

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

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2014, by \$215,605,434 (**net position**). Of this amount, \$12,864,290 (**unrestricted net position**) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by a net amount of \$5,214,378. Net investment in capital assets increased by \$781,968, while unrestricted net position increased by \$4,956,744 and restricted net position decreased by \$524,334. The increase in investment in capital assets was related to capital asset additions offset by increase in debt, net of unspent bond proceeds and accumulated depreciation. The unrestricted increase was mainly due to the repayment of noncapital debt. The restricted decrease was due to use of development revenues.
- The City's governmental funds reported, as of December 31, 2014, combined ending fund balances of \$18,030,657, a decrease of \$749,020 from the prior year.
- The Nonspendable fund balances were \$2,277,971 an increase of \$1,724,590 due to interfund advances from the General Fund to the Sewer Utility.
- The restricted fund balances in total was \$6,893,569 a decrease of \$6,491,754, including a decrease in restricted for debt service of \$6,255,707 and a decrease in Development Funds of \$881,829. Debt Service had a \$9,695,000 debt payment and the Development funds transferred \$873,727 to the Enterprise Funds.
- The assigned fund balances in total of \$4,906,729 had an increase of \$2,115,618 resulting from proceeds of a \$1,990,000 debt offering late in the year.
- The unassigned fund balance as of December 31, 2014 for the general fund was \$6,148,771 or approximately 24 percent of total anticipated 2015 general fund expenditures.
- The City's Governmental activities debt decreased by \$4,945,000. Repayments totaled \$10,265,000, while a new issue added \$5,320,000 in outstanding Governmental activity debt. The total general obligation debt that has to be repaid by the general taxpayer is less than one quarter of one percent of the City's equalized valuation. See table 11 for complete details.
- The City's Business-type activities approved the construction of an expanded Water & Waste Water Facilities Building in October, 2014. On December 18, 2014 the Water Fund sold \$1,290,000 of General Obligation 20 year Bonds to finance a portion of that \$3.2 million project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds

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

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

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

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

Proprietary funds

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

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 40 – 74 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 75 of this report.

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 12.2 can be found on pages 76 – 95 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$215,605,434 and \$210,391,056 at the end of 2014 and 2013, respectively.

CITY OF FRANKLIN NET POSITION December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 49,638,585	\$ 49,495,662	\$ 5,144,767	\$ 4,470,841	\$ 54,783,352	\$ 53,966,503
Long term Note Rec			26,055,931	25,451,385	26,055,931	25,451,385
Capital assets	114,884,684	114,469,508	88,567,257	89,095,184	203,451,941	203,564,692
Total assets	<u>164,523,269</u>	<u>163,965,170</u>	<u>119,767,955</u>	<u>119,017,410</u>	<u>284,291,224</u>	<u>282,982,580</u>
Deferred Outflows	163,578	187,474	-	-	163,578	187,474
Current liabilities	3,781,961	2,190,414	3,230,972	1,441,237	7,012,933	3,631,651
Long-term liabilities	13,781,606	19,738,576	23,640,538	25,185,917	37,422,144	44,924,493
Total liabilities	<u>17,563,567</u>	<u>21,928,990</u>	<u>26,871,510</u>	<u>26,627,154</u>	<u>44,435,077</u>	<u>48,556,144</u>
Deferred Inflows	24,414,291	24,222,854	-	-	24,414,291	24,222,854
Net position:						
Net Investment in capital assets	106,031,877	104,721,982	88,567,257	89,095,184	194,599,134	193,817,166
Restricted	7,828,452	8,389,114	313,558	277,230	8,142,010	8,666,344
Unrestricted	8,848,660	4,889,704	4,015,630	3,017,842	12,864,290	7,907,546
Total net position	<u>\$ 122,708,989</u>	<u>\$ 118,000,800</u>	<u>\$ 92,896,445</u>	<u>\$ 92,390,256</u>	<u>\$ 215,605,434</u>	<u>\$ 210,391,056</u>

The largest portion of the City's net position (approximately 90 and 92 percent, in 2014 and 2013, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, net position is not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$194,599,134 and \$193,817,164 in 2014 and 2013, respectively of the year end net position. The changes in capital assets were as follows:

	Net Capital Asset		Change in Capital	Net
	Additions	Depreciation	Related Debt	Increase (Decrease)
2014	\$ 4,715,188	\$ (4,827,939)	\$ 894,721	\$ 781,970
2013	\$ 3,188,328	\$ (4,698,277)	\$ 1,831,605	\$ 321,656

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

The major 2013 City projects were an ambulance, snow plow, street improvements and the 76th Street sewer & water mains from Faith to Puetz. Debt repayments in 2013 resulted in a significant decrease in capital related debt.

Infrastructure by developers and others contributed to the capitalized infrastructure of the governmental activities of approximately \$284,994 in 2014 and \$122,295 in 2013.

Capital assets contributed to the business-type activities by the municipality were \$317,738 in 2014 and \$1,197,101 in 2013.

An additional portion of the City's net position (3.8% and 4.1% in 2014 and 2013, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$8,142,010 and \$8,666,344 respectively in those net positions that were restricted to specific purposes.

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

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

The remaining balance in unrestricted net position of \$12,864,290 and \$7,907,546, in 2014 and 2013, respectively may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years the City reported positive balances in the unrestricted net position for both the governmental and for its business-type activities.

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

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

Government-wide activities

The details of changes in net position follow:

City of Franklin Changes in Net Position For the Years Ending December 31, 2014 and 2013

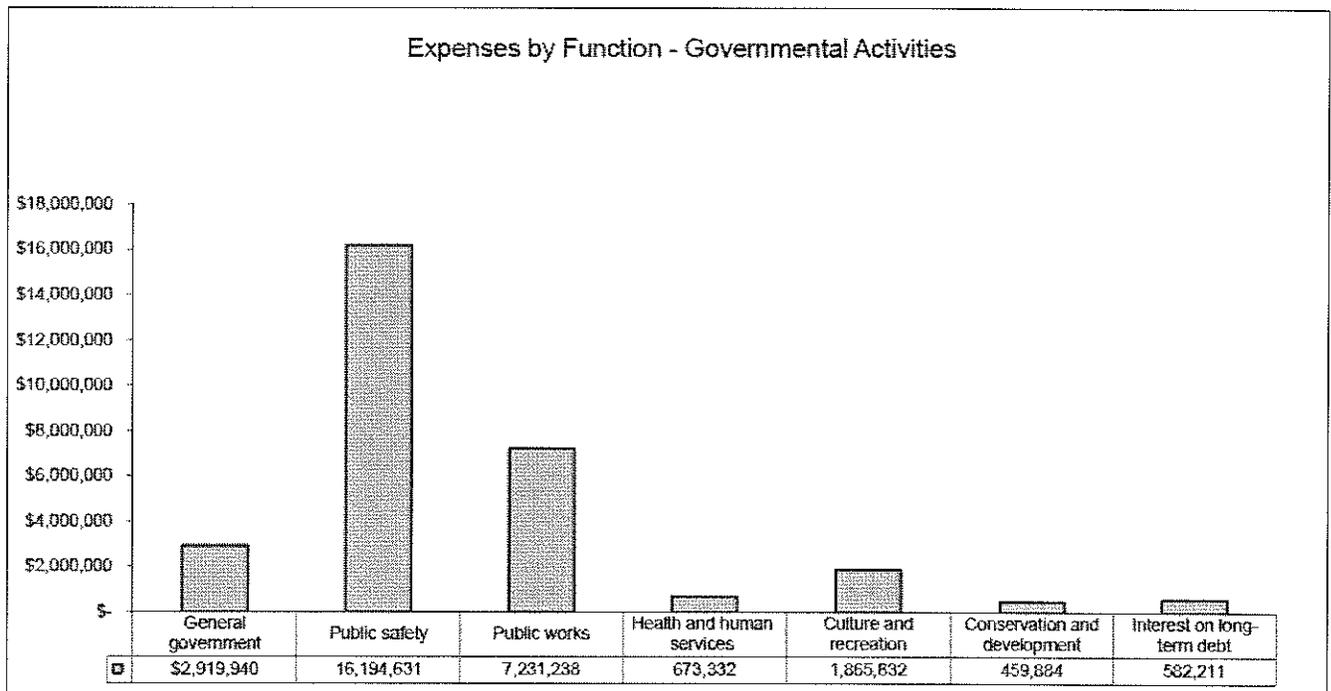
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue:						
Charges for services	\$ 4,237,867	\$ 4,241,404	\$ 8,688,616	\$ 8,647,731	\$ 12,926,483	\$ 12,889,135
Operating grants & contributions	1,901,262	1,838,950	-	-	1,901,262	1,838,950
Capital grants & contributions	1,437,524	1,659,859	238,557	-	1,676,081	1,659,859
General revenue:						
Property taxes	24,200,884	24,097,812	-	-	24,200,884	24,097,812
Other taxes	726,774	723,985	-	-	726,774	723,985
Intergovernmental	1,519,848	1,620,331	-	-	1,519,848	1,620,331
Investment earnings	695,541	87,278	642,227	569,444	1,337,768	656,722
Other	60,158	68,215	50,878	40,398	111,036	108,613
Total revenue	<u>34,779,858</u>	<u>34,337,834</u>	<u>9,620,278</u>	<u>9,257,573</u>	<u>44,400,136</u>	<u>43,595,407</u>
Expenses:						
General government	2,919,940	2,915,267	-	-	2,919,940	2,915,267
Public safety	16,194,631	16,484,847	-	-	16,194,631	16,484,847
Public works	7,231,238	6,550,807	-	-	7,231,238	6,550,807
Health & human services	673,332	698,088	-	-	673,332	698,088
Culture & recreation	1,865,832	1,838,700	-	-	1,865,832	1,838,700
Conservation & development	459,884	422,095	-	-	459,884	422,095
Interest on long-term debt	582,211	802,562	-	-	582,211	802,562
Water	-	-	5,077,744	5,051,835	5,077,744	5,051,835
Sewer	-	-	4,180,946	4,133,632	4,180,946	4,133,632
Total expenses	<u>29,927,068</u>	<u>29,712,366</u>	<u>9,258,690</u>	<u>9,185,467</u>	<u>39,185,758</u>	<u>38,897,833</u>
Increase in net position before transfers	4,852,790	4,625,468	361,588	72,106	5,214,378	4,697,574
Transfers	<u>(144,601)</u>	<u>(66,726)</u>	<u>144,601</u>	<u>66,726</u>	<u>-</u>	<u>-</u>
Change in net position	4,708,189	4,558,742	506,189	138,832	5,214,378	4,697,574
Net position - beginning	<u>118,000,800</u>	<u>113,442,058</u>	<u>92,390,256</u>	<u>92,251,424</u>	<u>210,391,056</u>	<u>205,693,482</u>
Net position - ending	<u>\$ 122,708,989</u>	<u>\$ 118,000,800</u>	<u>\$ 92,896,445</u>	<u>\$ 92,390,256</u>	<u>\$ 215,605,434</u>	<u>\$ 210,391,056</u>

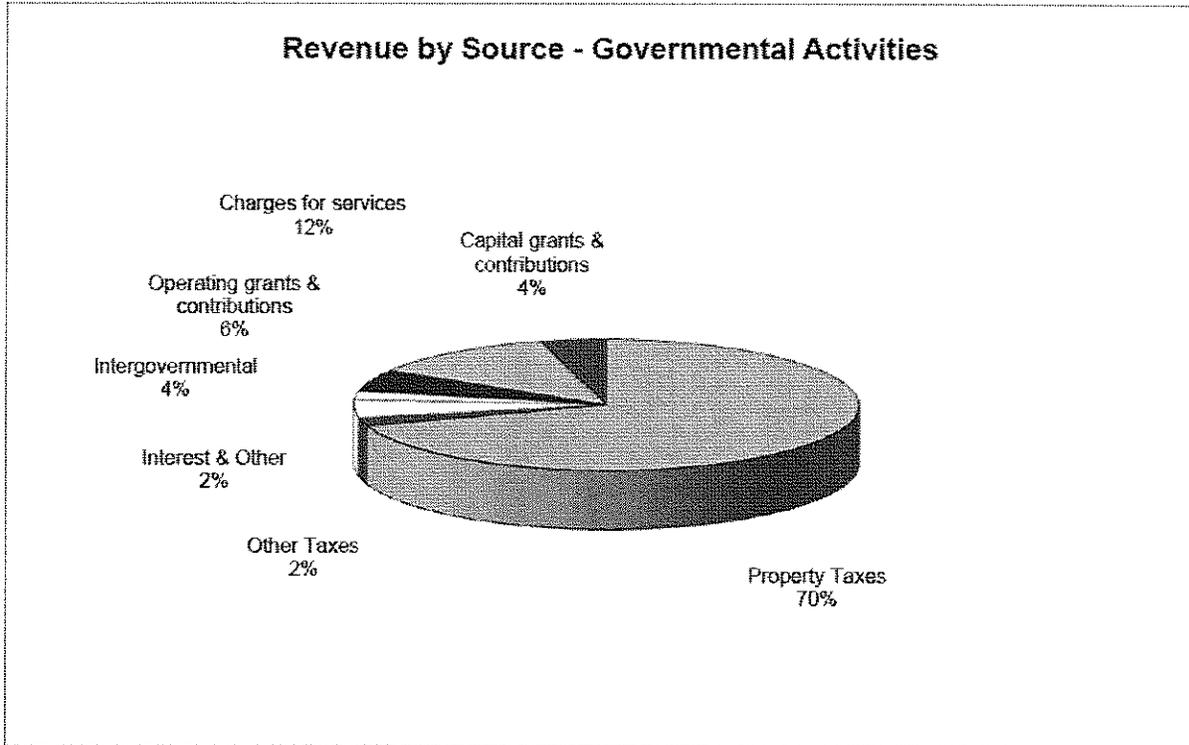
Governmental activities in 2014 increased the City's net position by \$4,708,189 or 90% of the total growth in the net position. Elements of this increase are:

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

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

- A \$1,407,150 surplus in General Government activity
- Increase due to the decrease in Long term Debt of \$1,649,959
- Decrease in governmental activities capital assets net of depreciation of \$1,040,447
- Net increase in TIF District activities of \$2,307,794
- Net increase from internal service activities of \$77,500
- Net decrease from special assessment activities of \$51,651
- Net increase from development activities of \$437,437
- Net increase from non major funds activities of \$76,824





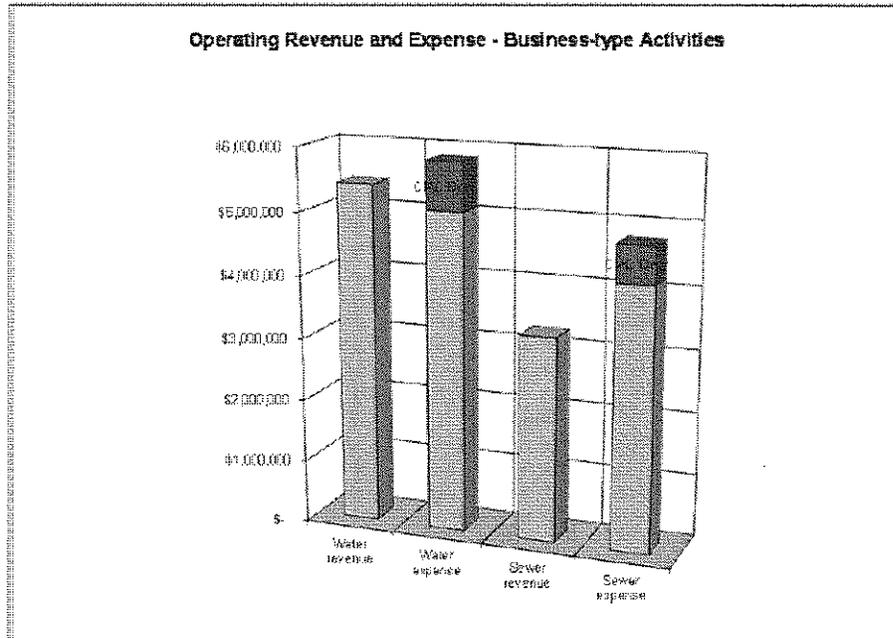
Business-type activities

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

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

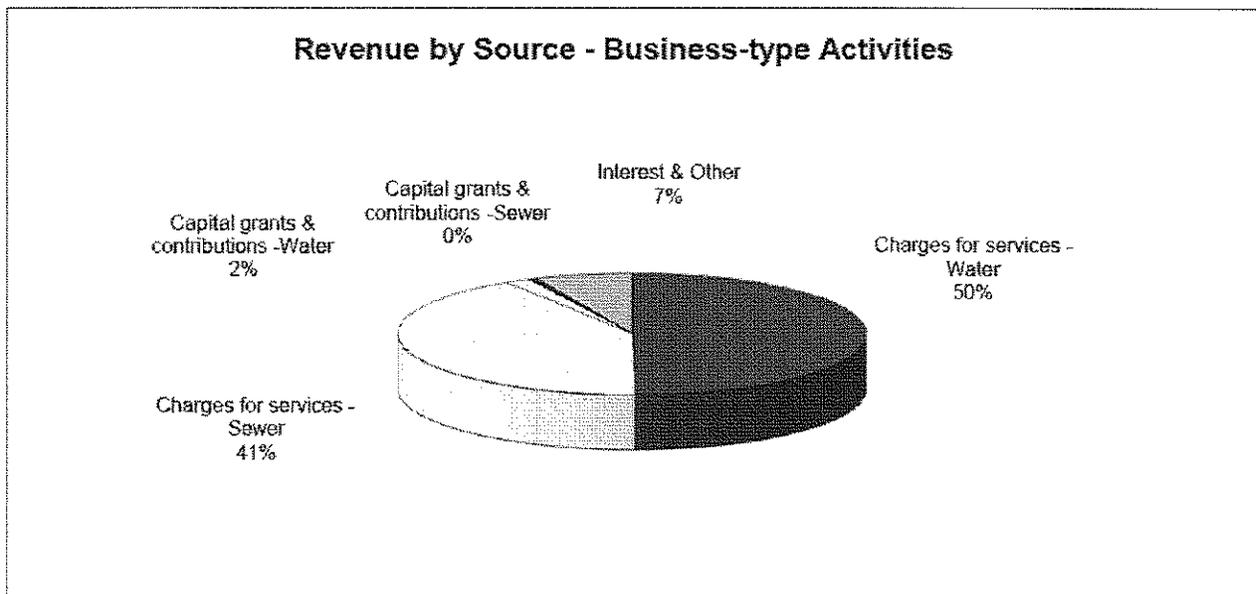
- The increase from operating activities (the change in net position excluding capital contributions and its related depreciation expense) was \$257,522. The goal of the business activities is to provide these services at least a break even basis to minimize the cost to the users. Both the water and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

The following graph compares the 2014 charges for services to the operating expenses for water and sewer activities.



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

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



Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,030,657, a decrease of \$749,020 from the prior year. At year end the unassigned fund balance was \$3,952,388. Of this total \$6,148,771 was for general fund activities. This amount was offset by deficits in the Debt Service, TIF Districts and Nonmajor Governmental Funds. The Debt Service fund has an interfund loan with favorable financing and the deficit will diminish as revenue is received from future year property taxes to repay the financing. The TIF Districts deficit also have interfund loans with favorable financing and will diminish as revenue is received and used to repay the financing.

The City has assigned fund balances for activities of the Capital Projects of \$4,699,459. In addition, \$207,270 of General Fund Balance has been assigned for encumbrances into 2015.

Outside party restrictions have resulted in restricted fund balances:

- 1) to pay debt service - \$546,238,
- 2) for utility improvements - \$672,431,
- 3) for development purposes - \$4,170,339,
- 4) for TIF Districts of \$347,978 ,
- 5) for library services \$596,277 and
- 6) for donations, grant funds, solid waste and recreational activities – totaling \$560,306.

The City also has nonspendable fund balances to indicate that it is not available for new spending because it has already been committed for prepaid expenses and inventories (\$79,355) and for advances to other funds (\$2,198,616). The advances are scheduled for repayment in 2017.

The **General Fund** is the chief operating fund of the City. As of December 31, 2014, the total fund balance of the general fund was \$8,633,112 of which \$6,148,771 was unassigned. This unassigned fund balance represents approximately 25% of 2015 general fund budgeted expenditures.

The total fund balance of the General Fund increased by \$851,545 during fiscal year 2014. Actual revenue was more than budget revenue by \$73,279 or 0.3 percent. Changes in employee benefits reduced Public Safety costs significantly. Employees are paying a larger share of health benefit premiums and retirement costs. Also, an actuarial assumption change reduced the retiree health cost.

The **Debt Service Fund** has a total deficit fund balance of \$424,721, \$546,238 is restricted for the payment of debt service and a deficit of \$970,959 is related to advances made from

the Internal Services fund. The fund balance increase of \$1,068,046 related to the repayment of interfund advances.

The **TIF Districts Fund** has total deficit fund balance of \$865,894 and a restricted fund of \$347,978 and a deficit fund balance of \$1,213,872 related to interfund advances .

The **Nonmajor Governmental Funds** have a total fund balance of \$10,688,160. The fund balance increase of \$1,311,904 came principally from a new debt issue proceeds of \$1,990,000. The major fund balances relate to future development and planned replacement equipment expenditures.

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

Unrestricted net position of the Water Utility at the end of the year amounted to \$1,464,723, an increase of \$830,499 from the prior year. The increase was a result of an \$873,727 transfer from the Development fund and debt issued.

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$2,550,907, an increase of \$167,289 from the prior year. Total net position increased due to operations.

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

General Fund Budgetary Highlights

Revenue exceeded the budget by \$73,279. Investment earnings exceeded budget by \$151,632 on unrealized gains related to falling market rates on fixed income investments. An insurance dividend caused Miscellaneous Revenue to exceed budget by \$68,314.

Actual expenditures were less than budgeted expenditures by \$1,870,998. The largest favorable variances were in General Government and Public Safety. The City established a \$950,000 restricted contingency reserve to preserve shared revenue from the State. That contingency was not needed. Within Public Safety, a change in actuarial assumptions reduced the retiree health costs from what had been in the budget. The combined impact was a significant reduction in expenditures.

A \$851,545 surplus compares favorably to the Originally budgeted \$950,000 deficit. Reduced expenditures are the driver behind these results.

Capital assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$203,451,941 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 24,949,631	\$ 24,958,327	\$ 521,225	\$ 521,225	\$ 25,470,856	\$ 25,479,552
Buildings and Improvements	24,717,845	24,225,492	3,434,412	3,438,927	28,152,257	27,664,419
Improvements other than buildings	93,860,788	92,173,188	110,447,988	109,764,750	204,308,776	201,937,938
Machinery and and equipment	17,514,597	17,571,157	2,694,341	2,799,107	20,208,938	20,370,264
Construction in process	<u>423,313</u>	<u>152,923</u>	<u>351,610</u>	<u>57,942</u>	<u>774,923</u>	<u>210,865</u>
Total capital assets	161,466,174	159,081,087	117,449,576	116,581,951	278,915,750	275,663,038
Less Accumulated depreciation	<u>(46,581,490)</u>	<u>(44,611,579)</u>	<u>(28,882,319)</u>	<u>(27,486,767)</u>	<u>(75,463,809)</u>	<u>(72,098,346)</u>
Capital assets net of depreciation	<u>\$ 114,884,684</u>	<u>\$ 114,469,508</u>	<u>\$ 88,567,257</u>	<u>\$ 89,095,184</u>	<u>\$ 203,451,941</u>	<u>\$ 203,564,692</u>

The total decrease in the City's net investment in capital assets net of depreciation for the current fiscal year was \$112,751 or 0.05%.

For further details on capital asset activity, refer to Note 1(D)5 and Note 4(D) of the Notes to Financial Statements and Schedules 12 – 12.2.

Long-term debt

State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. At December 31, 2014, the City had general obligation note and bond issues outstanding totaling \$37,711,522. The current legal debt limitation for the City is \$141,773,183. The City's current outstanding general obligation debt is 21% of the statutory debt limit. In the last 15 years the City has not exceeded 29% of the statutory debt limit.

By City policy, outstanding general obligation debt is limited to 2% of total equalized value or \$71,793,882. This represents 52% of the policy limit.

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

In December 2014, a new \$5,320,000 ten year debt issue was sold. TIF District #3 sold \$3,330,000 for infrastructure costs on the 27th Street project, while the City will use \$1,990,000 for Capital Improvement projects. The Franklin Water Utility borrowed \$1,290,000 on a 20 year bond to finance construction of the Water & Waste Water Building. The utility's plan is to make future infrastructure improvements including water main replacement and new water service from current reserves and from City collected impact fees.

In January, 2012, the Franklin Sewer Fund signed a Clean Water Fund Note with a notional amount of \$27,562,754 to fund the construction of a sewer interceptor in the City. The note had a balance of \$23,486,522 at December 31, 2014. The Notes have a 20 year repayment schedule to May, 2031. The City has an intergovernmental agreement with the Metropolitan Milwaukee Sewer District to pay the City the required interest and principal with payments on the Clean Water Fund loan beginning in 2015.

	City of Franklin's Outstanding Debt (All purposes)					
	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation						
Bonds	\$ 7,615,000	\$ 8,185,000	\$ 24,776,522	\$ 24,565,423	\$ 32,391,522	\$ 32,750,423
Notes	<u>5,320,000</u>	<u>9,695,000</u>	<u>-</u>	<u>-</u>	<u>5,320,000</u>	<u>9,695,000</u>
Total	<u>\$ 12,935,000</u>	<u>\$ 17,880,000</u>	<u>\$ 24,776,522</u>	<u>\$ 24,565,423</u>	<u>\$ 37,711,522</u>	<u>\$ 42,445,423</u>

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

Other Changes of Significance

Post Employment Health Care Benefits

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

The Government Accounting Standards Board (GASB) issued Statement #45 effective for the City of Franklin on January 1, 2008 that said that the expense of these benefits has to be recognized over the working lives of the employees. The Common Council concluded that the City of Franklin should not only recognize the expense on its financial statements but should fund those amounts out of its general revenue starting in 2008 with the establishment of a section 115 trust. The actuarial computed annual required contribution under GASB #45 for 2014 was \$551,716 and for 2013 was \$523,342.

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, 2014 for the City was 4.2%, Milwaukee County which includes the City, was 6.0%. This compares with an unemployment rate of 5.2% for the State of Wisconsin.
- The local tax rate decreased 0.2% for operations for the current and in the prior two years changed (0.30)%, and (7.04)%, respectively.

- The tax levy was un-changed the past two years and increased \$42,000 two years ago.

Requests for Information

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

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