

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

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

**Financial Highlights**

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

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components<sup>1</sup>) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## **Government-wide financial statements**

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

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

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

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

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

## **Fund financial statements**

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

### **Governmental funds**

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

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

The City maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures,

and changes in fund balances for the General, Debt Service and TIF Districts Funds, that are considered to be major funds. Data from the remaining 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report.

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

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

### **Proprietary funds**

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

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

### **Fiduciary funds**

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

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

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 39 – 83 of this report.

### **Other information**

In addition to the basic financial statements, notes and accompanying notes, this report also presents certain **required supplementary information** concerning the City of Franklin's progress in funding its retiree health obligations to eligible full time employees and its participation in the Wisconsin Retirement System and City of Franklin Public Works Employees' Pension Plans. Required supplementary information can be found on pages 84-88 of this report.

The combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the required supplementary information. Schedules 1 to 12.2 can be found on pages 89-108 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$223,118,693 and \$215,605,434 at the end of 2015 and 2014, respectively.

#### CITY OF FRANKLIN NET POSITION December 31, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 56,138,443	\$ 27,388,262	\$ 2,076,362	\$ 5,144,767	\$ 58,214,805	\$ 32,533,029
Long term Note Rec	-	-	25,311,900	26,055,931	25,311,900	26,055,931
Capital assets	<u>115,505,274</u>	<u>114,884,684</u>	<u>90,084,026</u>	<u>88,567,257</u>	<u>205,589,300</u>	<u>203,451,941</u>
Total assets	<u>171,643,717</u>	<u>142,272,946</u>	<u>117,472,288</u>	<u>119,767,955</u>	<u>289,116,005</u>	<u>262,040,901</u>
Deferred Outflows	<u>2,843,406</u>	<u>163,578</u>	<u>286,380</u>	-	<u>3,129,786</u>	<u>163,578</u>
Current liabilities	6,075,553	3,781,961	3,248,819	3,230,972	9,324,372	7,012,933
Long-term liabilities	<u>12,554,722</u>	<u>13,781,606</u>	<u>22,438,309</u>	<u>23,640,538</u>	<u>34,993,031</u>	<u>37,422,144</u>
Total liabilities	<u>18,630,275</u>	<u>17,563,567</u>	<u>25,687,128</u>	<u>26,871,510</u>	<u>44,317,403</u>	<u>44,435,077</u>
Deferred Inflows	<u>24,809,701</u>	<u>24,414,291</u>	-	-	<u>24,809,701</u>	<u>24,414,291</u>
Net position:						
Net Investment in capital assets	107,184,603	106,031,877	88,861,706	88,567,257	196,046,309	194,599,134
Restricted	7,460,603	7,828,452	356,106	313,558	7,816,709	8,142,010
Unrestricted	<u>16,401,941</u>	<u>8,848,660</u>	<u>2,853,728</u>	<u>4,015,630</u>	<u>19,255,669</u>	<u>12,864,290</u>
Total net position	<u>\$ 131,047,147</u>	<u>\$ 122,708,989</u>	<u>\$ 92,071,540</u>	<u>\$ 92,896,445</u>	<u>\$ 223,118,687</u>	<u>\$ 215,605,434</u>

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

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

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

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

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

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

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

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

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

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

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

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

## Government-wide activities

The details of changes in net position follow:

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 5,696,707	\$ 4,237,867	\$ 8,950,310	\$ 8,688,616	\$ 14,647,017	\$ 12,926,483
Operating grants & contributions	1,809,520	1,901,262	-	-	1,809,520	1,901,262
Capital grants & contributions	1,144,757	1,437,524	566,251	238,557	1,711,008	1,676,081
General revenue:						
Property taxes	23,312,724	24,200,884	-	-	23,312,724	24,200,884
Other taxes	785,195	726,774	-	-	785,195	726,774
Intergovernmental	1,804,045	1,519,848	-	-	1,804,045	1,519,848
Investment earnings	411,650	695,541	593,128	642,227	1,004,778	1,337,768
Other	61,791	60,158	73,601	50,878	135,392	111,036
Total revenue	<u>35,026,389</u>	<u>34,779,858</u>	<u>10,183,290</u>	<u>9,620,278</u>	<u>45,209,679</u>	<u>44,400,136</u>
Expenses:						
General government	2,990,355	2,919,940	-	-	2,990,355	2,919,940
Public safety	16,959,091	16,194,631	-	-	16,959,091	16,194,631
Public works	8,304,583	7,231,238	-	-	8,304,583	7,231,238
Health & human services	726,000	673,332	-	-	726,000	673,332
Culture & recreation	1,969,297	1,865,832	-	-	1,969,297	1,865,832
Conservation & development	576,421	459,884	-	-	576,421	459,884
Interest on long-term debt	405,022	582,211	-	-	405,022	582,211
Water	-	-	5,766,088	5,077,744	5,766,088	5,077,744
Sewer	-	-	4,148,420	4,180,946	4,148,420	4,180,946
Total expenses	<u>31,930,769</u>	<u>29,927,068</u>	<u>9,914,508</u>	<u>9,258,690</u>	<u>41,845,277</u>	<u>39,185,758</u>
Increase in net position before transfers	3,095,620	4,852,790	268,782	361,588	3,364,402	5,214,378
Transfers	<u>1,044,459</u>	<u>(144,601)</u>	<u>(1,044,459)</u>	<u>144,601</u>	<u>-</u>	<u>-</u>
Change in net position	<u>4,140,079</u>	<u>4,708,189</u>	<u>(775,677)</u>	<u>506,189</u>	<u>3,364,402</u>	<u>5,214,378</u>
Net position - beginning	122,708,989	118,000,800	92,896,445	92,390,256	215,605,434	210,391,056
Restatement - pension	<u>4,198,079</u>	<u>-</u>	<u>(49,228)</u>	<u>-</u>	<u>4,148,851</u>	<u>-</u>
Net position - beginning (restated)	<u>126,907,068</u>	<u>118,000,800</u>	<u>92,847,217</u>	<u>92,390,256</u>	<u>219,754,285</u>	<u>210,391,056</u>
Net position - ending	<u>\$ 131,047,147</u>	<u>\$ 122,708,989</u>	<u>\$ 92,071,540</u>	<u>\$ 92,896,445</u>	<u>\$ 223,118,687</u>	<u>\$ 215,605,434</u>

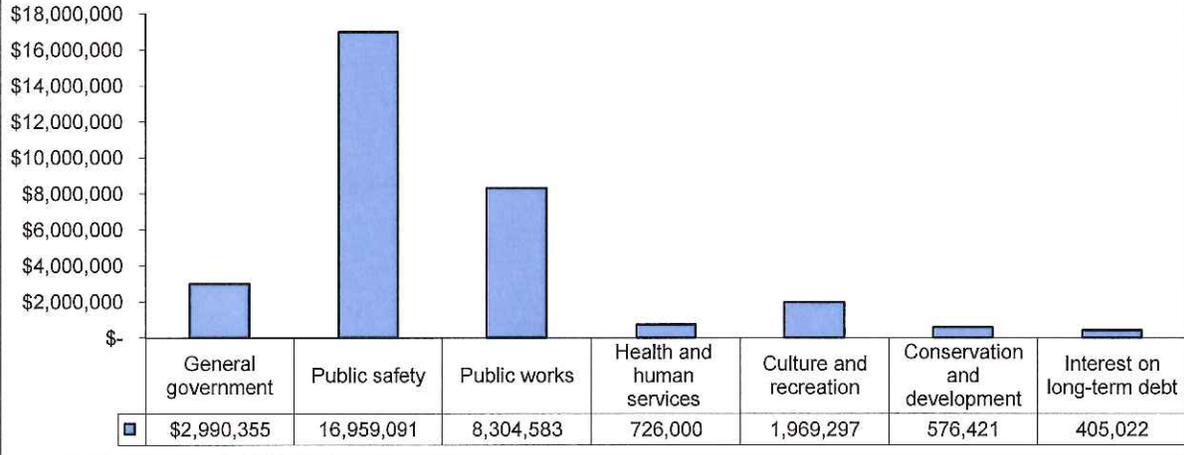
2015 Governmental activities increased the City's net position by \$4,140,079 or 123% of the total growth in the net position. Elements of this increase are:

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

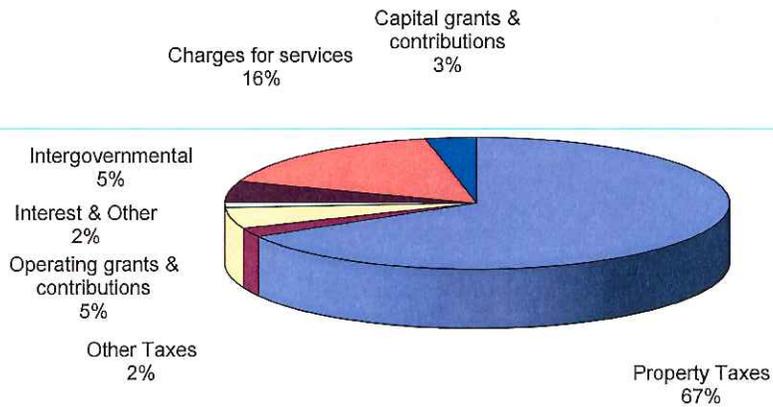
Governmental activities in 2014 increased the City's net position by \$4,708,189 or 90% of the total growth in the net position. Elements of this increase are:

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

### Expenses by Function - Governmental Activities



### Revenue by Source - Governmental Activities

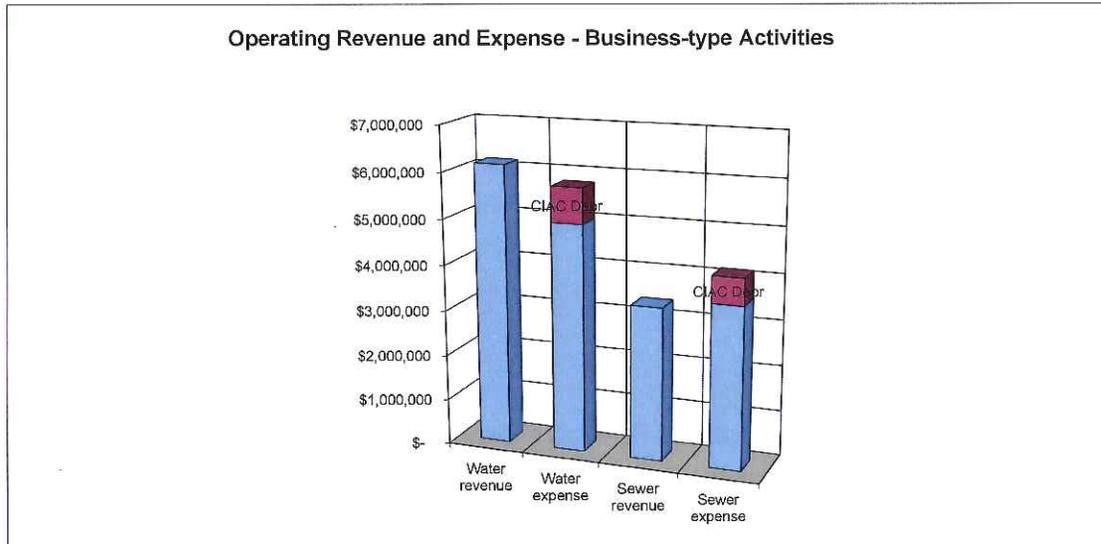


**Business-type activities**

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

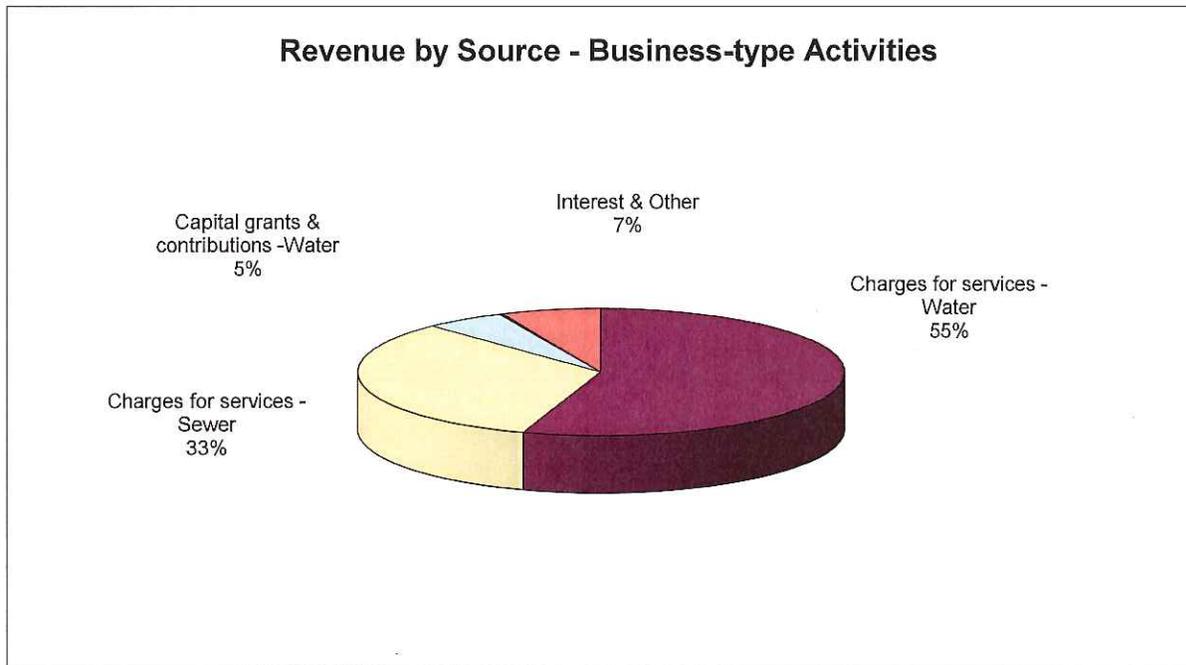
In 2014, business-type activities increased the City's net position by \$506,189 or 10%. The key elements of this increase were contributions from developers.

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



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

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



### Financial Analysis of the Government's Funds

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

### Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,194,223, an increase of \$3,163,566 from the prior year. At year end the unassigned fund balance was \$6,512,059. Of this total \$6,662,986 was for general fund activities. This amount was offset by deficits in the TIF Districts and Nonmajor Governmental Funds. The TIF Districts have interfund loans with favorable financing and will diminish as revenue is received and used to repay the financing.

The City has assigned fund balances for activities of the Capital Projects of \$4,906,595. In addition, \$147,121 of General Fund Balance has been assigned for encumbrances into 2016.

Outside party restrictions have resulted in restricted fund balances:

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

The City also has nonspendable fund balances to indicate that it is not available for new spending because it has already been committed for prepaid expenses and inventories (\$41,916) and for advances to other funds (\$2,198,616). The advances are scheduled for repayment in 2017.

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

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

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

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

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

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

Unrestricted net position of the Water Utility at the end of the year amounted to \$1,672,024, an increase of \$207,301 from the prior year.

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

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

### **General Fund Budgetary Highlights**

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

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

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

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

**Capital assets**

The City's investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to \$205,589,300 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

**City of Franklin's Investment in Capital Assets**

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

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

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

**Long-term debt**

State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. At December 31, 2015, the City had general obligation note and bond issues outstanding totaling \$35,912,276. The current legal debt limitation for the City is \$182,459,295. The City's current outstanding general obligation debt is 20% of the statutory debt limit. In the last 15 years the City has not exceeded 29% of the statutory debt limit.

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

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

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

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

In January, 2012, the Franklin Sewer Fund signed a Clean Water Fund Note with a notional amount of \$27,562,754 to fund the construction of a sewer interceptor in the City. The note had a balance of \$22,357,277 at December 31, 2015. The Notes have a 20 year repayment schedule to May, 2031. The City has an intergovernmental agreement with another government to pay the City the required interest and principal with payments on the Clean Water Fund loan beginning in 2015.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
	General obligation					
Bonds	\$ 7,095,000	\$ 7,615,000	\$ 23,592,276	\$ 24,776,522	\$ 30,687,276	\$ 32,391,522
Notes	<u>5,225,000</u>	<u>5,320,000</u>	<u>-</u>	<u>-</u>	<u>5,225,000</u>	<u>5,320,000</u>
Total	<u>\$ 12,320,000</u>	<u>\$ 12,935,000</u>	<u>\$ 23,592,276</u>	<u>\$ 24,776,522</u>	<u>\$ 35,912,276</u>	<u>\$ 37,711,522</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 2015 was \$324,393 and for 2014 was \$551,716. The City prepaid \$151,058 when the ARC unexpectedly declined more than expected.

More detailed information can be found in footnote 5C.

### **Economic Factors, Tax Rates and Next Year's Budgets**

- The unemployment rate as of December 31, 2015 for the City was 4.0% and Milwaukee County which includes the City, was 5.2%. This compares with an unemployment rate of 4.3% for the State of Wisconsin.  
The local tax rate decreased 0.3% for operations for the current and in the prior two years changed (0.2), and (0.3)%, respectively. The tax levy was un-changed the past three years

### **Requests for Information**

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

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