<u>\$ 56,080,000</u>	<u>\$ 9,452,435</u>	<u>\$ 65,532,435</u>	

The City's statutory debt limit and margin of indebtedness at December 31, 2008 are \$194,919,365 and \$138,839,365, respectively.

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

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#### F. LONG TERM OBLIGATIONS (continued)

In 2008 the City of Franklin issued \$10,000,000 in General Obligation Notes on behalf of its Tax Incremental Financing District #3 to enable them to meet District expenses of \$4,000,000 and repay \$6,000,000 of internal advances.

In prior years the City defeased certain maturities of the April 15, 2001 general obligation bonds by placing the proceeds of new debt in irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, trust account assets and liability for the defeased debt is not included in the City's financial statements. At December 31, 2008 \$9,470,000 of debt outstanding has been defeased. The defeased debt is callable on March 1, 2011.

#### Conduit Debt Obligations

Eleven series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$116,485,000 are outstanding with a December 31, 2008 balance of \$108,425,094.

#### G. NET ASSETS/FUND BALANCES

##### Governmental Activities

Government activities net assets reported on the government-wide statement of net assets at December 31, 2008 include the following:

Invested in capital assets, net of related debt	
Land	\$ 24,648,453
Construction in process	1,624,809
Other capital assets, net of accumulated depreciation	86,716,680
Less: related long term debt outstanding	<u>(38,980,267)</u>
Total invested in capital assets	<u>74,009,675</u>
Restricted for:	
Debt service	1,935,194
Library	414,428
Emergency medical services	9,568
Utility improvement	12,640
Development	3,083,708
Donations	126,764
Grants	<u>149,782</u>
Total restricted	<u>5,732,084</u>
Unrestricted	<u>4,908,825</u>
Total governmental activities net assets	<u>\$ 84,650,584</u>

**CITY OF FRANKLIN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**G. NET ASSETS/FUND BALANCES (continued)**

**Governmental Fund Balances**

Reported on the fund financial statements at December 31, 2008 include the following:

Reserved - Major Funds:

General Fund - Inventories, prepaid items and encumbrances	\$ 25,109
Debt Service Fund - subsequent year debt service	2,639,240
Debt Service Fund - advances to other funds	5,700,000
TIF Districts Fund - contractual obligations and debt service	10,625,420

Reserved - Non Major funds:

Special Revenue Funds:

Library services	414,428
Master Plan - contractual obligations and encumbrances	118,000
Emergency medical services, donations and grants	286,114

Capital Projects Funds:

Equipment replacement - Advances to other funds	600,000
Capital Outlay and Equipment replacement - encumbrances	412,000
Capital Improvement - contractual obligations & encumbrances	985,000
Development	3,083,708
Utility Improvement	12,640

Total reserved	<u>\$ 24,901,659</u>
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Unreserved Major Fund - General Fund

Designated for working capital	\$ 3,800,000
Designated for subsequent year expenditures	1,309,000
Undesignated	410,932
Total General Fund	<u>5,519,932</u>

Unreserved Major Fund - TIF Districts Fund

Undesignated (Deficit)	<u>(6,880,556)</u>
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Unreserved Non Major Funds:

Special Revenue funds:

Designated for master plan activities	72,792
Designated for civic celebration activities	59,414
Total Special Revenue funds	<u>132,206</u>

Capital Projects funds:

Designated for Capital Outlay	247,192
Designated for Equipment Replacement	903,282
Designated for Capital Improvement	54,176
Designated for Street Improvement	921,320
Total Capital Projects funds	<u>2,125,970</u>

Total Unreserved funds	<u>\$ 897,552</u>
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# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 5 – OTHER INFORMATION

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#### A. DEFINED BENEFIT PENSION PLANS

##### Wisconsin Retirement System

All eligible protective City of Franklin employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All such permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the general category are required by statute to contribute 6.0% of their salary (5.1% for protective occupations with social security, and 3.4% for protective occupations without social security) to the plan.

Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2008 was \$7,058,507 and the employer's total payroll was \$12,933,076. The total required contribution paid entirely by the employer for the year ended December 31, 2008 was \$1,404,643, or 19.9% of covered payroll. Of the total required contribution, 100 percent was contributed for the current year. Total contributions for the years ended December 31, 2007 and 2006 were \$1,275,929 and \$1,234,508, respectively which equal to the required contributions for each year.

The System provides protective employees who retire at or after age 53 with 25 years or more of service or age 54 with less than 25 years of service are entitled to receive retirement benefits. Protective employees may retire at age 50 and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service and (3) a formula factor. Final Average Earnings is the average of the protective employee's three highest year's earnings. Protective employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

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

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 5 – OTHER INFORMATION (continued)

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#### A. DEFINED BENEFIT PENSION PLANS (continued)

##### Public Works Employees Pension Plan

##### Plan Description

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

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

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

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

Employees do not make pension contributions. The City contributes all amounts necessary to fund the pension plan, using the aggregate actuarial cost method.

##### Funding Policy

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

During 2008 the City changed the administration contract under which the plan is administered. The impact of the change is that there are more investment options available and as a result the annual pension cost was lower. The reduction related to the interest rate assumption change has occurred in the 2008 valuation with the impact of other assumption changes expected in the 2009 actuarial valuation.

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### NOTE 5 – OTHER INFORMATION (continued)

#### A. DEFINED BENEFIT PENSION PLANS (continued)

##### Public Works Employees Pension Plan (continued)

##### Annual Pension Cost

For 2008, the City's required contribution of \$99,781 under the new administration contract was determined during a January 1, 2008 actuarial valuation using the aggregate actuarial cost method. As a result during the year ended December 31, 2008, contributions totaling \$110,434 were accrued. This will result in the net pension obligation being reduced by \$16,847. The accrued employer contribution amount represented 8.1% of current year payroll compared to the 7.3% anticipated in the 2008 actuarial report.

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets ranging of 8.0% compounded annually, (b) projected salary increases of 4.00% per year compounded annually, attributable to inflation. The assumptions did not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

##### Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2008	\$ 99,781	111%	\$ 116,311
12/31/2007	252,283	47%	133,158
12/31/2006	273,116	147%	-

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

Annual required contribution	\$ 99,781
Interest on net pension obligation	10,653
Adjustment to annual required contribution	<u>(16,847)</u>
Annual pension expense	93,587
Contributions made	<u>(110,434)</u>
Decrease in net pension obligation	(16,847)
Net pension obligation - beginning of year	<u>133,158</u>
Net pension obligation - end of year	<u><u>\$ 116,311</u></u>

**CITY OF FRANKLIN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**NOTE 5 – OTHER INFORMATION (continued)**

**A. DEFINED BENEFIT PENSION PLANS (continued)**

**Public Works Employees Pension Plan (continued)**

**Annual Pension Cost**

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Actuarial Liability (AAL) - Aggregate	Funding progress		(E) Covered Payroll	(F) UAAL as Percentage of Covered Payroll [(C)/(E)]
			(C) Unfunded AAL (UAAL) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]		
1/1/2008	\$ 3,829,158	\$ 3,945,469	\$ 116,311	97%	\$ 1,358,310	9%

The valuation interest rate was increased to 8% to reflect expected long term investment performance. Otherwise there were no significant changes in actuarial assumptions during the valuation year ended January 1, 2008.

**B. DEFINED CONTRIBUTION PLAN**

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

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees may but are not required to make contributions. A participant's accrued benefit for City contributions is 100% vested and non forfeitable upon death, normal retirement, early retirement or permanent and total disability as defined in the Plan. If employment is terminated for any other reason, each participant's accrued benefit vests at various percentages, based on years of service. During 2008, the City made the required contribution amounting to \$404,182, or 10% of covered payroll and employees made \$7,083 in additional voluntary contributions to the plan. The City may make amendments to the Plan.

**C. POST EMPLOYMENT HEALTH CARE BENEFITS**

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

**CITY OF FRANKLIN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**NOTE 5 – OTHER INFORMATION (continued)**

**C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)**

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

Contribution requirements are established by either City ordinance or collective bargaining and may be amended only by the groups establishing the requirements. The City's periodic contribution is determined and fixed at the time of retirement. The retiree pays the balance of the periodic blended premium. The eligibility for the benefit follows:

<u>Employee Group</u>	<u>#</u>	<u>City Amount</u>	<u>Age</u>	<u>Years Service</u>
Non-represented	37	75% of Premium at Retirement	62	20
Police	57	75% of 2005 Premium	53	15
Dispatch	14	75% of 2005 Premium	62	20
Fire	43	75% of Premium at Retirement	53	20
DPW	31	75% of Premium at Retirement	60	15

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

Annual required contribution	\$ 703,713
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB expense	703,713
Contributions made	<u>(703,713)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ -</u>

**CITY OF FRANKLIN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**NOTE 5 – OTHER INFORMATION (continued)**

**C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)**

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

Funding progress:

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Projected unit credit	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2008	\$ -	\$ 7,972,327	\$ 7,972,327	0%	\$ 13,486,000	59%

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

The projection of future benefits for an ongoing benefit involves estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the trust and required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, will present multi-year trend information in future years that shows whether the actuarial value of trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The City of Franklin is implementing this regulation in fiscal year 2008 so multi-year data is not available at this time.

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

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

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 5 – OTHER INFORMATION (continued)

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#### C. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

The following significant assumptions were made:

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

The ARC was calculated using the level percentage of payroll method, amortizing costs over 30 years. The remaining amortization period at December 31, 2008 was 29 years.

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

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

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

The expected healthcare trend rate of increase in group health charges was based upon the recent experience of the City of Franklin self funded health care program. A rate of 15% initially, reduced to an ultimate rate of 5.5% after nine years, was used.

The expected long term payroll growth rate was assumed to be 3%.

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

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

#### D. CONTINGENCIES AND COMMITMENTS

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

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

# CITY OF FRANKLIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 5 – OTHER INFORMATION (continued)

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#### D. CONTINGENCIES AND COMMITMENTS (continued)

The City has no material outstanding contractual commitments other than disclosed in these financial statements relating to various Public Works projects and equipment purchases at December 31, 2008.

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

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

#### E. RISK MANAGEMENT

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

The City also offers a group medical and dental insurance plan to employees for which the City is self-insured. This activity is accounted for in the City's Self Insurance Internal Service Fund. Group medical and dental costs are charged to City departments and retirees participating in the program. A third party administrator handles claims payments. The City carries stop loss insurance for losses in excess of \$50,000 per year per individual. Liabilities are reported when it is probable that loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported ("IBNR").

Changes in the balance of claims payable for the three years ended December 31, 2008 are as follows:

	<u>Beginning of Year</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year</u>
2008	\$ 396,000	\$ 2,411,910	\$ 2,557,910	\$ 250,000
2007	396,000	2,880,177	2,880,177	396,000

**CITY OF FRANKLIN**

REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)  
December 31, 2008

**PUBLIC WORKS EMPLOYEES PENSION PLAN  
SCHEDULE OF FUNDING PROGRESS**

Schedule of Employer Contributions

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2008	\$ 99,781	111%	\$ 116,311
12/31/2007	252,283	47%	133,158
12/31/2006	273,116	147%	-

Note: The NPO and the reduction in annual cost is due to change in interest assumption

Schedule of Funding Progress

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) - Aggregate	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2008	\$ 3,829,158	\$ 3,945,469	\$ 116,311	97%	\$ 1,358,310	9%
1/1/2007	3,530,385	3,663,543	133,158	96%	1,256,564	11%
1/1/2006	2,999,953	2,999,953	-	100%	1,250,874	-%

**CITY OF FRANKLIN POST EMPLOYMENT BENEFITS TRUST  
SCHEDULE OF FUNDING PROGRESS**

Schedule of Employer Contributions:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 703,713	100.0%	\$ -

Schedule of Funding Progress:

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Projected unit credit	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2008	\$ -	\$ 7,972,327	\$ 7,972,327	0%	\$ 13,486,000	59%

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

The City is required to present the above information for the three most recent actuarial studies. The study dated January 1, 2008 was the study prepared for the adoption of GASB #45.

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

Library Operating Fund - This fund accounts for the budgetary operation of the City Library.

Library Auxiliary Fund - This fund accounts for the City Library's donations, fines and forfeitures.

Master Plan Fund - This fund accounts for resources dedicated to improving the Comprehensive Master Plan for the City.

Donation Fund - This fund accounts for donations received for specific purposes.

Civic Celebrations Fund - This fund accounts for activity related to the City's Fourth of July, Fiftieth Anniversary or other celebrations.

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

### **Capital Projects Funds**

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

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

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

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

Street Improvement Fund - This fund accounts for the activities of the local road improvement program. Funding is provided by the tax levy and a every other year local road improvement grant from the State.

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

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

**CITY OF FRANKLIN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2008**

	Special Revenue Funds							Total
	OPEB Fund	Library Operating Fund	Library Auxiliary Fund	Master Plan Fund	Donation Fund	Civic Celebrations Fund	Grant Fund	
<b>ASSETS</b>								
Cash and investments	\$ -	\$ 252,569	\$ 108,779	\$ 191,069	\$ 127,609	\$ 59,414	\$ 158,442	\$ 897,882
Receivables	-	-	-	-	-	-	-	-
Accounts receivable	-	106,973	-	-	-	-	1,823	108,796
Taxes receivable	-	1,150,000	-	-	-	-	-	1,150,000
Special assessments receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	76,831	76,831
Prepaid items	-	-	8,342	-	-	-	-	8,342
Long-term advances	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	\$ -	\$ 1,509,542	\$ 117,121	\$ 191,069	\$ 127,609	\$ 59,414	\$ 237,096	\$ 2,241,851
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ 34,569	\$ 1,172	\$ 277	\$ 845	\$ -	\$ 77,667	\$ 114,530
Accrued liabilities	-	26,494	-	-	-	-	79	26,573
Deferred revenue	-	1,150,000	-	-	-	-	-	1,150,000
Total Liabilities	-	1,211,063	1,172	277	845	-	77,746	1,291,103
<b>FUND BALANCES</b>								
Reserved for	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Encumbrances	-	-	-	118,000	-	-	-	118,000
Contractual obligations	-	-	-	-	-	-	-	414,428
Library services	-	298,479	115,949	-	-	-	9,568	9,568
Emergency medical services	-	-	-	-	-	-	-	-
Utility improvements	-	-	-	-	126,764	-	-	126,764
Donations & grants	-	-	-	-	-	-	149,782	149,782
Unreserved reported in	-	-	-	72,792	-	59,414	-	132,206
Special Revenue Funds	-	-	-	-	-	-	-	-
Capital Projects Funds	-	-	-	190,792	126,764	59,414	159,350	950,748
Total Fund Balances	-	298,479	115,949	190,792	126,764	59,414	159,350	950,748
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ -	\$ 1,509,542	\$ 117,121	\$ 191,069	\$ 127,609	\$ 59,414	\$ 237,096	\$ 2,241,851

(Continued)



**CITY OF FRANKLIN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2008**

	Special Revenue Funds							Total
	OPEB Fund	Library Operating Fund	Library Auxiliary Fund	Master Plan Fund	Donation Fund	Civic Celebrations Fund	Grant Fund	
<b>REVENUE</b>								
Taxes	\$ -	\$ 1,150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,150,000
Intergovernmental revenue	-	-	-	-	2,319	-	194,729	197,048
Public charges for services	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Investment earnings	-	33,248	761	8,541	5,491	-	508	48,549
Miscellaneous revenue	-	107,154	68,626	-	21,658	96,516	12,196	306,150
Total Revenue	-	1,290,402	69,387	8,541	29,468	96,516	207,433	1,701,747
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	44	-	-	44
Public safety	-	-	-	-	20,247	-	10,415	30,662
Health and human services	-	-	-	-	1,146	-	60,206	61,352
Culture and recreation	-	1,157,242	26,456	9,004	-	129,505	11,500	1,333,707
Conservation and development	-	94,457	25,081	-	3,316	-	107,111	229,965
Capital outlay	-	1,251,699	51,537	9,004	24,753	129,505	189,232	1,655,730
Total Expenditures	-	38,703	17,850	(463)	4,715	(32,989)	18,201	46,017
Excess (Deficiency) of Revenue Over (Under) Expenditures	-	(948,646)	(948,646)	(948,646)	25,775	-	-	25,775
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(948,646)
Net change in fund balances	-	38,703	17,850	(463)	4,715	(32,989)	18,201	(876,864)
Fund balances - beginning	948,646	259,776	98,099	191,255	122,049	66,628	141,149	1,827,602
Fund balances - ending	\$ -	\$ 298,479	\$ 115,949	\$ 190,792	\$ 126,764	\$ 59,414	\$ 159,350	\$ 950,748

(Continued)

**CITY OF FRANKLIN**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2008**

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	
<b>REVENUE</b>							
Taxes	\$ 475,000	\$ 327,000	\$ -	\$ 950,000	\$ -	\$ -	\$ 1,752,000
Intergovernmental revenue	-	-	265,068	82,190	-	-	347,258
Public charges for services	-	-	40,110	-	-	-	40,110
Special assessments	-	-	-	-	185,605	545,745	731,350
Investment earnings	25,520	79,448	23,283	62,327	81,469	124,713	396,760
Miscellaneous revenue	29,132	39,373	3,917	15,765	-	-	88,187
Total Revenue	<u>529,652</u>	<u>445,821</u>	<u>332,378</u>	<u>1,110,282</u>	<u>267,074</u>	<u>670,458</u>	<u>3,355,665</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	-	44
Public safety	-	-	-	-	-	-	30,662
Health and human services	-	-	-	-	-	-	61,352
Culture and recreation	-	-	-	-	-	-	1,333,707
Conservation and development	-	-	-	-	-	-	-
Capital outlay	528,200	535,257	3,237,987	896,058	-	-	5,197,502
Total Expenditures	<u>528,200</u>	<u>535,257</u>	<u>3,237,987</u>	<u>896,058</u>	<u>-</u>	<u>-</u>	<u>6,853,232</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	1,452	(89,436)	(2,905,609)	214,224	267,074	670,458	(1,841,837)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	3,675,548	-	88,150	184,477	3,948,175
Transfers out	-	-	(6,565)	-	(723,545)	(415,179)	(1,145,289)
Net change in fund balances	1,452	(89,436)	763,374	214,224	(368,321)	439,756	84,195
Fund balances - beginning	308,740	1,941,718	275,802	707,096	380,961	2,643,952	8,085,871
Fund balances - ending	<u>\$ 310,192</u>	<u>\$ 1,852,282</u>	<u>\$ 1,039,176</u>	<u>\$ 921,320</u>	<u>\$ 12,640</u>	<u>\$ 3,083,708</u>	<u>\$ 7,219,318</u>

**CITY OF FRANKLIN**  
General Fund

**Schedule of Revenue - Budget and Actual (on a budgetary basis)**  
Year Ended December 31, 2008

	Original and final Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>TAXES</b>				
General property taxes	\$ 14,528,000	\$ 14,653,000	\$ 14,632,150	\$ (20,850)
Water Utility - tax equivalent	870,000	870,000	857,020	(12,980)
Cable TV franchise fees	350,000	350,000	386,817	36,817
Mobile home assessments	36,000	36,000	28,668	(7,332)
Motel room tax	84,000	84,000	57,090	(26,910)
	<u>15,868,000</u>	<u>15,993,000</u>	<u>15,961,745</u>	<u>(31,255)</u>
<b>INTERGOVERNMENTAL REVENUE</b>				
State shared revenue	878,000	878,000	887,702	9,702
Fire insurance - dues	110,000	110,000	105,109	(4,891)
Local, state and federal grants and aids				
Computer Aid	43,000	43,000	48,688	5,688
Transportation aids	1,160,000	1,296,000	1,296,525	525
Recycling	77,000	77,000	97,694	20,694
Other	3,000	45,000	172,715	127,715
	<u>2,271,000</u>	<u>2,449,000</u>	<u>2,608,433</u>	<u>159,433</u>
<b>LICENSES, FEES AND PERMITS</b>				
Licenses:				
Beer and Liquor	29,600	29,600	42,230	12,630
Bartenders	13,500	13,500	14,492	992
Amusement and related	8,300	8,300	11,225	2,925
Peddlers	37,000	37,000	31,135	(5,865)
Food and related	41,050	41,050	13,860	(27,190)
Electrical contractors	11,500	11,500	13,803	2,303
Dog and cat	11,100	11,100	9,145	(1,955)
Other	4,450	4,450	30,809	26,359
Permits:				
Building	820,000	820,000	359,410	(460,590)
Electrical	130,000	130,000	87,593	(42,407)
Plumbing	130,000	130,000	67,996	(62,004)
Sign	7,500	7,500	17,840	10,340
Park	6,500	6,500	7,917	1,417
Fire	7,500	7,500	6,035	(1,465)
Other	21,500	21,500	9,735	(11,765)
	<u>1,279,500</u>	<u>1,279,500</u>	<u>723,225</u>	<u>(556,275)</u>
<b>FINES, FORFEITURES AND PENALTIES</b>	<u>411,000</u>	<u>411,000</u>	<u>362,928</u>	<u>(48,072)</u>

(Continued)

CITY OF FRANKLIN  
General Fund

Schedule of Revenue - Budget and Actual (on a budgetary basis)  
Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>PUBLIC CHARGES FOR SERVICES</b>				
<b>General government</b>				
Property reports and document fees	\$ 15,700	\$ 15,700	\$ 7,740	\$ (7,960)
<b>Public safety</b>				
Police Department and related	6,000	6,000	37,451	31,451
Ambulance service	855,000	855,000	941,653	86,653
Fire Department and related	186,000	186,000	182,709	(3,291)
Weights and measures	6,800	6,800	-	(6,800)
<b>Public works</b>				
Weed cutting	25,100	25,100	7,441	(17,659)
Street lighting	3,000	3,000	9,154	6,154
Engineering and DPW fees	111,000	111,000	97,026	(13,974)
Landfill tipping fees	413,500	433,500	458,877	25,377
<b>Health and human services</b>				
Health Clinics and other health fees	70,000	70,000	62,815	(7,185)
<b>Conservation and development</b>				
Zoning, subdivision and other filing fees	173,100	173,100	63,497	(109,603)
	<u>1,865,200</u>	<u>1,885,200</u>	<u>1,868,363</u>	<u>(16,837)</u>
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>	<u>284,000</u>	<u>284,000</u>	<u>206,156</u>	<u>(77,844)</u>
<b>INVESTMENT EARNINGS</b>	<u>804,900</u>	<u>804,900</u>	<u>730,239</u>	<u>(74,661)</u>
<b>MISCELLANEOUS REVENUE</b>				
Municipal property rental	42,000	42,000	35,672	(6,328)
Property sale	3,000	3,000	-	(3,000)
Refunds and reimbursements	31,500	31,500	40,386	8,886
Insurance dividend	15,000	15,000	11,049	(3,951)
Other revenue	21,900	21,900	18,318	(3,582)
	<u>113,400</u>	<u>113,400</u>	<u>105,425</u>	<u>(7,975)</u>
<b>TOTAL REVENUE</b>	<u>\$ 22,897,000</u>	<u>\$ 23,220,000</u>	<u>\$ 22,566,514</u>	<u>\$ (653,486)</u>

**CITY OF FRANKLIN**  
**General Fund**

**Schedule of Expenditures - Budget and Actual (on a budgetary basis)**  
**Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>CURRENT</b>				
<b>General Government</b>				
Common council	\$ 125,960	\$ 125,960	\$ 117,524	\$ 8,436
Municipal court	176,463	177,563	175,684	1,879
City clerk	280,252	282,552	274,317	8,235
Elections	39,880	39,980	48,285	(8,305)
Information services	417,100	417,100	398,842	18,258
Administraton	458,143	462,343	422,310	40,033
Finance	519,102	523,002	506,675	16,327
Audit	27,000	27,000	26,289	711
Assessor	256,371	256,371	247,382	8,989
Legal counsel	267,600	267,600	269,461	(1,861)
Municipal buildings	262,038	269,438	255,170	14,268
Property and liability insurance	67,800	67,800	66,876	924
Other	2,500	12,500	11,776	724
Contingency	162,500	115,000	-	115,000
Total General Government	<u>3,062,709</u>	<u>3,044,209</u>	<u>2,820,591</u>	<u>223,618</u>
<b>Public Safety</b>				
Police:				
Police	7,472,223	7,795,323	7,512,130	283,193
Dispatchers	981,319	991,119	938,674	52,445
Fire	5,265,968	5,694,168	5,676,224	17,944
Fire protection service charge	217,900	229,900	229,677	223
Building inspection	922,059	924,359	838,373	85,986
Sealer of weights and measures	6,800	6,800	6,800	-
Total Public Safety	<u>14,866,269</u>	<u>15,641,669</u>	<u>15,201,878</u>	<u>439,791</u>
<b>Public Works</b>				
Engineering	591,606	599,406	546,323	53,083
Highway	2,239,252	2,452,652	2,461,606	(8,954)
Refuse collection	1,307,138	1,307,238	1,335,776	(28,538)
Street lighting	278,100	278,100	281,338	(3,238)
Weed control	25,100	25,100	7,914	17,186
Total Public Works	<u>4,441,196</u>	<u>4,662,496</u>	<u>4,632,957</u>	<u>29,539</u>
<b>Health and Human Services</b>				
Public health	601,917	606,317	561,273	45,044
Animal control	41,350	41,350	43,739	(2,389)
Total Health and Human Services	<u>643,267</u>	<u>647,667</u>	<u>605,012</u>	<u>42,655</u>
<b>Culture and Recreation</b>				
St. Martin's fair	52,706	53,106	44,817	8,289
Civic celebrations	25,900	25,900	25,775	125
Senior travel program	10,000	10,000	7,767	2,233
Senior travel program	-	5,000	4,442	558
Parks	172,668	176,368	100,203	76,165
Total Culture and Recreation	<u>261,274</u>	<u>270,374</u>	<u>183,004</u>	<u>87,370</u>
<b>Conservation and Development</b>				
City development	572,285	577,585	441,159	136,426
<b>TOTAL EXPENDITURES</b>	<u>\$ 23,847,000</u>	<u>\$ 24,844,000</u>	<u>\$ 23,884,601</u>	<u>\$ 959,399</u>

**CITY OF FRANKLIN**  
**Debt Service Fund**  
**Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2008**

	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>REVENUE</b>			
Taxes	\$ 2,000,000	\$ 2,000,000	\$ -
Special assessments	-	383,148	383,148
Investment earnings	375,598	558,465	182,867
Total Revenue	<u>2,375,598</u>	<u>2,941,613</u>	<u>566,015</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	3,025,000	3,025,000	-
Interest	1,133,681	1,133,681	-
Total Expenditures	<u>4,158,681</u>	<u>4,158,681</u>	<u>-</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,783,083)	(1,217,068)	566,015
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	422,000	-	(422,000)
Transfers out	<u>(2,500,000)</u>	<u>(2,684,477)</u>	<u>(184,477)</u>
Net change in fund balances	(3,861,083)	(3,901,545)	(40,462)
Fund balances - beginning	<u>12,240,785</u>	<u>12,240,785</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 8,379,702</u>	<u>\$ 8,339,240</u>	<u>\$ (40,462)</u>

**CITY OF FRANKLIN**  
**Library Operating Fund**  
**Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2008**

	<u>Original and final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
<b>REVENUE</b>			
Taxes	\$ 1,150,000	\$ 1,150,000	\$ -
Investment earnings	24,000	33,248	9,248
Miscellaneous revenue	<u>50,000</u>	<u>107,154</u>	<u>57,154</u>
Total Revenue	<u>1,224,000</u>	<u>1,290,402</u>	<u>66,402</u>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	1,165,237	1,157,242	7,995
Capital outlay	<u>83,000</u>	<u>94,457</u>	<u>(11,457)</u>
Total Expenditures	<u>1,248,237</u>	<u>1,251,699</u>	<u>(3,462)</u>
Net change in fund balances	(24,237)	38,703	62,940
Fund balances - beginning	<u>259,776</u>	<u>259,776</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 235,539</u>	<u>\$ 298,479</u>	<u>\$ 62,940</u>

**CITY OF FRANKLIN**  
Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -  
Budget and Actual (on a budgetary basis)  
Year Ended December 31, 2008

	Capital Outlay Fund			Equipment Replacement Fund		
	Original Budget	Final Budget	Actual	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>REVENUE</b>						
Taxes	\$ 475,000	\$ 475,000	\$ 475,000	\$ 327,000	\$ 327,000	\$ -
Intergovernmental revenue	-	-	-	-	-	-
Public charges for services - Landfill siting	-	-	-	-	-	-
Investment earnings	10,000	10,000	25,520	95,000	79,448	(15,552)
Miscellaneous revenue	30,000	30,000	29,132	10,000	39,373	29,373
Total Revenue	<u>515,000</u>	<u>515,000</u>	<u>529,652</u>	<u>432,000</u>	<u>445,821</u>	<u>13,821</u>
<b>EXPENDITURES</b>						
Capital outlay	692,700	703,900	585,200	790,000	795,257	(5,257)
Total Expenditures	<u>692,700</u>	<u>703,900</u>	<u>585,200</u>	<u>790,000</u>	<u>795,257</u>	<u>(5,257)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(177,700)	(188,900)	(55,548)	(358,000)	(349,436)	8,564
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	63,300	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Net changes in fund balances	<u>\$ (114,400)</u>	<u>\$ (188,900)</u>	<u>(55,548)</u>	<u>\$ (358,000)</u>	<u>(349,436)</u>	<u>\$ 8,564</u>
Adjustments to generally accepted accounting principles basis						
2008 encumbrances		63,000	(6,000)		349,000	(89,000)
2007 encumbrances			308,740		1,941,718	
Fund balances - beginning						
<b>Fund balances - ending</b>			<u>\$ 310,192</u>		<u>\$ 1,852,282</u>	

Continued

**CITY OF FRANKLIN**  
Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -  
Budget and Actual (on a budgetary basis)  
Year Ended December 31, 2008

	Capital Improvement Fund			Street Improvement Fund		
	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>REVENUE</b>						
Taxes	\$ -	\$ -	\$ -	\$ 950,000	\$ 950,000	\$ -
Intergovernmental revenue	170,000	265,068	95,068	75,000	82,190	7,190
Public charges for services - Landfill siting	-	40,110	40,110	-	-	-
Investment earnings	75,000	23,283	(51,717)	30,000	62,327	32,327
Miscellaneous revenue	52,500	3,917	(48,583)	-	15,765	15,765
Total Revenue	<u>297,500</u>	<u>332,378</u>	<u>34,878</u>	<u>1,055,000</u>	<u>1,110,282</u>	<u>55,282</u>
<b>EXPENDITURES</b>						
Capital outlay	5,839,000	3,725,987	2,113,013	912,500	896,058	16,442
Total Expenditures	<u>5,839,000</u>	<u>3,725,987</u>	<u>2,113,013</u>	<u>912,500</u>	<u>896,058</u>	<u>16,442</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(5,541,500)	(3,393,609)	2,147,891	142,500	214,224	71,724
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	5,560,000	3,675,548	(1,884,452)	100,000	-	(100,000)
Transfers out	-	(6,565)	(6,565)	-	-	-
Net changes in fund balances	<u>\$ 18,500</u>	<u>275,374</u>	<u>\$ 256,874</u>	<u>\$ 242,500</u>	<u>214,224</u>	<u>\$ (28,276)</u>
Adjustments to generally accepted accounting principles basis						
2008 encumbrances		824,000			-	
2007 encumbrances		(336,000)			-	
Fund balances - beginning		<u>275,802</u>			<u>707,096</u>	
<b>Fund balances - ending</b>		<u>\$ 1,039,176</u>			<u>\$ 921,320</u>	

**CITY OF FRANKLIN**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Source**  
**December 31, 2008**

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**Governmental funds capital assets:**

Land	\$ 24,648,453
Buildings and improvements	23,069,585
Machinery and equipment	14,223,837
Infrastructure improvements	81,281,205
Construction in process	<u>1,624,809</u>

**Total governmental funds capital assets** \$ 144,847,889

**Investment in governmental capital assets by source:**

General Fund	\$ 2,717,485
Special Revenue Funds	2,076,554
Capital Projects Funds	72,656,693
Donations	<u>67,397,157</u>

**Total governmental funds capital assets** \$ 144,847,889

**CITY OF FRANKLIN**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**Year Ended December 31, 2008**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure Improvements</u>	<u>Construction In process</u>	<u>Total</u>
<b>General Government:</b>						
Mayor	\$ -	\$ -	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	-	-	4,769	-	-	4,769
Municipal court	-	-	7,446	-	-	7,446
City clerk	-	-	7,443	-	-	7,443
Elections	-	-	36,352	-	-	36,352
Information services	-	-	351,142	-	-	351,142
Administration	-	-	251,321	-	-	251,321
Human resources	-	-	1,295	-	-	1,295
Finance	-	-	52,167	-	-	52,167
Assessor	-	-	43,681	-	-	43,681
Treasury	-	-	-	-	-	-
Attorney	-	-	906	-	-	906
Municipal buildings	597,437	3,039,649	547,868	-	-	4,184,954
<b>Total General Government</b>	<u>597,437</u>	<u>3,039,649</u>	<u>1,306,592</u>	<u>-</u>	<u>-</u>	<u>4,943,678</u>
<b>Public Safety:</b>						
Police	1,201,829	8,418,912	2,456,729	-	-	12,077,470
Fire	63,248	3,340,826	3,057,980	-	-	6,462,054
Building inspection	-	-	272,491	-	-	272,491
<b>Total Public Safety</b>	<u>1,265,077</u>	<u>11,759,738</u>	<u>5,787,200</u>	<u>-</u>	<u>-</u>	<u>18,812,015</u>
<b>Public Works:</b>						
Engineering	-	-	209,620	-	-	209,620
Highway	357,407	2,617,865	4,247,442	-	-	7,222,714
Street Lighting	-	-	1,097	-	-	1,097
Infrastructure	17,997,867	-	-	81,281,205	-	99,279,072
Construction in process	-	-	-	-	1,624,809	1,624,809
<b>Total Public Works</b>	<u>18,355,274</u>	<u>2,617,865</u>	<u>4,458,159</u>	<u>81,281,205</u>	<u>1,624,809</u>	<u>108,337,312</u>
<b>Health &amp; Human Services:</b>						
Health	-	-	83,835	-	-	83,835
<b>Culture and Recreation:</b>						
Library	16,769	4,905,110	2,249,583	-	-	7,171,462
Parks	4,413,896	747,223	257,360	-	-	5,418,479
<b>Total Culture and Recreation</b>	<u>4,430,665</u>	<u>5,652,333</u>	<u>2,506,943</u>	<u>-</u>	<u>-</u>	<u>12,589,941</u>
<b>Conservation and Development:</b>						
Community development	-	-	-	-	-	-
Planning	-	-	81,108	-	-	81,108
<b>Total Conservation and Development</b>	<u>-</u>	<u>-</u>	<u>81,108</u>	<u>-</u>	<u>-</u>	<u>81,108</u>
<b>Total governmental funds capital assets</b>	<u>\$24,648,453</u>	<u>\$ 23,069,585</u>	<u>\$14,223,837</u>	<u>\$81,281,205</u>	<u>\$1,624,809</u>	<u>\$ 144,847,889</u>

**CITY OF FRANKLIN**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**Year Ended December 31, 2008**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets</u>			
	<u>01/01/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/08</u>
<b>General Government:</b>				
Mayor	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	4,769	-	-	4,769
Municipal court	7,446	-	-	7,446
City clerk	7,443	-	-	7,443
Elections	36,352	-	-	36,352
Information services	323,900	27,242	-	351,142
Administration	249,624	1,697	-	251,321
Human resources	1,295	-	-	1,295
Finance	52,167	-	-	52,167
Assessor	43,681	-	-	43,681
Treasury	-	-	-	-
Attorney	906	-	-	906
Municipal buildings	4,173,457	11,497	-	4,184,954
Total General Government	<u>4,903,242</u>	<u>40,436</u>	<u>-</u>	<u>4,943,678</u>
<b>Public Safety:</b>				
Police	11,946,539	130,931	-	12,077,470
Fire	5,572,230	925,711	35,887	6,462,054
Building inspection	272,491	-	-	272,491
Total Public Safety	<u>17,791,260</u>	<u>1,056,642</u>	<u>35,887</u>	<u>18,812,015</u>
<b>Public Works:</b>				
Engineering	196,037	13,583	-	209,620
Highway	7,006,602	499,702	283,590	7,222,714
Street Lighting	1,097	-	-	1,097
Infrastructure	95,495,338	3,783,734	-	99,279,072
Construction in process	144,154	1,480,655	-	1,624,809
Total Public Works	<u>102,843,228</u>	<u>5,777,674</u>	<u>283,590</u>	<u>108,337,312</u>
<b>Health &amp; Human Services:</b>				
Health	<u>72,678</u>	<u>11,157</u>	<u>-</u>	<u>83,835</u>
<b>Culture and Recreation:</b>				
Library	7,062,454	145,008	36,000	7,171,462
Parks	5,311,906	106,573	-	5,418,479
Total Culture and Recreation	<u>12,374,360</u>	<u>251,581</u>	<u>36,000</u>	<u>12,589,941</u>
<b>Conservation and Development:</b>				
City development	<u>78,951</u>	<u>2,157</u>	<u>-</u>	<u>81,108</u>
Total Conservation and Development	<u>78,951</u>	<u>2,157</u>	<u>-</u>	<u>81,108</u>
<b>Total governmental funds capital assets</b>	<u>\$ 138,063,719</u>	<u>\$ 7,139,647</u>	<u>\$ 355,477</u>	<u>\$ 144,847,889</u>

**CITY OF FRANKLIN**  
**Fiduciary Funds**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
**Year Ended December 31, 2008**

PROPERTY TAX AGENCY FUND	12/31/07	Additions	Deductions	12/31/08
<b>ASSETS</b>				
Cash and investments	\$ 41,949,049	\$ 88,270,778	\$ 84,713,308	\$ 45,506,519
Receivables				
Taxes receivable	17,753,053	62,601,035	63,206,411	17,147,677
Accounts receivable	-	15,117	-	15,117
<b>Total assets</b>	<u>\$ 59,702,102</u>	<u>\$ 150,886,930</u>	<u>\$ 147,919,719</u>	<u>\$ 62,669,313</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 97,023	\$ 68,278	\$ 97,023	\$ 68,278
Due to other governments	59,605,079	62,601,035	59,605,079	62,601,035
<b>Total liabilities</b>	<u>\$ 59,702,102</u>	<u>\$ 62,669,313</u>	<u>\$ 59,702,102</u>	<u>\$ 62,669,313</u>
<b>OTHER AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and investments	\$ 10,198	\$ 65,537	\$ 65,865	\$ 9,870
Accounts receivable	37,096	11,943	37,096	11,943
<b>Total assets</b>	<u>\$ 47,294</u>	<u>\$ 77,480</u>	<u>\$ 102,961</u>	<u>\$ 21,813</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 35,211	\$ 1,630	\$ 35,211	\$ 1,630
Special deposits	12,083	40,383	32,283	20,183
<b>Total liabilities</b>	<u>\$ 47,294</u>	<u>\$ 42,013</u>	<u>\$ 67,494</u>	<u>\$ 21,813</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments	\$ 41,959,247	\$ 88,336,315	\$ 84,779,173	\$ 45,516,389
Receivables				
Taxes receivable	17,753,053	62,601,035	63,206,411	17,147,677
Accounts receivable	37,096	27,060	37,096	27,060
<b>Total assets</b>	<u>\$ 59,749,396</u>	<u>\$ 150,964,410</u>	<u>\$ 148,022,680</u>	<u>\$ 62,691,126</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 132,234	\$ 69,908	\$ 132,234	\$ 69,908
Due to other governments	59,605,079	62,601,035	59,605,079	62,601,035
Special deposits	12,083	40,383	32,283	20,183
<b>Total liabilities</b>	<u>59,749,396</u>	<u>62,711,326</u>	<u>59,769,596</u>	<u>62,691,126</u>
<b>Total net assets</b>	<u>\$ -</u>	<u>\$ 88,253,084</u>	<u>\$ 88,253,084</u>	<u>\$ -</u>

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# STATISTICAL SECTION

## Statistical Section

This part of the City of Franklin's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

### Financial Trends

Table 1

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

### Revenue Capacity

Table 5

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

### Debt Capacity

Table 10

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

### Demographic and Economic Information

Table 13

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

### Operating Information

Table 15

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

**Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF FRANKLIN**  
 Net Assets by Component  
 Last Six Years  
 (accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 74,009,675	\$ 75,855,538	\$ 61,597,340	\$ 1,634,674	\$ (5,824,448)	\$ (18,631,637)
Restricted			(Restated)			
Debt service	1,935,194	1,527,909	2,824,089	-	-	1,167,562
Library	414,428	357,875	263,924	248,174	235,895	140,576
Utility improvements	12,640	380,961	478,801	1,129,596	765,805	1,521,678
Development	3,083,708	2,643,952	3,484,891	2,853,329	2,743,066	977,495
Other purposes	286,114	263,198	243,331	236,147	147,544	110,895
Unrestricted (deficit)	4,908,825	(1,099,755)	10,876,066	10,242,063	8,907,518	10,484,263
Total governmental activities net assets	\$ 84,650,584	\$ 79,929,678	\$ 79,768,442	\$ 16,343,983	\$ 6,975,380	\$ (4,229,168)
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 90,842,486	\$ 90,242,854	\$ 88,299,652	\$ 85,098,937	\$ 81,402,130	\$ 66,424,389
Restricted						
Other purposes	231,384	225,177	215,267	178,274	132,035	118,986
Unrestricted	2,309,236	2,342,349	2,255,577	2,380,429	2,020,798	2,253,221
Total business-type activities net assets	\$ 93,383,106	\$ 92,810,380	\$ 90,770,496	\$ 87,657,640	\$ 83,554,963	\$ 68,796,596
<b>Total</b>						
Invested in capital assets, net of related debt	\$ 164,852,161	\$ 166,098,392	\$ 149,896,992	\$ 86,733,611	\$ 75,577,682	\$ 47,792,752
Restricted						
Debt service	1,935,194	1,527,909	2,824,089	-	-	1,167,562
Library	414,428	357,875	263,924	248,174	235,895	140,576
Utility improvements	12,640	380,961	478,801	1,129,596	765,805	1,521,678
Development	3,083,708	2,643,952	3,484,891	2,853,329	2,743,066	977,495
Other purposes	517,498	488,375	458,598	414,421	279,579	229,881
Unrestricted	7,218,061	1,242,594	13,131,643	12,622,492	10,928,316	12,737,484
Total net assets	\$ 178,033,690	\$ 172,740,058	\$ 170,538,938	\$ 104,001,623	\$ 90,530,343	\$ 64,567,428

Note infrastructure for the years prior to 2003 was not included in the 2003 - 2005 totals

**CITY OF FRANKLIN**  
Changes in Net Assets, Last Six Years  
(accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
<b>Expenses</b>						
<b>Governmental activities:</b>						
General government	\$ 3,028,903	\$ 2,769,041	\$ 2,730,575	\$ 2,588,256	\$ 2,535,943	\$ 2,560,386
Public safety	15,598,642	14,387,891	13,987,313	13,533,975	13,054,488	12,344,323
Public works	6,900,408	6,800,767	4,709,613	4,673,462	4,152,452	3,581,846
Health and human services	663,262	630,002	572,091	510,520	538,850	574,163
Culture and recreation	1,803,155	1,766,274	1,873,815	1,561,066	1,428,499	1,290,360
Conservation and development	718,032	6,591,661	634,983	666,277	498,096	451,957
Interest on long term debt	2,654,969	2,705,294	2,574,761	2,204,881	2,345,610	2,600,130
Total governmental activities expenses	<u>31,367,371</u>	<u>35,650,930</u>	<u>27,083,151</u>	<u>25,738,437</u>	<u>24,553,938</u>	<u>23,403,165</u>
<b>Business-type activities</b>						
Water	3,928,578	3,620,524	3,342,925	3,307,057	2,572,320	2,528,709
Sewer	3,069,523	2,640,092	2,603,652	2,349,419	2,143,916	2,032,336
Total business-type activities expenses	<u>6,998,101</u>	<u>6,260,616</u>	<u>5,946,577</u>	<u>5,656,476</u>	<u>4,716,236</u>	<u>4,561,045</u>
Total expenses	<u>\$ 38,365,472</u>	<u>\$ 41,911,546</u>	<u>\$ 33,029,728</u>	<u>\$ 31,394,913</u>	<u>\$ 29,270,174</u>	<u>\$ 27,964,210</u>
<b>Program Revenue</b>						
<b>Governmental activities:</b>						
Charges for services:	\$ 210,433	\$ 226,496	\$ 145,072	\$ 148,803	\$ 195,401	\$ 199,732
General government	2,267,580	2,473,830	2,784,237	2,715,134	2,478,751	2,238,099
Public safety	739,948	1,071,513	1,497,290	1,543,476	1,473,029	1,344,447
Public works	86,439	89,853	62,339	91,767	61,273	46,549
Health and human services	143,797	138,793	237,278	212,301	201,129	229,366
Culture and recreation	305,299	127,711	138,411	72,864	116,390	114,278
Conservation and development	2,285,275	2,957,937	2,015,885	1,838,699	1,886,800	1,623,847
Operating grants and contributions	1,735,333	2,753,612	4,890,241	6,728,526	10,048,400	5,465,904
Capital grants and contributions	7,774,104	9,839,745	11,770,753	13,351,570	16,461,173	11,262,222
Total governmental activities program revenue						
<b>Business-type activities</b>						
Charges for services:	4,218,653	3,926,626	3,585,661	3,815,195	2,810,730	3,098,124
Water	2,706,583	2,029,447	1,866,703	1,732,737	1,515,084	1,508,987
Sewer	734,367	1,629,536	1,477,041	3,181,334	13,431,131	3,292,803
Capital grants and contributions	7,659,603	7,585,609	6,929,405	8,729,266	17,756,945	7,899,914
Total business-type activities program revenue	<u>\$ 15,433,707</u>	<u>\$ 17,425,354</u>	<u>\$ 18,700,158</u>	<u>\$ 22,080,836</u>	<u>\$ 34,218,118</u>	<u>\$ 19,162,136</u>

continued

**CITY OF FRANKLIN**  
Changes in Net Assets, Last Six Years  
(accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ (23,593,267)	\$ (25,811,185)	\$ (15,312,398)	\$ (12,386,867)	\$ (8,092,765)	\$ (12,140,943)
Business-type activities	661,502	1,324,993	982,828	3,072,790	13,040,709	3,338,869
Total net expense	\$ (22,931,765)	\$ (24,486,192)	\$ (14,329,570)	\$ (9,314,077)	\$ 4,947,944	\$ (8,802,074)
<b>General Revenue and other Changes in Net Assets</b>						
<b>Governmental activities:</b>						
Property taxes levied for general purposes	\$ 17,534,150	\$ 16,404,257	\$ 15,350,390	\$ 14,576,053	\$ 13,397,596	\$ 12,873,459
Property taxes levied for debt service	2,000,000	2,110,000	2,210,000	2,310,000	2,410,211	2,610,624
Property taxes levied for TIF Districts	4,685,811	3,127,116	2,860,368	2,919,738	2,729,979	2,631,082
Other taxes	472,575	429,674	419,168	381,116	376,038	352,280
Intergovernmental revenue not restricted to specific programs	1,320,286	1,461,840	1,334,594	1,271,794	1,335,925	1,593,937
Investment earnings	1,862,688	2,547,179	2,531,912	1,111,774	516,683	573,903
Miscellaneous revenue	14,451	452,613	77,294	119,276	164,526	233,884
Transfers	424,212	(560,258)	(1,970,735)	(934,281)	(1,633,645)	(1,583,871)
Total governmental activities	28,314,173	25,972,421	22,812,991	21,755,470	19,297,313	19,285,298
<b>Business-type activities:</b>						
Investment earnings	67,617	113,197	112,453	44,096	18,455	18,399
Miscellaneous revenue	267,819	41,436	46,840	51,510	65,558	53,774
Transfers	(424,212)	560,258	1,970,735	934,281	1,633,645	1,583,871
Total business-type activities	(88,776)	714,891	2,130,028	1,029,887	1,717,658	1,656,044
<b>Total</b>	\$ 28,225,397	\$ 26,687,312	\$ 24,943,019	\$ 22,785,357	\$ 21,014,971	\$ 20,941,342
<b>Change in Net Assets</b>						
Governmental activities	\$ 4,720,906	\$ 161,236	\$ 7,500,593	\$ 9,368,603	\$ 11,204,548	\$ 7,144,355
Business-type activities:	572,726	2,039,884	3,112,856	4,102,677	14,758,367	4,994,913
Total	\$ 5,293,632	\$ 2,201,120	\$ 10,613,449	\$ 13,471,280	\$ 25,962,915	\$ 12,139,268

**CITY OF FRANKLIN**

Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>General Fund</b>										
Reserved for:										
Inventories and prepaid items	\$ 25,109	\$ 24,990	\$ 31,870	\$ 38,391	\$ 28,928	\$ 13,691	\$ 20,876	\$ 12,355	\$ 18,950	\$ 13,479
Encumbrances	-	21,000	10,000	19,000	103,000	-	90,000	102,000	53,000	119,500
Advances to other funds	-	1,000,000	700,000	-	-	-	1,200,000	-	-	-
Unreserved	5,519,932	4,889,492	6,279,964	6,411,669	6,150,910	6,092,549	4,236,941	4,624,529	4,882,489	3,767,517
<b>Total general fund</b>	<b>5,545,041</b>	<b>5,935,482</b>	<b>7,021,834</b>	<b>6,469,060</b>	<b>6,282,838</b>	<b>6,106,240</b>	<b>5,547,817</b>	<b>4,738,884</b>	<b>4,954,439</b>	<b>3,900,496</b>
<b>All other government funds</b>										
Reserved for:										
Encumbrances and prepaids	1,236,000	431,000	687,100	211,032	16,000	22,000	120,000	1,608,000	3,346,743	1,909,181
Advances to other funds	6,300,000	14,100,000	6,928,769	6,717,987	-	-	-	-	-	-
Contractual obligations	1,452,000	1,265,000	1,849,000	623,142	208,274	101,096	1,380,000	1,513,971	4,669,590	293,171
Debt service	12,091,660	12,240,785	3,466,738	2,001,554	126,566	1,572,038	2,177,942	1,397,696	1,445,005	1,622,485
Library services	414,428	357,875	259,824	-	-	-	-	-	-	-
Emergency medical services	9,568	12,354	11,452	16,624	11,261	14,334	11,035	10,329	5,107	13,691
Utility improvements	12,640	380,961	478,801	1,129,596	765,805	1,521,678	2,379,691	2,425,482	2,552,082	2,455,853
Development	3,083,708	-	3,484,891	2,853,329	2,743,066	977,495	706,055	346,290	1,021,678	1,504,150
Donations & grants	276,546	250,844	231,879	167,834	136,283	96,561	-	-	-	-
Unreserved, reported in:										
Special revenue funds	132,206	1,206,529	294,820	218,770	184,079	122,892	217,953	1,510,705	1,762,883	1,703,954
Capital projects funds	(4,754,586)	(14,569,830)	(979,643)	5,158,222	3,680,288	4,535,777	1,580,555	3,381,858	743,576	1,173,283
<b>Total all other government funds</b>	<b>20,254,170</b>	<b>15,675,518</b>	<b>16,713,631</b>	<b>19,098,090</b>	<b>7,871,622</b>	<b>8,963,871</b>	<b>8,573,231</b>	<b>12,194,331</b>	<b>15,546,664</b>	<b>10,675,768</b>
<b>Total fund balances</b>	<b>\$ 25,799,211</b>	<b>\$ 21,611,000</b>	<b>\$ 23,735,465</b>	<b>\$ 25,567,150</b>	<b>\$ 14,154,460</b>	<b>\$ 15,070,111</b>	<b>\$ 14,121,048</b>	<b>\$ 16,933,215</b>	<b>\$ 20,501,103</b>	<b>\$ 14,576,264</b>

\* Prior to 2002 the Sanitary Service Fund was accounted for as a Special Revenue Fund. In 2002 it was restated and reported as an Enterprise

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Revenue</b>										
Taxes	\$ 24,692,536	\$ 22,071,047	\$ 20,839,926	\$ 20,186,907	\$ 16,183,845	\$ 15,836,363	\$ 15,363,328	\$ 14,063,238	\$ 12,347,118	\$ 10,995,928
Intergovernmental revenue	3,536,635	4,269,969	3,088,814	2,917,513	3,065,509	3,067,155	3,051,785	2,430,911	2,477,565	2,625,717
Licenses and permits	723,225	978,942	1,386,588	1,486,966	1,258,457	1,030,984	1,254,563	1,029,645	993,387	1,093,408
Fines, forfeitures and penalties	362,928	392,451	332,090	361,656	397,169	362,638	414,878	440,039	419,194	518,050
Public charges for services	1,908,473	1,998,696	2,160,144	2,087,870	2,063,994	1,883,878	1,642,046	2,980,283	2,896,031	2,247,268
Special assessments	1,114,498	1,581,962	3,688,746	3,620,814	3,787,927	3,213,453	2,230,968	2,068,979	1,714,101	1,717,424
Intergovernmental charges for services	206,156	426,387	574,835	591,834	575,009	628,953	607,395	592,155	574,219	563,627
Investment earnings	1,797,738	2,513,703	2,504,185	1,127,163	495,190	604,777	1,472,269	2,492,397	2,692,823	1,631,358
Miscellaneous revenue	723,724	934,141	752,207	806,105	447,992	531,152	5,094	237,862	230,000	151,200
<b>Total revenue</b>	<b>35,065,913</b>	<b>35,167,298</b>	<b>35,327,535</b>	<b>33,186,828</b>	<b>28,275,082</b>	<b>27,159,353</b>	<b>26,042,326</b>	<b>26,335,509</b>	<b>24,344,438</b>	<b>21,453,980</b>
<b>Expenditures</b>										
Current										
General government	2,825,835	2,609,731	2,487,071	2,314,862	2,262,025	2,293,969	2,069,034	2,442,096	2,394,779	2,152,603
Public safety	15,236,640	13,856,032	13,239,602	12,677,768	12,109,107	11,250,298	10,589,766	9,739,870	8,552,675	7,746,359
Public works	4,632,957	4,110,460	4,039,438	3,746,773	3,580,392	3,395,468	3,134,753	4,654,552	4,118,938	3,723,049
Health and human services	666,364	631,887	572,918	499,496	531,422	558,538	496,220	463,430	410,470	404,047
Culture, recreation and education	1,490,936	1,436,987	1,568,591	1,270,440	1,135,822	1,075,349	1,081,661	938,043	747,812	686,083
Conservation and development	729,274	6,587,035	628,634	654,928	378,216	434,087	382,853	519,149	408,818	367,056
Capital outlay	7,627,455	10,931,589	8,882,837	3,735,408	2,248,893	1,497,147	5,834,266	16,697,369	8,490,538	7,525,477
Debt service	6,000,000	5,170,000	4,050,000	4,215,000	4,000,000	2,660,000	2,050,000	2,800,000	2,210,000	2,005,000
Principal	2,543,194	2,584,080	2,838,291	2,123,340	1,311,211	1,461,563	1,519,296	1,648,888	1,085,569	727,271
Interest	65,650	130,602	35,700	46,250	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>41,818,305</b>	<b>48,048,403</b>	<b>38,343,082</b>	<b>31,284,265</b>	<b>27,557,088</b>	<b>24,626,419</b>	<b>27,157,849</b>	<b>39,903,397</b>	<b>28,419,599</b>	<b>25,335,945</b>
<b>Excess of revenue over (under) expenditures</b>	<b>(6,752,392)</b>	<b>(12,881,105)</b>	<b>(3,015,547)</b>	<b>1,902,563</b>	<b>717,994</b>	<b>2,532,934</b>	<b>(1,115,523)</b>	<b>(13,567,888)</b>	<b>(4,075,161)</b>	<b>(3,881,965)</b>
<b>Other financing sources (uses)</b>										
Debt issued	10,000,000	10,000,000	10,000,000	10,000,000	-	-	-	20,000,000	10,000,000	7,850,000
Refunding debt issued	-	9,925,000	-	-	-	-	-	-	-	-
Premium on debt issued	83,583	34,970	176,524	204,561	-	-	-	-	-	-
Payment to refunding escrow agent	-	(10,040,675)	-	-	-	-	-	-	-	-
Principal payment on current refunding	5,786,181	6,237,805	3,957,696	3,486,467	3,273,639	7,213,563	1,389,971	4,588,401	3,364,154	1,376,635
Transfers in	(4,929,161)	(5,400,460)	(3,180,358)	(4,420,748)	(4,907,284)	(8,797,434)	(1,389,971)	(4,588,401)	(3,364,154)	(1,376,635)
Transfers out	-	-	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 4,188,211</b>	<b>\$ (2,124,465)</b>	<b>\$ (1,831,685)</b>	<b>\$ 11,172,843</b>	<b>\$ (915,651)</b>	<b>\$ 949,063</b>	<b>\$ (1,115,523)</b>	<b>\$ (3,567,888)</b>	<b>\$ 5,924,839</b>	<b>\$ 3,968,035</b>
Debt service as a percentage of non capital expenditures*	24.0%	19.7%	21.0%	22.6%	20.5%	17.8%	16.7%	19.2%	16.5%	15.3%

\* Prior to 2004 this percentage is calculated by deducting total capital outlay instead of capital asset additions as the information is not readily available.

**CITY OF FRANKLIN**

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Years

Value As of 1/1	Real property		Personal property		Total Assessed value	Total Direct Tax Rate	Total Estimated actual value	Ratio of Assessed to Estimated value
	Assessed value	Estimated actual value	Assessed value	Estimated actual value				
2008	\$ 3,621,224,940	\$ 3,821,063,800	\$ 75,804,600	\$ 77,323,500	\$ 3,697,029,540	\$ 5.78	\$ 3,898,387,300	94.83%
2007	3,510,260,140	3,614,744,300	71,027,000	74,310,100	3,581,287,140	5.78	3,689,054,400	97.08%
2006 *	3,384,763,640	3,406,252,800	75,577,300	75,506,900	3,460,340,940	5.58	3,481,759,700	99.38%
2005	2,617,341,900	2,955,304,500	64,650,760	75,511,400	2,681,992,660	6.83	3,030,815,900	88.49%
2004	2,490,166,000	2,631,564,000	50,652,170	50,381,500	2,540,818,170	6.95	2,681,945,500	94.74%
2003 *	2,372,417,000	2,341,523,800	55,465,640	59,241,700	2,427,882,640	6.80	2,400,765,500	101.13%
2002	1,941,915,300	2,163,203,000	53,763,740	59,807,500	1,995,679,040	8.17	2,223,010,500	89.77%
2001	1,879,099,900	1,972,111,000	51,974,570	54,560,300	1,931,074,470	8.06	2,026,671,300	95.28%
2000 *	1,799,970,800	1,820,406,200	50,301,130	51,132,100	1,850,271,930	7.61	1,871,538,300	98.86%
1999	1,567,625,300	1,665,355,900	46,380,610	48,548,400	1,614,005,910	7.59	1,713,904,300	94.17%

\* Reassessment year

**Assessed Valuation by School District - 2008**

	Franklin School District		Oak Creek/Whitnall School District		Total
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	
Within sewerage district	\$ 2,673,587,753	\$ 653,941,397	\$ 239,502,490	-	\$ 3,567,031,640
Outside sewerage district	105,161,400	24,836,500	-	-	129,997,900
<b>Total</b>	<b>\$ 2,778,749,153</b>	<b>\$ 678,777,897</b>	<b>\$ 239,502,490</b>	<b>\$ -</b>	<b>\$ 3,697,029,540</b>

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

CITY OF FRANKLIN

Estimated Actual Property Value and Construction Data  
Last Ten Years

Fiscal year	(1)				(2)			(2)	
	Estimate Actual Property value				# of Units	Residential Construction Value	# of Permits	Nonresidential Construction Value	
	Residential	Commercial and Manufacturing	Agricultural, Swamp and Other	Total					
2008	\$ 2,862,287,800	\$ 939,436,600	\$ 19,339,400	\$ 3,821,063,800	52	\$ 11,030,933	61	\$ 28,323,674	
2007	2,751,324,400	844,563,800	18,856,100	3,614,744,300	99	20,017,954	49	39,920,210	
2006	2,611,111,600	769,933,200	25,208,000	3,406,252,800	308	55,690,187	91	116,376,447	
2005	2,236,076,000	696,096,000	23,132,500	2,955,304,500	458	86,085,165	49	49,075,431	
2004	2,012,614,000	594,978,200	23,971,800	2,631,564,000	503	74,586,030	55	14,352,822	
2003	1,787,275,700	530,582,600	23,665,500	2,341,523,800	349	48,274,386	16	47,915,016	
2002	1,670,088,100	468,985,700	24,129,200	2,163,203,000	333	46,788,277	41	99,018,727	
2001	1,512,872,800	436,680,100	22,558,100	1,972,111,000	362	48,697,266	49	18,557,129	
2000	1,371,755,900	428,038,100	20,612,200	1,820,406,200	391	45,645,198	67	15,310,444	
1999	1,285,963,000	355,905,700	23,487,200	1,665,355,900	455	54,801,996	82	24,059,762	

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

(2) Source: City's Building Inspection Department.

**CITY OF FRANKLIN**

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

Budget year	City of Franklin Direct Rates										Overlapping Rates					Total Rate (**)
	Debt Service					Capital Equipment					Milwaukee Area					
	General	Library	Debt Service	Outlay	Revolving	Street Improvement	Total	Franklin	Oak Creek	Whitnall	School Credits	Technical College	Milwaukee County	Metropolitan Sewerage District	State	
2009	\$ 4.46	\$ 0.33	\$ 0.55	\$ 0.13	\$ 0.08	\$ 0.23	\$ 5.78	\$ 10.96	\$ 7.80	\$ 9.65	\$ (1.68)	\$ 1.93	\$ 4.17	\$ 1.36	\$ 0.18	\$ 22.70
2008	4.33	0.34	0.59	0.14	0.10	0.28	5.78	10.98	7.85	9.40	(1.52)	1.83	4.01	1.32	0.18	22.58
2007 *	4.10	0.34	0.64	0.13	0.09	0.28	5.58	10.05	6.95	9.15	(1.38)	1.78	3.95	1.31	0.17	21.46
2006	5.00	0.42	0.86	0.10	0.15	0.30	6.83	12.01	8.90	10.32	(1.40)	2.13	4.81	1.60	0.21	26.19
2005	5.06	0.40	0.95	0.14	0.10	0.30	6.95	12.61	7.93	11.30	(1.50)	2.05	4.81	1.62	0.21	26.75
2004 *	4.88	0.38	1.04	0.09	0.11	0.30	6.80	12.74	8.42	10.80	(1.55)	1.95	4.72	1.57	0.20	26.43
2003	5.67	0.45	1.37	0.20	0.14	0.34	8.17	13.86	10.19	12.71	(1.92)	2.24	5.67	1.89	0.22	30.13
2002	5.32	0.43	1.52	0.26	0.25	0.28	8.06	14.50	9.95	12.52	(1.99)	2.13	5.65	1.78	0.21	30.34
2001 *	5.80	-	1.25	-	0.36	0.20	7.61	13.89	8.98	13.22	(2.10)	2.05	5.60	1.72	0.20	28.97
2000	5.87	-	1.14	-	0.37	0.21	7.59	16.19	9.13	13.48	(2.39)	2.17	5.83	1.81	0.21	31.41

Note: \* Reassessment impact

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

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

Source: City of Franklin budget documents

Table 8

CITY OF FRANKLIN

Principal Property Tax Payers  
Current year and Nine Years Ago

Taxpayer	Type of Business	2008			1999		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Northwestern Mutual	Insurance Services	\$ 118,015,100	1	3.19%	\$ -	-	-
Covenant Health Care System	Medical facilities	34,999,300	2	0.95%	7,017,500	10	0.43%
VTLC Development	Packaging manufacturing	20,522,200	3	0.56%	-	-	-
Whitnall Pointe Apartments	Apartments	20,334,300	4	0.55%	16,483,450	1	1.02%
Manchester Oaks	Apartments	19,345,600	5	0.52%	15,450,550	3	0.96%
Wal-Mart	Retailer	18,970,100	6	0.51%	13,486,120	4	0.84%
Menard Inc	Retail - Home Improvement	15,066,800	7	0.41%	-	-	-
All Glass Aquarium	Aquariums and fluorescent lights	14,453,500	8	0.39%	9,781,900	6	0.61%
Harley Davidson	Motorcycle manufacturing	14,469,300	9	0.39%	15,624,400	2	0.97%
Waste Management	Landfill and refuse collection	13,086,400	10	0.35%	11,649,380	5	0.72%
Krones Inc	High speed labeling and filler machines	-	-	-	9,539,000	7	0.59%
Home Depot	Retail - Home Improvement	-	-	-	9,164,000	8	0.57%
Mission Hills Apts	Apartments	-	-	-	8,937,490	9	0.55%
		<u>\$ 289,262,600</u>		<u>7.82%</u>	<u>\$ 117,133,790</u>		<u>7.26%</u>

Source: City of Franklin Assessor's Office

**CITY OF FRANKLIN**  
Property Tax Levies and Collections  
Last Ten Years

Fiscal year	City Tax levy			Total collections	% of levy collected	Outstanding combined delinquent PP taxes
	Tax increment financing	Local	Total			
2008	\$ 4,685,811	\$ 19,555,000	\$ 24,240,811	\$ 24,219,148	99.91%	\$ 45,243
2007	3,127,116	18,501,000	21,628,116	21,641,373	100.06%	27,424
2006	2,860,368	17,566,000	20,426,368	20,420,758	99.97%	42,150
2005	2,925,386	16,899,300	19,824,686	19,811,739	99.93%	52,998
2004	2,729,979	15,813,611	18,543,590	18,537,786	99.97%	65,425
2003	2,631,082	15,606,851	18,237,933	18,115,165	99.33%	57,488
2002	2,686,561	14,861,543	17,548,104	17,483,984	99.63%	83,606
2001	2,220,643	13,487,899	15,708,542	15,717,957	100.06%	51,020
2000	1,886,513	11,780,580	13,667,093	13,668,358	100.01%	32,365
1999	1,434,790	10,369,960	11,804,750	11,781,618	99.80%	42,827

Source: City of Franklin

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

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

CITY OF FRANKLIN

Ratios of Net General Bonded Debt Outstanding  
Last Ten Years

Fiscal year	General Bonded Debt				Total General Bonded Debt	Less Debt Service Fund Balances	Less Amounts due from Tax Incremental Financing Districts	Less Amounts due from Future Development	Net General Bonded Debt	(1)	
	Governmental		Business-type							Estimated Actual Property Value	Percent of Personal Income
	General Obligations Bonds	Lease Revenue Bonds	Water General Obligations Notes	Other Business-type Obligations Notes							
2008	\$ 10,030,000	\$ 46,050,000	\$ -	\$ -	\$ 56,080,000	\$ (8,339,240)	\$ (35,100,000)	\$ (4,775,000)	\$ 7,865,760	0.21%	N/A
2007	10,180,000	39,525,000	2,375,000	-	52,080,000	(12,240,785)	(30,875,000)	(4,294,700)	4,669,515	0.13%	0.42%
2006	9,775,000	31,825,000	5,195,000	-	46,795,000	(10,395,507)	(23,695,000)	(4,497,000)	8,207,493	0.24%	0.75%
2005	9,825,000	23,075,000	17,715,000	-	50,615,000	(8,719,542)	(24,715,000)	(4,754,000)	12,426,458	0.42%	1.31%
2004	10,725,000	14,075,000	20,030,000	-	44,830,000	(126,566)	(20,030,000)	(4,943,000)	19,730,434	0.75%	2.21%
2003	11,075,000	17,725,000	22,270,000	-	51,070,000	(1,572,038)	(22,270,000)	(5,028,767)	22,199,195	0.95%	2.58%
2002	11,425,000	20,035,000	23,570,000	940,000	55,970,000	(2,177,942)	(23,570,000)	(5,132,500)	25,089,558	1.16%	3.00%
2001	11,750,000	21,760,000	24,655,000	990,000	59,155,000	(1,397,696)	(24,655,000)	-	33,102,304	1.68%	4.15%
2000	2,050,000	24,260,000	25,270,000	1,040,000	52,620,000	(1,445,005)	(25,270,000)	-	25,904,995	1.42%	3.06%
1999	2,350,000	16,170,000	25,645,000	1,085,000	45,250,000	(1,622,485)	(25,645,000)	-	17,982,515	1.08%	2.45%

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

(2) Population and personal income can be found in Table 13

Notes: In 2008 the City issued \$10,000,000. Proceeds were used to provide funding for TIF Districts

In 2007 the City issued \$19,925,000. Proceeds of \$9.925M were used to refinance existing general obligation bonds and \$10M were used for TIF Districts

In 2006 the City issued \$10,000,000. Proceeds were used to refinance existing lease revenue bonds

In 2005 the City issued \$10,000,000. Proceeds were used to provide funding for two new TIF Districts and public works projects

In 2002 the City established an impact fee ordinance that allows for new development to pay for a portion of the police station, fire station and library

In 2001 the City issued \$10,000,000. Proceeds were used for building a new library, fire station and public works projects

In 2000 the City issued \$10,000,000. Proceeds were used for building a new police station

In 1999 the City issued \$7,850,000. Proceeds were used for public works projects

**CITY OF FRANKLIN**  
**SCHEDULE OF DIRECT AND OVERLAPPING DEBT**  
 December 31, 2008

Jurisdiction	Net general obligation bonded debt outstanding		Percentage applicable to City		Amount applicable to City		City of Franklin	Total
	Milwaukee County	Franklin	Whitnall	Oak Creek/Franklin	MATC	MMSD		
Milwaukee County	\$ 440,914,973		5.6280%		\$ 24,814,695		\$ 56,080,000	\$ 156,799,139
Whitnall School District	3,325,000		14.9808%		498,112			
Oak Creek - Franklin School District	64,075,000		13.7734%		8,825,309			
Franklin School District	13,335,000		100.0000%		13,335,000			
Milwaukee Area Technical College	63,475,000		4.6173%		2,930,822			
Milwaukee Metropolitan Sewerage District	906,720,697		5.5491%		50,315,201			
<b>Total Overlapping Debt</b>	<b>1,491,845,670</b>				<b>100,719,139</b>			
City of Franklin		<b>56,080,000</b>		<b>100.0000%</b>		<b>56,080,000</b>		
<b>Total</b>	<b>\$ 1,547,925,670</b>				<b>\$ 156,799,139</b>			
History	Milwaukee County		School Districts		Overlapping Debt Total		City of Franklin	Total
	Franklin	Whitnall	Oak Creek/Franklin	MATC	MMSD			
2008	\$ 24,814,695	\$ 13,335,000	\$ 498,112	\$ 8,825,309	\$ 2,930,822	\$ 50,315,201	\$ 56,080,000	\$ 156,799,139
2007	24,417,746	16,615,000	584,345	9,317,100	2,693,188	40,872,492	49,705,000	144,204,871
2006	25,056,911	19,545,000	997,479	5,652,024	2,894,865	39,475,550	41,600,000	135,221,829
2005	24,889,812	22,100,000	1,190,187	5,572,164	3,253,837	37,814,976	32,900,000	127,720,976
2004	24,242,972	24,505,000	984,609	4,397,036	3,067,016	34,910,053	24,800,000	116,906,686
2003	23,590,876	26,800,000	1,085,129	3,890,811	3,105,710	32,092,924	28,800,000	119,365,450
2002	24,017,363	28,970,000	1,217,714	4,182,879	3,138,871	26,420,585	32,400,000	120,347,412
2001	23,253,427	31,050,000	1,291,253	4,270,581	3,180,458	24,232,203	34,500,000	121,777,922
2000	23,732,320	32,330,000	1,538,775	1,369,729	3,118,897	19,375,672	27,350,000	108,815,393
1999	21,314,924	34,201,668	1,587,855	1,596,901	3,141,971	18,397,065	19,605,000	99,845,384

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

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

**CITY OF FRANKLIN**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**Last Ten Years**

Fiscal year	(1) Equalized Valuation	5% of Equalized Value	Total Debt Applicable to Limit	Legal Debt Margin	Percent Used
2008	\$ 3,898,387,300	\$ 194,919,365	\$ 56,080,000	\$ 138,839,365	28.77%
2007	3,689,054,400	184,452,720	49,705,000	134,747,720	26.95%
2006	3,481,759,700	174,087,985	41,600,000	132,487,985	23.90%
2005	3,030,815,900	151,540,795	32,900,000	118,640,795	21.71%
2004	2,681,945,500	134,097,275	24,800,000	109,297,275	18.49%
2003	2,400,765,500	120,038,275	28,800,000	91,238,275	23.99%
2002	2,223,010,500	111,150,525	32,400,000	78,750,525	29.15%
2001	2,026,671,300	101,333,565	34,500,000	66,833,565	34.05%
2000	1,871,538,300	93,576,915	27,350,000	66,226,915	29.23%
1999	1,713,904,300	85,695,215	19,605,000	66,090,215	22.88%

(1) From Table 5

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

**CITY OF FRANKLIN**

Demographic and Economic Statistics  
Last Ten Years

Fiscal year	(1) Population	(2)		(3)			
		Personal Income	Per capita adjusted gross income	Unemployment rates			
		City of Franklin	Milwaukee County	State of Wisconsin	City of Franklin	Milwaukee County	State of Wisconsin
2008	33,550	N/A	N/A	N/A	4.4%	6.5%	5.8%
2007	33,380	\$ 1,117,587,480	\$ 21,603	\$ 24,374	3.7%	5.4%	4.6%
2006	33,000	1,091,761,153	20,782	23,845	3.1%	5.3%	4.5%
2005	32,548	951,934,636	29,247	22,214	3.4%	5.2%	4.5%
2004	31,804	893,501,576	28,094	21,055	3.5%	5.2%	4.3%
2003	31,467	859,395,237	27,311	20,606	4.6%	5.9%	4.9%
2002	30,749	836,126,808	27,192	19,809	4.9%	6.5%	5.3%
2001	30,199	796,951,610	26,390	20,091	3.5%	5.6%	4.6%
2000	29,494	846,536,788	28,702	20,503	2.6%	4.7%	3.5%
1999	27,780	733,225,320	26,394	19,657	2.2%	3.8%	3.0%

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

Table 14

**CITY OF FRANKLIN**

Principal Employers  
Current year and Nine Years Ago

Taxpayer	Type of Business	2008			1999		
		Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Northwestern Mutual	Insurance/Investment Services	1,100	1	6.13%	-	-	-
Franklin Public Schools	K-12 Education	580	2	3.23%	524	3	3.45%
Milwaukee County	Government	465	3	2.59%	500	4	3.29%
House of Correction	Off-road engine components	400	4	2.23%	550	2	3.62%
General Automotive Mfg LLC	High speed labeling machines	390	5	2.17%	830	1	5.46%
Krones, Incorporated	and high speed filler						
Waste Management	Landfill and refuse collection	340	6	1.89%	-	-	-
Conway Transport	General Freight Trucking	300	7	1.67%	-	-	-
City of Franklin	Government	256	8	1.43%	225	8	1.48%
Wal-Mart	Retailer	250	9	1.39%	392	5	2.58%
Harley Davidson	Distribution Center	200	10	1.11%	-	-	-
All Glass Aquarium	Aquariums and fluorescent lights	-	-	-	350	6	2.30%
Electronic Cable Specialists	Wire harnesses	-	-	-	250	7	1.65%
Vesta Inc	Silicone rubber molded products	-	-	-	200	9	1.32%
General Thermodynamics	Heat Exchangers	-	-	-	150	10	0.99%
		4,281		23.84%	3,971		26.14%

Source: Past Debt offering Official Statements and employer surveys

# CITY OF FRANKLIN

## Full-time Equivalent City Government Employees by Function Last Ten Years

Department	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>General Government</b>											
Common Council	0.00	0.48	0.48	0.48					0.20	0.20	0.20
Municipal Buildings	2.00	2.00	2.00	2.00	0.50	0.45	0.45	0.45	0.20	0.20	0.20
Clerk <sup>1</sup>	4.00	3.53	3.53	3.50	3.50	3.50	3.50	3.50	3.50	3.50	5.50
Information Services	-	-	-	-	-	-	-	-	1.00	2.00	1.00
Administration <sup>1</sup>	3.60	3.80	3.80	3.80	3.75	3.25	3.00	3.00	3.00	3.00	-
Finance	7.10	7.10	7.30	7.30	7.45	7.45	7.18	7.38	7.38	7.33	6.76
Assessor	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
Municipal Buildings	4.74	4.83	4.83	4.90	4.68	4.68	5.06	4.56	4.06	3.06	2.58
<b>Total General Government</b>	<b>22.44</b>	<b>22.74</b>	<b>22.94</b>	<b>22.98</b>	<b>20.88</b>	<b>21.33</b>	<b>21.19</b>	<b>20.89</b>	<b>21.14</b>	<b>21.09</b>	<b>18.04</b>
<b>Public Safety</b>											
Police	77.25	77.25	77.25	77.25	78.75	78.75	78.75	78.75	76.75	76.50	71.50
Fire	46.45	46.45	45.45	44.00	44.00	44.00	44.00	44.50	44.00	38.00	34.50
Paid on Call Fire	-	-	-	-	-	-	-	6.00	6.00	21.00	35.00
Building Inspection	8.00	10.00	10.00	10.00	12.00	11.00	12.00	11.00	11.00	11.00	10.38
<b>Total Public Safety</b>	<b>131.70</b>	<b>133.70</b>	<b>132.70</b>	<b>131.25</b>	<b>134.75</b>	<b>133.75</b>	<b>134.75</b>	<b>140.25</b>	<b>137.75</b>	<b>146.50</b>	<b>151.38</b>
<b>Public Works</b>											
Engineering	8.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	8.70	8.70
Highway	22.00	22.00	22.00	22.00	22.00	21.00	22.00	21.00	19.75	19.75	18.75
Parks	2.00	2.27	1.79	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
<b>Total Public Works</b>	<b>32.80</b>	<b>34.07</b>	<b>33.59</b>	<b>33.05</b>	<b>33.05</b>	<b>32.05</b>	<b>33.05</b>	<b>32.05</b>	<b>30.80</b>	<b>29.70</b>	<b>28.70</b>
Public Health	6.15	6.50	6.63	6.50	6.50	6.35	6.35	6.35	6.16	6.16	6.10
City Development	5.60	7.60	7.60	6.60	6.60	5.21	6.49	5.84	5.09	5.15	3.90
<b>Total General Fund</b>	<b>198.69</b>	<b>204.61</b>	<b>203.46</b>	<b>200.38</b>	<b>201.78</b>	<b>198.69</b>	<b>201.83</b>	<b>205.38</b>	<b>200.94</b>	<b>208.60</b>	<b>208.12</b>
Public Health - Grant	-	-	-	-	0.25	0.60	0.60	0.60	0.60	-	-
Library	17.11	17.20	17.22	16.92	16.10	15.59	15.04	15.29	12.81	11.77	10.15
Sewer & Water	12.55	12.85	12.85	12.85	11.10	10.80	9.80	10.75	9.75	9.75	8.75
<b>Total (including paid on call)</b>	<b>228.35</b>	<b>234.66</b>	<b>233.53</b>	<b>230.15</b>	<b>229.23</b>	<b>225.68</b>	<b>227.27</b>	<b>232.02</b>	<b>224.10</b>	<b>230.12</b>	<b>227.02</b>
<b>Total FTE's</b>	<b>228.35</b>	<b>234.66</b>	<b>233.53</b>	<b>230.15</b>	<b>229.23</b>	<b>225.68</b>	<b>227.27</b>	<b>226.02</b>	<b>218.10</b>	<b>209.12</b>	<b>192.02</b>

<sup>1</sup> Prior to 2000 the Clerk Department and included the Administration and Human Resource position  
<sup>2</sup> Prior to 2001 the Library was part of the General Fund

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Police</b>										
Part 1 Major Crimes	1,100	1,066	764	775	765	822	681	754	743	743
Arrests	1,536	1,492	2,021	1,954	1,754	1,682	1,817	2,282	2,114	1,772
Traffic Citations	7,100	7,001	5,191	5,945	6,740	5,403	6,460	6,882	7,181	5,191
Parking Citations	1,148	1,448	1,539	2,076	1,892	1,732	1,899	1,919	1,787	1,492
Call for service	29,000	28,169	-	-	-	-	-	-	-	-
Call to Dispatch	-	-	81,500	77,146	81,790	87,053	82,488	83,268	79,654	73,486
Number of sworn officers	59	59	59	59	59	59	59	59	55	55
<b>Fire</b>										
Fire Responses	575	573	588	514	557	531	463	510	559	551
EMS Responses	2,868	2,767	2,526	2,451	2,225	2,114	2,235	2,163	1,896	1,653
Fire Inspections	2,460	2,364	2,267	2,056	1,800	1,770	1,610	1,593	1,376	1,436
Number of full-time firefighters	46	46	45	43	43	43	43	43	37	33
Number of paid on call firefighters	-	-	-	-	-	-	6	6	21	35
<b>Highway</b>										
Miles of crack sealing	34	31	21	19	17	21	15	19	12	11
Tress pruned	600	558	1,640	823	988	1,101	1,000	1,058	852	299
Vehicles maintained	162	159	150	150	150	149	147	145	140	130
<b>Solid Waste</b>										
Non-recyclable refuse collected (tons)	8,450	8,381	8,368	8,296	8,372	5,722	6,669	6,992	7,008	7,013
Recyclables collected (tons)	2,950	3,008	3,108	3,132	3,097	2,617	2,810	2,451	2,502	2,307
Yard Waste (tons)	200	205	208	193	246	277	282	84	250	175
<b>Health</b>										
Home Visits	1,500	1,401	1,602	1,440	946	660	605	690	817	913
Immunization Clinic visits	3,200	3,015	3,004	3,140	2,550	3,088	2,877	2,376	2,678	2,886
Sanitarian Inspections	200	196	393	420	454	483	420	430	446	408
<b>Animal Control</b>										
Animal Control Pickups	186	223	194	208	214	175	193	190	170	174
<b>Library</b>										
Circulation	475,000	471,442	465,468	452,382	434,568	400,986	350,000	269,549	231,220	200,657
Collection size	125,780	127,000	120,724	117,804	110,376	65,000	60,000	56,000	54,038	52,023
Internet use	55,000	54,000	51,187	46,364	39,059	35,050	21,145	8,133	7,067	4,318
<b>Sanitary Sewer</b>										
Number of Customers	9,800	9,779	9,567	9,216	8,769	8,580	8,380	8,075	7,794	7,561
Feet of sewer cleaned	250,000	92,010	119,200	317,042	222,461	247,681	217,000	230,000	314,500	224,120
<b>Water</b>										
Number of Customers -average	7,600	7,561	7,288	6,930	5,311	4,695	4,670	4,572	4,460	3,931
Average daily consumption	2,600,000	2,521,000	2,269,000	2,519,000	1,929,000	1,864,000	1,875,000	1,815,000	1,618,000	1,602,000
Peak daily Consumption	5,681,000	6,097,420	5,023,029	5,737,376	4,612,000	5,270,000	5,063,000	5,159,000	2,589,000	3,422,000

CITY OF FRANKLIN

Capital Asset Statistics by Function/Program  
Last Ten Years

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Area in square miles	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Area in acres:										
Total acres	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180
Taxable acres (approximate)	15,550	15,634	15,642	17,700	17,700	17,700	17,700	17,300	17,300	17,300
Acres developed (approximate)	11,233	10,878	10,210	6,200	6,200	6,200	6,200	6,200	6,200	6,200
Acres in park and open space	3,873	3,851	3,684	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Miles of road:										
State	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85
County	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.14	23.14
Local	166.51	165.31	164.74	162.78	159.85	155.68	152.55	150.89	149.29	147.48
Fire protection and ambulance service:										
Number of manned fire stations	3	3	3	3	3	3	3	3	2	2
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of sub stations	1	1	1	1	1	1	1	1	1	1
Sewer and water service:										
Miles of sanitary sewer	182	181	180	176	163	154	147	144	144	143
Miles of watermain	164	163	157	154	124	98	95	89	89	82
Number of fire hydrants	2,060	2,058	1,956	1,890	1,726	1,362	1,295	1,242	1,186	1,084
Recreation and culture:										
Number of trails	4	4	3	3	2	2	2	2	2	2
Number of city parks	12	12	11	11	11	11	11	11	11	10
Number of county parks	8	8	8	8	8	8	8	8	8	8
Number of libraries	1	1	1	1	1	1	1	1	1	1
Municipal Buildings (square footage):										
City Hall	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206
Law Enforcement building	68,300	68,300	68,300	68,300	68,300	68,300	68,300	-	-	-
Fire Stations	26,480	26,480	26,480	26,480	26,480	26,480	26,480	21,060	21,060	21,060
Library	40,000	40,000	40,000	40,000	40,000	40,000	40,000	-	-	-
Public Works Building	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450
Sewer & Water Building	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620