

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 28, 2017

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Notes is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: Moody's Investors Service, Inc.

CITY OF FRANKLIN, WISCONSIN (Milwaukee County)

\$1,645,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2017B

BID OPENING: December 5, 2017, 10:00 A.M., C.T.

CONSIDERATION: December 5, 2017, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,645,000* General Obligation Promissory Notes, Series 2017B (the "Notes") of the City of Franklin, Wisconsin (the "City") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including street projects, public safety projects and park projects within the City. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF NOTES: December 21, 2017

MATURITY: March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$50,000	2022	\$235,000	2025	\$250,000
2020	50,000	2023	240,000	2026	260,000
2021	50,000	2024	245,000	2027	265,000

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: March 1, 2018 and semiannually thereafter.

OPTIONAL REDEMPTION: Notes maturing on March 1, 2026 and thereafter are subject to call for prior optional redemption on March 1, 2025 or any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$1,628,550.

MAXIMUM BID: \$1,743,700.

GOOD FAITH DEPOSIT: A cashier's check in the amount of \$32,900 may be submitted contemporaneously with the bid or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation, Roseville, Minnesota.

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

This Preliminary Official Statement and the information contained herein is deemed by the City to be final as of the date hereof for purposes of SEC Rule 15c2-12(b)(1), except for the omission of certain information described in the rule, but is subject to revision, completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



REPRESENTATIONS

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

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles and Brady LLP will serve as Disclosure Counsel to the with respect to the Notes. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the Notes.

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

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

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

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

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

CLOSING CERTIFICATES

Upon delivery of the Notes, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Notes; (3) a certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Notes, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Notes in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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COMMON COUNCIL

		<u>Term Expires</u>
Stephen R. Olson	Mayor	April 2020
Mark A. Dandrea	Common Council President	April 2019
Daniel Mayer	Aldersperson	April 2019
Kristen Wilhelm	Aldersperson	April 2020
Steve F. Taylor	Aldersperson	April 2020
Mike Barber	Aldersperson	April 2019
John R. Nelson	Aldersperson	April 2020

ADMINISTRATION

Mark W. Luberd, Director of Administration
Paul Rotzenberg, Director of Finance & Treasurer
Sandra L. Wesolowski, Director of Clerk Services/City Clerk

PROFESSIONAL SERVICES

Jesse Wesolowski, City Attorney, Franklin, Wisconsin
Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin
Ehlers & Associates, Inc., Municipal Advisors, Waukesha, Wisconsin
(Other offices located in Roseville, Minnesota, Chicago, Illinois and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Franklin, Wisconsin (the "City") and the issuance of its \$1,645,000* General Obligation Promissory Notes, Series 2017B (the "Notes"). Any descriptions or summaries of the Notes, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Notes to be included in the resolution authorizing the issuance and sale of the Notes (the "Authorizing Resolution") to be adopted by the Common Council on December 5, 2017.

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

THE NOTES

GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 21, 2017. The Notes will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2018, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC") to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after March 1, 2026 shall be subject to optional redemption prior to maturity on March 1, 2025 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including street projects, public safety projects and park projects within the City.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Notes	\$1,645,000	
	Estimated Interest Earnings	<u>1,000</u>	
	Total Sources		\$1,646,000
Uses			
	Project Costs	\$1,600,000	
	Estimated Underwriter’s Discount	16,450	
	Finance Related Expenses	28,775	
	Deposit to Debt Service Fund	<u>775</u>	
	Total Uses		\$1,646,000

*Preliminary, subject to change.

SECURITY

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

RATING

General obligation debt of the City is currently rated "Aa1" by Moody's Investors Service, Inc. ("Moody's").

The City has requested a rating on the Notes from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Notes any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the City shall covenant to take certain actions pursuant to the Authorizing Resolution adopted by the Common Council by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for the Notes are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Notes. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City did not timely file notice of certain bond insurer rating changes during the previous five years. Except to the extent the preceding is deemed to be material, in the previous five years the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Notes. However, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

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

LEGAL MATTERS

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" found in Appendix B.)

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Notes. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Notes and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.

TAX EXEMPTION

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

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Notes is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes."

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

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Notes may be enacted. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2016 have been audited by Baker Tilly Virchow Krause, LLP, Milwaukee, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Notes are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Notes. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Notes for resale prior to maturity.

Tax Exemption: If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Notes may fall for purposes of resale. Noncompliance by the City with the covenants in the Authorizing Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Notes in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Notes. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Notes.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Notes in the secondary market.

Secondary Market for the Notes: No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Notes. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Notes will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

CURRENT PROPERTY VALUATIONS

2017 Equalized Value	\$3,888,926,200
2017 Equalized Value Reduced by Tax Increment Valuation	\$3,778,072,200
2017 Assessed Value	\$3,854,766,200

2017 EQUALIZED VALUE BY CLASSIFICATION

	2017 Equalized Value¹	Percent of Total Equalized Value
Residential	\$ 2,870,690,200	73.817%
Commercial	773,583,100	19.892%
Manufacturing	146,995,000	3.780%
Agricultural	825,000	0.021%
Undeveloped	5,356,800	0.138%
Ag Forest	205,200	0.005%
Forest	486,000	0.013%
Other	17,786,800	0.457%
Personal Property ²	72,998,100	1.877%
Total	<u><u>\$ 3,888,926,200</u></u>	<u><u>100.000%</u></u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2013	\$3,359,728,100	\$3,414,276,600	-3.12%
2014	3,364,592,800	3,589,694,100	5.14%
2015	3,396,543,100	3,649,185,900	1.66%
2016	3,704,478,925	3,729,003,100	2.19%
2017	3,854,766,200	3,888,926,200	4.29%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

¹ Includes tax increment valuation.

² Beginning January 1, 2018 certain personal property will be exempt from property tax.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2017 Equalized Value¹	Percent of City's Total Equalized Value
Northwestern Mutual Life	Insurance services	\$ 117,360,716	3.02%
Wal-mart/Sam's Club ²	Retailer	25,445,199	0.65%
Wheaton Franciscan Medical	Healthcare	25,348,142	0.65%
Transpack Corp. - ET Franklin	Commercial	24,576,733	0.63%
Whitnall Pointe Limited Partnership	Apartments	22,217,610	0.57%
Manchester Oaks Apartments LLC	Apartments	19,997,211	0.51%
Baptista's Bakery, Inc.	Manufacturing	14,768,054	0.38%
Menards Inc. ²	Retailer	13,525,688	0.35%
Franklin-Wyndham LLC	Land held for developer	13,335,409	0.34%
All Glass Aquarium Co.	Commercial	12,669,127	0.33%
Total		\$ 289,243,889	7.44%
City's Total 2017 Equalized Value ³		\$3,888,926,200	

Source: The City.

¹ Calculated by dividing the 2017 Assessed Values by the 2017 Aggregate Ratio of assessment for the City.

² Assessment being challenged by taxpayer. In addition, Lowe's, which is not listed above, has challenged its assessment and is in settlement negotiations with the City.

³ Includes tax increment valuation.

DEBT

DIRECT DEBT¹ (includes the Notes and the Concurrent Obligations, as defined herein)

General Obligation Debt (see schedules following)

Total General Obligation Debt*	<u>\$ 35,089,693</u>
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*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Notes.

**City of Franklin, Wisconsin
Schedule of Bonded Indebtedness
General Obligation Debt
(As of December 31, 2017)**

Dated Amount	GO Sewerage System Promissory Notes Series 2012*		GO Promissory Notes Series 2014A		GO Water System Bonds Series 2014B		GO Refunding Bonds Series 2016A		Taxable GO Promissory Notes Series 2017A		GO Promissory Notes Series 2017B		Principal Outstanding**	Principal %Paid**	Year
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal**	Interest**	Principal**	Interest**			
1/25/2012	1,214,723	477,809	1,140,000	51,588	55,000	31,938	1,175,000	79,450	1,000,000	62,288	23,326	50,000	30,504,970	13.07%	2018
\$27,562,754	1,244,629	447,534	165,000	32,838	55,000	30,838	1,175,000	55,950	2,000,000	66,715	33,228	50,000	25,815,341	26.43%	2019
	1,275,272	416,514	180,000	29,163	55,000	29,738	1,095,000	33,250	750,000	40,340	32,478	50,000	22,410,069	36.13%	2020
	1,306,669	384,730	180,000 (1)	25,113	60,000	28,288	1,115,000	11,150	950,000	21,303	31,678	50,000	18,748,000	46.57%	2021
	1,338,839	352,164	335,000 (1)	19,319	60,000	26,488			390,000	5,070	29,150	235,000	16,389,560	53.29%	2022
	1,371,802	318,796	330,000	11,838	60,000	24,688			240,000	24,755	240,000	240,000	14,387,759	59.00%	2023
	1,405,575	284,606	325,000	4,063	60,000 (1)	22,888			245,000	19,964	245,000	245,000	12,352,184	64.80%	2024
	1,440,181	249,575			65,000 (1)	21,013			250,000	14,765	250,000	260,000	10,597,003	69.80%	2025
	1,475,638	213,682			65,000 (1)	19,063			260,000	9,153	260,000	260,000	8,796,365	74.93%	2026
	1,511,968	176,904			65,000 (1)	17,113			265,000	3,114	265,000	265,000	6,954,397	80.18%	2027
	1,549,193	139,221			70,000 (1)	15,088							5,335,204	84.80%	2028
	1,587,334	100,611			70,000 (1)	12,988							3,677,870	89.52%	2029
	1,626,414	61,049			75,000 (1)	10,813							1,976,456	94.37%	2030
	1,666,456	20,514			75,000 (1)	8,516							235,000	99.33%	2031
					80,000 (1)	6,172							160,000	99.54%	2032
					80,000 (1)	3,750							80,000	99.77%	2033
					80,000 (1)	1,250							80,000	100.00%	2034
	20,014,693	3,643,709	2,655,000	173,919	1,125,000	310,625	4,560,000	179,800	5,090,000	195,716	221,609	1,645,000	35,089,693	4,725,377	39,815,070

* Debt supported by Intergovernmental Agreement with another entity that pays all principal and interest on the issue.

** Preliminary, subject to change.

(1) Mandatory redemption amounts

DEBT LIMIT (includes the Notes and the Concurrent Obligations)

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 3,888,926,200
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 194,446,310
Less: General Obligation Debt*	<u>(35,089,693)</u>
Unused Debt Limit*	<u><u>\$ 159,356,617¹</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT²

Taxing District	2017 Equalized Value³	% In City	Total G.O. Debt⁴	City's Proportionate Share
Milwaukee County	\$ 61,413,297,000	6.33%	\$609,286,223	\$38,567,818
Milwaukee Area Technical College District	76,548,230,996	5.08%	103,955,000	5,280,914
Franklin Public School District	2,920,128,579	100.00%	69,155,000	69,155,000
Oak Creek-Franklin Joint School District	4,054,645,300	18.16%	91,190,000	16,560,104
Whitnall School District	1,655,912,700	14.04%	555,000	77,922
Milwaukee Metro Sewer District	60,253,027,200	6.45%	869,923,198	<u>56,110,046</u>
City's Share of Total Overlapping Debt				<u><u>\$ 185,751,804</u></u>

¹ The City has adopted a policy which further limits its ability to issue general obligation debt. Under the City's current policy, the City shall not issue general obligation debt in such an amount which would cause their outstanding debt to be in excess of 40% of the statutory debt limit. However, the City may amend such policy at any time.

² Overlapping debt is as of the dated date of the Notes. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

³ Includes tax increment valuation.

⁴ Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS¹

	G.O. Debt	Debt/Equalized Value \$3,888,926,200	Debt/ Per Capita 36,046 ²
Total General Obligation Debt*	\$ 35,089,693	0.90%	\$ 973.47
City's Share of Total Overlapping Debt	<u>185,751,804</u>	<u>4.78%</u>	<u>5,153.19</u>
Total*	\$220,841,497	5.68%	\$ 6,126.66

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City expects to issue its \$5,090,000* Taxable General Obligation Promissory Notes, Series 2017A (the "Concurrent Obligations") concurrently with the Notes.

The City anticipates issuing additional obligations in the next 12 months to support the "Ballpark Commons Project" in the City's Tax Incremental District No. 5 ("TID No. 5"). The Ballpark Commons Project is expected to entail expansion of an existing baseball complex, creation of a 400-unit apartment complex, provision of related commercial space and repurposing a landfill. The City anticipates issuing approximately \$22,800,000 in general obligation bonds in 2018 to finance infrastructure projects in TID No. 5, with the intention of offsetting the resulting tax levy to the extent TID No. 5 tax increment is available. The City also expects to issue approximately \$10,000,000 in "pay-as-you-go" bonds payable solely from TID No. 5 increment, to the extent additional increment is available after offsetting the debt levy for the above-reference general obligation bonds.

The City also anticipates issuing approximately \$13,000,000 in general obligation bonds in 2018, to finance development in other City tax increment districts in the southwest and southeastern parts of the City.

The City is in the early stages of exploring other, future development projects, but aside from the preceding has no concrete plans for additional financing in the next 12 months.

*Preliminary, subject to change.

¹ Includes the Notes and the Concurrent Obligations.

² Estimated 2017 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2012/13	\$20,509,000	100%	\$5.99
2013/14	20,509,000	100%	6.19
2014/15	20,509,000	100%	5.90
2015/16	20,509,000	100%	5.82
2016/17	20,509,000	100%	5.65

Property tax statements are distributed to taxpayers by the town, village, and city clerks in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total
2012/13	\$13.67	\$5.05	\$5.99	\$1.80	\$26.51
2013/14	14.27	5.13	6.19	1.88	27.47
2014/15	12.97	5.10	5.90	1.89	25.86
2015/16	13.06	5.13	5.82	1.92	25.93
2016/17	12.66	5.10	5.65	1.93	25.34

Source: Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%. The City has not levied its full allowable levy, and thus retains the ability to carry forward such difference, subject to the limitations imposed by the Wisconsin Statutes.

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

² Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

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

THE ISSUER

CITY GOVERNMENT

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

EMPLOYEES; PENSIONS

The City employs a staff of 199 full-time and 43 part-time employees. All eligible public safety employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. The total retirement plan contributions (including both the City's and the employees' contributions) for the fiscal year ended December 31, 2014 were \$1,457,708. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015") and the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$815,219 and \$803,686 respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2015.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2015, the total pension liability of the WRS was calculated as \$90.1 billion and the fiduciary net position of the WRS was calculated as \$88.5 billion, resulting in a net pension liability of \$1.6 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2016, the City reported a liability of \$1,344,496 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2015 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.08273922% of the aggregate WRS net pension liability as of December 31, 2015.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note 4.A. in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining units represent employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Police	December 31, 2018
Fire	December 31, 2018

Supplemental Pension Benefits

The City provides other pension benefits to public works employees who have satisfied specified eligibility standards through a single-employer defined benefit plan. The amount of such benefits are based on years of service and average compensation. Membership of the plan consisted of 22 retirees receiving benefits, 6 terminated vested retirees and 31 active plan members as of January 1, 2017, the date of the latest actuarial valuation.

Pension benefit calculations are required to be updated every two years and prepared in accordance with Governmental Accounting Standards Board Statement No. 68 ("GASB 68"). An actuarial study for the plan was most recently completed by The Principal Financial Group in July 2017 with an actuarial valuation date of January 1, 2017 (the "Pension Actuarial Report").

Under GASB 68, an actuarially determined contribution ("ADC") is calculated as a target or recommended contribution to the plan for the reporting period, determined in conformity with actuarial standards based on the most recent measurement available. As shown in the City's audited financial statements for Fiscal Year 2016, the City's ADC for Fiscal Year 2016 was \$339,927. For Fiscal Year 2016, contributions to the plan totaled \$339,927, which was 100% of the ADC. The City's current funding practice has been to fully fund ADC.

As shown in the Pension Actuarial Report, as of January 1, 2017, the actuarial accrued liability was \$9,133,297 and the actuarial value of assets was \$8,837,479, resulting in an unfunded actuarial accrued liability ("UAAL") of \$295,818.

For more information, see Note 4.A. in "Appendix A - Financial Statements" attached hereto. The Pension Actuarial Report is available from the City upon request.

The City also provides a defined contribution pension plan benefit to eligible non-protective employees (other than public works employees). Eligibility begins after six months of employment with the City. Employees are required to make contributions of 5% of wages. For Fiscal Year 2016, the City contributed \$84,137 and employees contributed \$84,137 to the plan. For more information, see Note 4.B. in "Appendix A -Financial Statements."

OTHER POST EMPLOYMENT BENEFITS

The City provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) to former employees and their dependents through a single employer defined benefit plan. Membership of the plan consisted of 24 retirees receiving benefits and 178 active plan members as of December 15, 2015. Eligible retirees may continue to participate in the City's group health plan. The City contributes a fixed portion of the premiums determined at retirement based on the employment category of retiree, and the retiree is responsible for paying the balance of the premiums.

OPEB calculations are required to be updated every two years. Prior to June 15, 2017, OPEB calculations were required to be prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") regarding retiree health and life insurance benefits, and related standards. For fiscal years beginning after June 15, 2017, OPEB calculations will be required to be prepared in accordance with Statement No. 75 of the Governmental Accounting Standards Board ("GASB 75"). An actuarial study for the plan prepared in accordance with GASB 45 was most recently completed by Actuarial & Health Care Solutions, LLC in December 2015, with an actuarial valuation date of January 1, 2016. The City had such study updated by Actuarial & Health Care Solutions, LLC in October, 2017 to prepare the information required to be reported under GASB 75 (the "OPEB Report").

Under GASB 75, a net OPEB liability is calculated as the difference between the plan's total OPEB liability and the plan's fiduciary net position, which terms have similar meanings as under GASB 68 for pension plans.

Under GASB 45, the City was required to expense the estimated yearly cost of providing post-retirement benefits and such annual accrual expense is referred to as the "annual required contribution." As shown in the City's audited financial statements for Fiscal Year 2016, the annual required contribution for Fiscal Year 2016 was \$342,872. For Fiscal Year 2016, contributions to the plan totaled \$191,814, which was 55.9% of the annual required contribution. However, for Fiscal Year 2015, the City's annual required contribution was \$324,393, and contributions to the plan totaled \$475,451 which was 146.6% of the annual required contribution. Such excess contributions were made in Fiscal Year 2015 with the intention of offsetting the required contribution in Fiscal Year 2016. The City's current funding practice is to make annual contributions on an actuarially determined basis.

As shown in the OPEB Report, as of January 1, 2018 the total OPEB liability of the plan was \$7,607,515 and the plan fiduciary net position was \$5,297,421, resulting in a net OPEB liability of \$2,310,094.

For more information, see Note 4.C. in "Appendix A —Financial Statements."

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Notes or otherwise questioning the validity of the Notes. At any given time, the City may be involved in potential lawsuits; however, at this time, the City does not expect any pending litigation to result in final judgements which would materially affect the City's ability to pay principal and interest on the Notes.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.

FUNDS ON HAND (as of September 30, 2017)

Fund	Total Cash and Investments
General	\$ 11,285,544
Special Revenue	2,090,274
Debt Service	638,030
Capital Projects	16,024,402
Enterprise Funds	3,108,780
Internal Service Funds	2,276,392
Fiduciary Funds	5,467,520
Total Funds on Hand	<u><u>\$ 40,890,942</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2014	2015¹	2016²
Water			
Total Operating Revenues	\$ 5,421,719	\$ 5,609,928	\$ 6,054,573
Less: Operating Expenses	<u>(5,055,935)</u>	<u>(5,755,151)</u>	<u>(5,514,241)</u>
Operating Income	\$ 365,784	\$ (145,223)	\$ 540,332
Plus: Depreciation and Amortization	1,097,571	1,557,514	1,344,829
Interest Income (Loss)	<u>(4,504)</u>	<u>3,368</u>	<u>2,589</u>
Revenues Available for Debt Service	\$ 1,458,851	\$ 1,415,659	\$ 1,887,750
Less: PILOT payments	<u>1,044,446</u>	<u>1,041,040</u>	<u>1,047,053</u>
Net Revenues	<u><u>\$ 414,405</u></u>	<u><u>\$ 374,619</u></u>	<u><u>\$ 840,697</u></u>
Sanitary Sewer			
Total Operating Revenues	\$ 3,266,897	\$ 3,340,382	\$ 3,328,550
Less: Operating Expenses	<u>(3,593,796)</u>	<u>(3,588,716)</u>	<u>(5,197,869)</u>
Operating Income	\$ (326,899)	\$ (248,334)	\$ (1,869,319)
Plus: Depreciation and Amortization	661,745	692,909	2,123,035
Interest Income	<u>59,581</u>	<u>20,789</u>	<u>134</u>
Revenues Available for Debt Service	<u><u>\$ 394,427</u></u>	<u><u>\$ 465,364</u></u>	<u><u>\$ 253,850</u></u>

¹ The City adopted GASB 68 related to pension benefits, which resulted in prior period adjustments in both Water & Sewer Funds. See Note 4.F in the 2015 CAFR for more details.

² As it relates to the Sanitary Sewer Fund, the City changed its accounting policy with respect to a major asset, which required a restatement of opening fund balance. See Note 4.F in the 2016 CAFR for more details.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete audited financial statements are available upon request. See Appendix A for the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Estimated ¹	2018 Budget ²
Revenues					
Taxes	\$ 16,926,045	\$ 17,015,261	\$ 17,161,004	\$ 17,124,500	\$ 17,739,500
Intergovernmental revenue	2,536,187	2,775,349	2,318,825	2,220,237	2,326,100
Licenses and permits	808,302	669,367	665,169	768,240	1,040,990
Penalties and forfeitures	421,976	484,957	498,653	510,000	500,000
Public charges for services	1,367,737	1,544,611	1,452,601	1,641,730	1,805,350
Intergovernmental charges for services	136,372	192,188	194,806	190,000	196,500
Investment earnings	290,132	238,562	161,281	245,000	205,000
Miscellaneous revenues	143,014	155,576	182,016	129,600	120,350
Total Revenues	\$ 22,629,765	\$ 23,075,871	\$ 22,634,355	\$ 22,829,307	\$ 23,933,790
Expenditures					
Current:					
General government	\$ 2,786,740	\$ 2,720,473	\$ 2,910,893	\$ 3,004,370	\$ 2,776,627
Public safety	15,367,022	15,983,174	15,787,827	16,615,933	17,296,241
Public works	3,560,384	3,046,338	3,745,146	3,954,378	3,443,618
Health and human services	633,964	633,387	646,870	678,010	693,845
Culture, recreation and education	163,000	177,798	179,933	195,493	195,914
Conservation and development	355,354	568,364	523,268	555,746	595,345
Contingency	0	0	0	33,300	1,305,000
Total Expenditures	\$ 22,866,464	\$ 23,129,534	\$ 23,793,937	\$ 25,037,230	\$ 26,306,590
Excess of revenues over (under) expenditures	\$ (236,699)	\$ (53,663)	\$ (1,159,582)	\$ (2,207,923)	\$ (2,372,800)
Other Financing Sources (Uses)					
Operating transfers in	1,112,244	1,044,460	1,050,382	1,076,950	1,050,000
Operating transfers out	(24,000)	(574,000)	(1,250,025)	0	0
Total Other Financing Sources (Uses)	\$ 1,088,244	\$ 470,460	\$ (199,643)	\$ 1,076,950	\$ 1,050,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 851,545	\$ 416,797	\$ (1,359,225)³	\$ (1,130,973)⁴	\$ (1,322,800)⁵
General Fund Balance January 1	7,781,567	8,633,112	9,049,909	7,690,684	6,559,711
General Fund Balance December 31	\$ 8,633,112	\$ 9,049,909	\$ 7,690,684	\$ 6,559,711	\$ 5,236,911
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	2,277,071	2,239,802	2,294,958	96,342	96,000
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	207,270	147,121	61,626	0	0
Unassigned	6,148,771	6,662,986	5,334,100	6,463,369	5,140,911
Total	\$ 8,633,112	\$ 9,049,909	\$ 7,690,684	\$ 6,559,711	\$ 5,236,911

¹ 2017 Projected numbers are actual January 1, 2017 through June 30, 2017 and estimated July 1, 2017 through December 31, 2017.

² 2018 Budget was approved on November 21, 2017.

³ Deficit includes a one-time \$1.2 million transfer to the Capital Improvement Fund for capital expenditures.

⁴ Deficit includes a one-time \$605,700 extraordinary pension contribution.

⁵ The budget includes a \$1.28 million restricted contingency expenditure. Any use of such expenditure would require a 2/3 vote of the Common Council and such expenditure is not expected to be made.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 35,451, and a 2017 estimated population of 36,046, comprises an area of 34.5 square miles and is located in the southwest corner of Milwaukee County.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees²
Northwestern Mutual	Insurance/investment services	3,107
Wheaton Franciscan Healthcare	Medical and surgical hospital	853
Krones, Inc.	High speed labeling/filler machines	577
Baptista's Bakery	Commercial bakery	559
Franklin Public Schools	K-12 education	554
Milwaukee County Corrections South	Government	525
Wal-Mart	Retailer	332
Carlisle Interconnect Technologies	Wire harnesses	303
Strauss Veal & Lamb Int'l Inc.	Animal processing	270
Senior Flexonics - GA Precision	Off-road engine components mfg.	255

Source: *ReferenceUSA, written and telephone survey (November 2017), City's 2016 CAFR.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

² Constitutes 47% of the City's workforce.

BUILDING PERMITS

	2013	2014	2015	2016	2017 ¹
<u>New Single Family Homes</u>					
No. of building permits	56	33	26	23	11
Valuation	\$16,718,795	\$10,688,902	\$10,199,139	\$9,721,721	\$4,810,610
<u>New Multiple Family Buildings</u>					
No. of building permits	8	9	3	1	0
Valuation	\$2,774,000	\$4,092,000	\$1,110,000	\$5,550,000	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	13	13	3	5	8
Valuation	\$2,236,192	\$2,236,192	\$1,961,261	\$154,300	\$7,413,659
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	2,775	2,905	300	267	211
Valuation	\$87,274,798	\$41,246,443	\$30,654,542	\$27,316,600	\$24,377,455

Source: The City.

¹ As of October 19, 2017.

U.S. CENSUS DATA

Population Trend: City

2000 U.S. Census	29,494
2010 U.S. Census	35,451
2017 Estimated Population	36,046
Percent of Change 2000 - 2010	20.20%

Income and Age Statistics

	City	Milwaukee County	State of Wisconsin	United States
2015 per capita income	\$34,970	\$24,984	\$28,340	\$28,930
2015 median household income	\$73,148	\$43,873	\$53,357	\$53,889
2015 median family income	\$92,467	\$56,079	\$68,064	\$66,011
2015 median gross rent	\$960	\$806	\$776	\$928
2015 median value owner occupied units	\$224,400	\$151,700	\$165,800	\$178,600
2015 median age	41.8 yrs.	34.2 yrs.	39.0 yrs.	37.6 yrs.

	State of Wisconsin	United States
City % of 2015 per capita income	123.39%	120.88%
City % of 2015 median family income	135.85%	140.08%

Housing Statistics

	<u>City</u>		
	2000	2015	Percent of Change
All Housing Units	10,936	14,028	28.27%

Source: 2000 and 2010 Census of Population and Housing, and 2015 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Year	<u>Average Employment</u>		<u>Average Unemployment</u>		
	City	Milwaukee County	City	Milwaukee County	State of Wisconsin
2013	17,233	439,273	6.2%	8.4%	6.7%
2014	17,481	446,154	4.9%	6.9%	5.4%
2015	17,578	449,935	4.4%	5.8%	4.6%
2016	17,755	454,475	3.9%	5.1%	4.1%
2017, September	18,133	464,148	3.3%	4.0%	3.0%

Source: Wisconsin Department of Workforce Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Notes, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

While reviewing the financial statements, readers should be aware that the 2017 budget reflects a \$900,000 extraordinary pension payment of which \$605,700 will be paid out of the General Fund and \$294,300 will be paid out of Utility Funds. Additionally, in January, 2017, the City collected \$2,300,000 in an intergovernmental account receivable held by the Sewer Fund. The Sewer Fund used the proceeds to repay an inter-fund advance with the General Fund. Collection of the inter-fund advance will remove a corresponding amount of Nonspendable General Fund Balance at December, 2017. Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF FRANKLIN, WISCONSIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016



**PREPARED BY THE
DEPARTMENT OF FINANCE**

**DIRECTOR OF FINANCE & TREASURER
PAUL ROTZENBERG, CPA**

City Profile

The City of Franklin, incorporated in 1956, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 35,741. Over the last ten years the City has experienced an average annual population increase of 1.2% per year. The city is a residential community (74.5%) with a commercial and industrial component (24.8%). Approximately one third of the acreage in the City is undeveloped, which demands attention to growth issues. It is considered to be one of the more desirable communities in the Milwaukee metropolitan area in which to live and work. The City provides a typical range of municipal services for a suburban community including police, fire protection, emergency medical/paramedic, maintenance of streets and other infrastructure, library, public health services, recreational activities, building inspection, zoning control, refuse collection, recycling collection, sanitary sewer, storm sewer and water services, both construction and maintenance. The City is authorized to levy property tax on real and personal property located within its boundaries to support the services provided.

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

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

April 25, 2017

Citizens of Franklin, Honorable Mayor and Common Council members:

Introduction

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2016, is hereby submitted. State law requires that all local governments with a population over 25,000 publish a complete set of financial statements that are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by Baker Tilly Virchow Krause, LLP, a firm of certified public accountants experienced in auditing governmental entities. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2016, 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 City included the Ryan Creek Interceptor sanitary sewer in 2016 as a donated asset and recorded a prior period adjustment related thereto. Baker Tilly concurred with this change. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2016, 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.

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

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

Economic Condition and Outlook

The economic activity in Franklin in both the residential and the non-residential sectors was stable. New construction was lower in 2016 compared to 2015 as evidenced by reduced construction permit revenues. Prospects in 2017 for residential, commercial and industrial development are anticipated to be on a par to 2016. Growth is dependent upon the development and approval of new subdivisions and business parks.

Estimated actual property values have grown at an average annual rate of 0.3% since 2007. The new growth net of TIF Districts was \$23 million in 2016, \$33.7 million in 2015, and \$46.8 million in 2014. 2017 growth is expected to be in the \$20 to \$30 million dollar range reflecting the level of economic activity. This 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 stagnated, falling 0.1%. Lingering effects of the economic slowdown will keep growth from new construction in 2017 at about the same level as 2016. Longer range, the City has the most developable land in the County and anticipates new subdivisions as economic activity increases again.

Commercial and Industrial Growth

Over the past ten years, commercial and industrial valuation has increased at an average annual rate of 0.8%.

In 2005, two TIF Districts (#3 & #4) were established on the eastern side of the City. The two districts have equalized value tax increments of \$73 and \$55 million, respectively. In 2016, a new TIF District #5 was established to aid the Baseball Commons project. No developer's agreement has been negotiated as of Q1, 2017. The project projects \$100+ million in new taxable development.

Expansion of the commercial and industrial tax base is a goal of the City with respect to the overall tax rate. Currently 74.5% of the City's property value is residential compared to 76.1% ten years ago. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

2016 was a year where overall revenue fell 1.8% compared to last year. The decrease was the result of reduce development activity.

2016 was a re-valuation year. The last reassessment was done in 2010. A re-valuation was completed in 2013. Performing re-valuations on a regular basis is in line with the Common Council policy to schedule a re-valuation every three years to keep property values in line

with current market values. The State determined that the local assessment, after reassessment, was 99.1% of fair value. The estimated actual value of City properties was approximately \$3.6 billion. While the local tax levy remained unchanged, for the fourth year, individual property owners experienced tax changes based upon the shift of values between property classes.

The challenge for the operating departments in 2016 was to continue to maintain service levels at a time of flat revenues and growth of 0.94% in new property base.

One threat the City faces is the challenge by larger retail property owners of assessed values. Should that group be successful in reducing their assessed values, the tax burden shifts to other property owners.

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, 2016 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 federal grant expenditures exceeds an established level, currently \$750,000, a single audit of federal and state grants is required. The City was not required to have a single audit of federal and state grants in 2016.

Financial Planning

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

Financial Policies

The City maintains policies on fund balance level, debt levels and term, investment policies, budget forecasting policy and a capitalization policy. The City also takes advantage of policies that has new development to finance infrastructure needs caused by the new development via special assessments and impact fees. Conservative management and the enumerated policies above have served the City well. The existence of a fund balance enabled the fund balance to be utilized in 2009 during the revenue decline and replenished in 2010 and 2011 when revenue stabilized. In 2016, a 2001 debt offering was refunded for the second time to take advantage of declining interest rates, with a savings of \$390,000 over its remaining life. Debt Service planning has permitted a steadily declining Debt Service levy since 2008.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the 23rd consecutive year that the City has received this award.

Mayor, Common Council and Citizens
May 2, 2017

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 2016 Certificate.

Acknowledgments

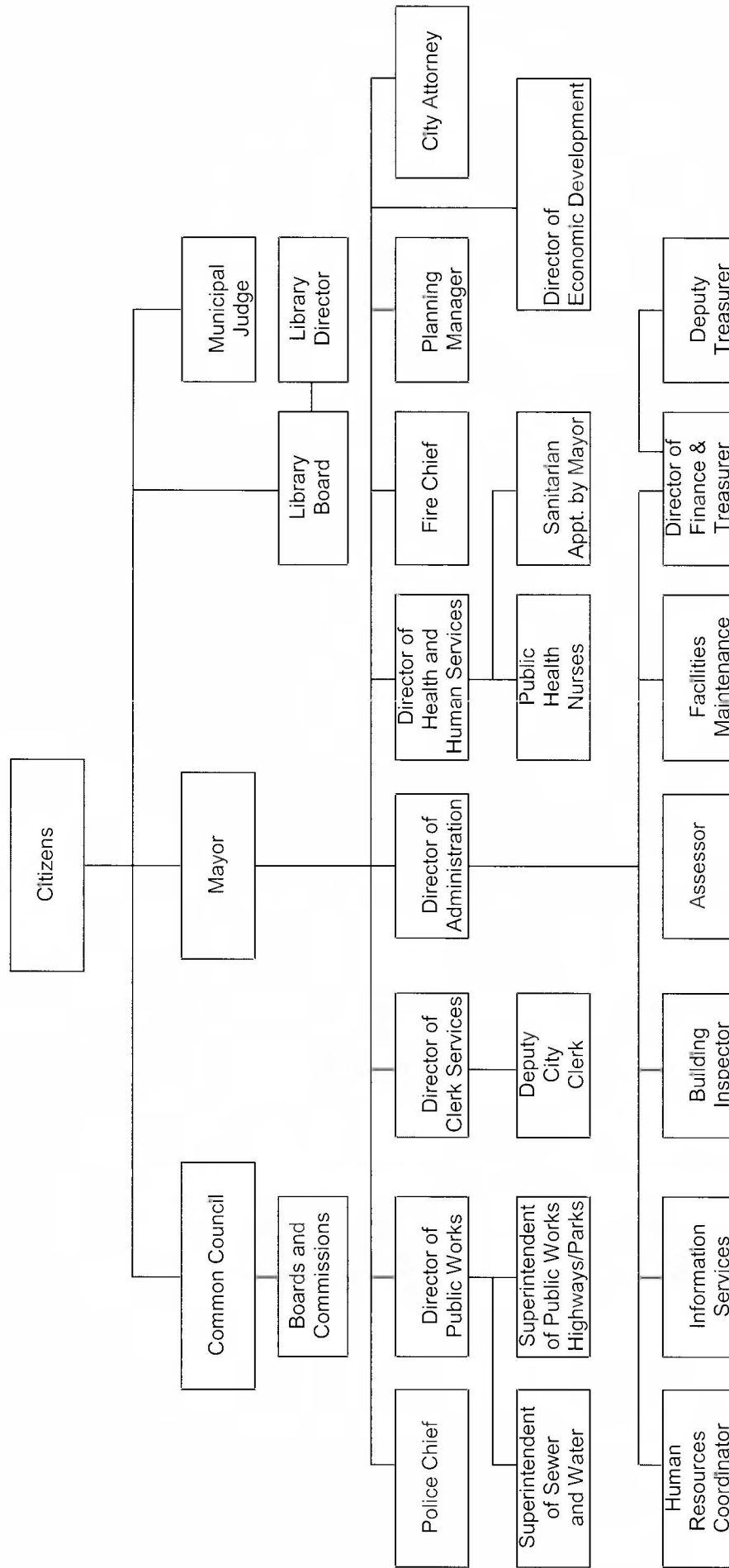
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. Thanks are also extended to the Mayor, Common Council,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

Respectfully submitted,



Paul Rotzenberg, CPA
Director of Finance & Treasurer

CITY OF FRANKLIN, WISCONSIN
Organization Chart



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

Elected Officials

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

Non-elected Officials

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



Government Finance Officers Association

**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, 2015

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Franklin
Franklin, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Franklin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Franklin's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Franklin's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Common Council
City of Franklin

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, 2016 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4.F. to the financial statements, net position as of December 31, 2015 has been restated to correct a material misstatement. Our opinions are not modified with respect to this matter.

Other Matters

The financial statements of the City of Franklin as of December 31, 2015, prior to restatement, were audited by other auditors whose report dated June 7, 2016, expressed an unmodified opinion on those statements.

As part of the audit of the December 31, 2016 financial statements, we also audited the adjustment described in Note 4.F. that was applied to restate the December 31, 2015 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2015 financial statements of the City of Franklin other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2015 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Council
City of Franklin

Supplementary Information

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 supplementary information 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

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 Introductory Section 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

Other auditors have previously audited the City of Franklin, Wisconsin's 2015 financial statements, and they expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in their report dated June 7, 2016. We do not express an opinion on the summarized comparative information presented herein as of and for the year ended December 31, 2015.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
April 25, 2017

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

As management of the City of Franklin (City), the following offers readers of the City's financial statements an overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. Readers are encouraged to consider this information in conjunction with additional information contained in the letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of December 31, 2016, by \$248,939,033 (**net position**). Of this amount, \$18,392,464 (**unrestricted net position**) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's business-type activities now reflect the Ryan Creek Interceptor sanitary sewer, a \$22.5 million contribution by intergovernmental agreement. The sanitary sewer's net position was restated to reflect this activity. For the purposes of management's discussion and analysis, the comparative information remains unchanged. For further details on the restatement, see Note 4.F.
- The City's total net position increased by a net amount of \$3,368,886 (excluding the prior period adjustment for the Ryan Creek Sanitary Interceptor Sewer donation). Net investment in capital assets increased by \$2,707,515, while unrestricted net position decreased by \$863,205 and restricted net position increased by \$24,395,406 (however, increased \$3,195,178 considering the impact of the Ryan Creek Sanitary Sewer Interceptor restatement). The increase in net investment in capital assets was related to capital asset additions offset by debt payments, net of unspent bond proceeds and accumulated depreciation. The largest net asset addition was a jurisdictional transfer to the City of S North Cape Road from Milwaukee County. The unrestricted decrease was the result of transfers to the Capital Project Funds.
- The City's governmental funds reported, as of December 31, 2016, combined ending fund balances of \$23,036,463, an increase of \$1,842,240 from the prior year. The primary reasons were results in TID #4, which had resources but no project costs and transfers to the Capital Project Funds.
- The nonspendable fund balances are \$2,296,232, an increase of \$55,700 due an advance to newly formed TID #5.
- The restricted fund balances in total are \$9,730,296, an increase of \$2,342,379, which are the result of TID values increasing from repayment of interfund advances and the lack of project costs.
- The assigned fund balances in total of \$5,746,151 has an increase of \$692,436 related to transfers into the Capital Projects Funds.
- The unassigned fund balance as of December 31, 2016 for the general fund was \$5,334,100 or approximately 21 percent of total anticipated 2017 general fund expenditures. The unassigned fund balance declined by \$1.2 million as the result of a fund transfer to the Capital Project Funds.
- The City's Governmental activities debt decreased from scheduled repayments. See table 11 for complete debt activity details. A refunding took place in 2016 to capture the lower market rates.

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 or 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 all 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 all funds except for TIF District #5. 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 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, a post-employment benefits trust to hold funds until needed to pay designated health benefits for eligible current and future retirees and other agency funds.

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 – 85 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 Defined Benefit Pension Plans. Required supplementary information can be found on pages 86-90 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, Capital Projects and TIF Funds 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 91-113 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$248,939,033 and \$223,118,687 at the end of 2016 and 2015, respectively.

City of Franklin Net Position December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 53,076,382	\$ 56,138,443	\$ 6,730,520	\$ 2,076,362	\$ 59,806,902	\$ 58,214,805
Long term note receivable	-	-	20,014,692	25,311,900	20,014,692	25,311,900
Capital assets	118,399,446	115,505,274	110,484,366	90,084,026	228,883,812	205,589,300
Total assets	171,475,828	171,643,717	137,229,578	117,472,288	308,705,406	289,116,005
Deferred outflows of resources	8,455,769	2,843,406	396,959	266,390	8,812,728	3,129,786
Liabilities:						
Current liabilities	2,403,969	6,075,553	1,415,431	3,248,819	3,819,400	9,324,372
Long-term liabilities	14,689,207	12,554,722	22,899,975	22,438,309	37,589,182	34,993,031
Total liabilities	17,093,176	18,630,275	24,315,406	25,687,128	41,408,582	44,317,403
Deferred inflows of resources	27,060,233	24,809,701	110,286	-	27,170,519	24,809,701
Net position:						
Net investment in capital assets *	110,638,152	107,184,603	88,115,672	88,861,706	198,334,454	196,046,309
Restricted	10,617,660	7,460,603	21,584,455	356,106	32,212,115	7,816,709
Unrestricted *	14,522,378	16,401,941	3,450,718	2,853,728	18,392,464	19,255,669
Total net position	\$ 135,778,188	\$ 131,047,147	\$ 113,160,845	\$ 92,071,540	\$ 248,939,033	\$ 223,118,687

* The net position section includes an adjustment for capital assets owned by the business-type activities but financed by the debt of the governmental activities. Amounts will not cross-foot as a result. See Note 1.D.11

The largest portion of the City's net position (approximately 80 and 88 percent, in 2016 and 2015, 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 \$198,334,454 and \$196,046,309 in 2016 and 2015, respectively, of the year end net position.

The inclusion of the Ryan Creek Sanitary Interceptor Sewer (\$22.5 million) is the major cause for the increase in net capital assets compared to 2015.

Major 2016 projects were acceptance of S North Cape Road (\$3 million jurisdictional transfer from Milwaukee County), completion of Kayla's Playground (an all-inclusive, all-accessible playground), work on three trails (\$369,000), a Public Safety dispatch console (\$242,000), a replacement roof (\$76,000) on fire station #1, and utility costs associated with the S 27th Street reconstruction project.

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

Deferred outflows of resources and deferred inflows of resources increased in 2016 from changes in the City's two pension plans' results.

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.

In 2016, the City contributed water infrastructure on S 27th Street via TID #3 and utility assets in Kayla's playground to the Business-type activities totaling \$659,283. In addition, developers also contributed two water main extensions. In 2015, capital assets contributed to the business-type activities were \$566,251.

An additional portion of the City's net position (12.9% and 3.5% in 2016 and 2015, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$32,212,115 and \$7,816,709 respectively in those net positions that were restricted to specific purposes.

The 2016 \$24,395,406 increase in restricted net position reported is due principally to TIF balances upon the retirement of internal advances and new TIF resources without current project costs and the \$22.5 million donation of the Ryan Creek Sanitary Interceptor sewer by Metropolitan Milwaukee Sewerage District.

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

The remaining balance in unrestricted net position of \$18,392,464 and \$19,255,669 in 2016 and 2015, 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 the 2015 unrestricted net position was the result of the adoption of Government Accounting Standards Board (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.

Government-wide activities

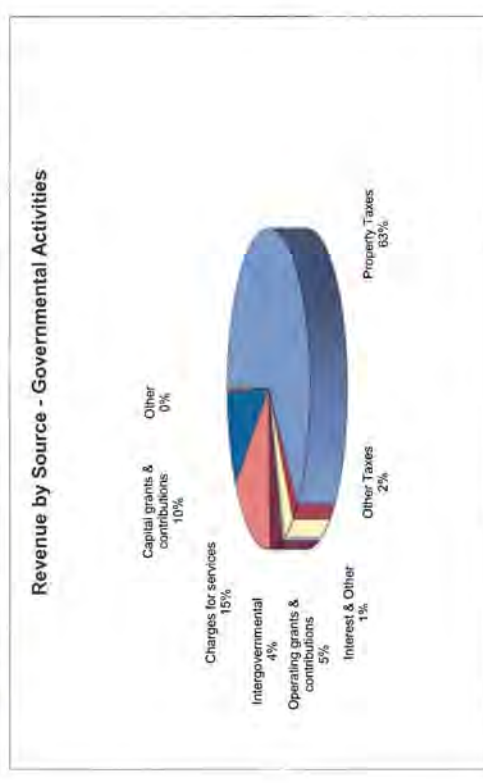
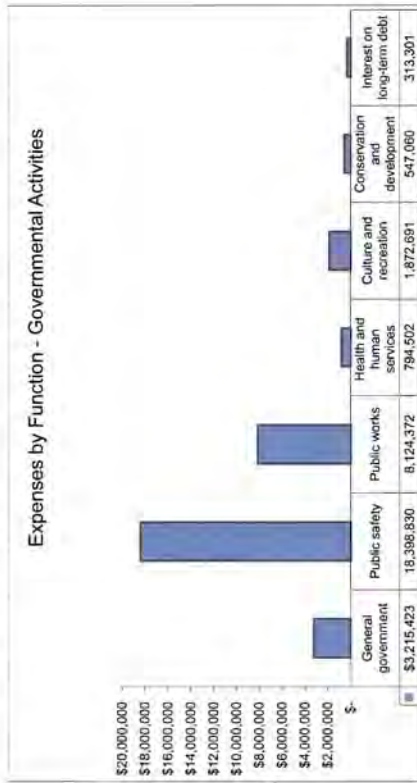
The details of changes in net position follow:

**City of Franklin
Changes in Net Position
For the Years Ending December 31, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total
	2016	2015	2016	2015	
Revenue:					
Program revenue:					
Charges for services	\$ 5,772,042	\$ 5,696,707	\$ 9,383,123	\$ 8,950,310	\$ 15,155,165
Operating grants & contributions	1,882,406	1,809,520	-	-	1,809,520
Capital grants & contributions	3,677,886	1,144,757	341,915	566,251	4,019,801
General revenue:					
Property taxes	23,669,025	23,312,724	-	-	23,669,025
Other taxes	863,735	785,195	-	-	863,735
Intergovernmental	1,350,257	1,604,045	-	-	1,350,257
Investment earnings	315,376	411,650	437,969	593,128	753,285
Other	161,381	61,781	58,632	73,601	220,213
Total revenue	37,692,108	35,026,389	10,221,779	10,183,290	47,913,887
Expenses:					
General government	3,215,423	2,990,355	-	-	3,215,423
Public safety	18,398,830	16,859,091	-	-	18,398,830
Health & human services	8,124,372	8,304,583	-	-	8,124,372
Culture & recreation	794,502	726,000	-	-	794,502
Conservation & development	1,872,691	1,895,297	-	-	1,872,691
Interest on long-term debt	547,060	576,421	-	-	547,060
Water	313,301	405,022	-	-	313,301
Sewer	-	-	5,549,508	5,766,088	5,766,088
Total expenses	33,266,179	31,930,769	11,278,822	9,914,508	44,545,001
Increase in net position before transfers	4,425,929	3,095,620	(1,057,043)	268,782	3,368,886
Transfers	305,112	1,044,459	(305,112)	(1,044,459)	-
Change in net position	4,731,041	4,140,079	(1,362,155)	(775,677)	3,368,886
Net position - beginning	131,041,147	122,705,969	92,071,540	92,896,445	223,116,687
Restatement	-	-	22,451,460	(49,228)	22,402,232
Net position - beginning (restated)	131,041,147	126,907,068	114,523,000	92,847,217	245,518,919
Net position - ending	\$ 135,772,188	\$ 131,047,147	\$ 113,160,845	\$ 92,071,540	\$ 223,116,687

The 2016 governmental activities increased the City's net position by \$4,731,041 or 140% of the total growth in net position. Biggest element of this increase, \$3 million was the donation of S North Cape Road by Milwaukee County and TIF resources with no related project costs. The 2016 business-type activities decrease in net position of \$1,362,155 reflects depreciation charges on contributed assets which is not being recovered via operations.

The 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 include \$1,724,138 increase in the TID position and an increase from repayment of \$3,725,000 inter-fund advances.

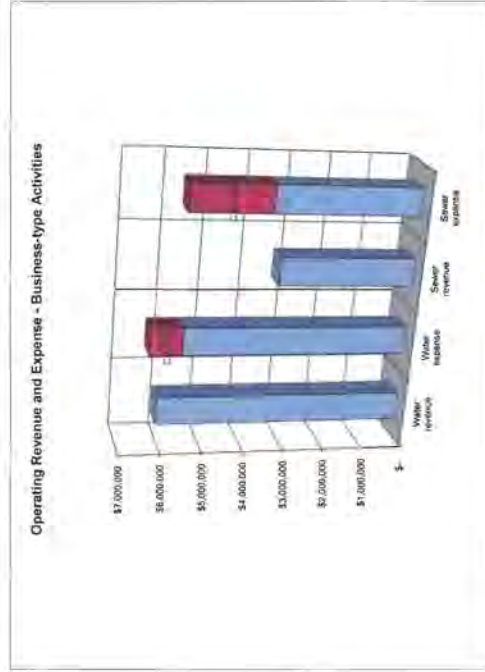


Business-type activities

In 2016, business-type activities decreased the City's net position by \$1,362,155 or 48.3%. Depreciation of contributed assets totaled \$2,795,965, with the Ryan Creek Interceptor Sewer amounting to \$1,425,000 of that total. The Ryan Creek Interceptor Sewer will be donated to Milwaukee Metropolitan Sewer District (MMSD) when the Clean Water Fund Loan is retired in 2031 by intergovernmental agreement. The City must maintain the asset until that time, however no significant maintenance costs have yet been incurred.

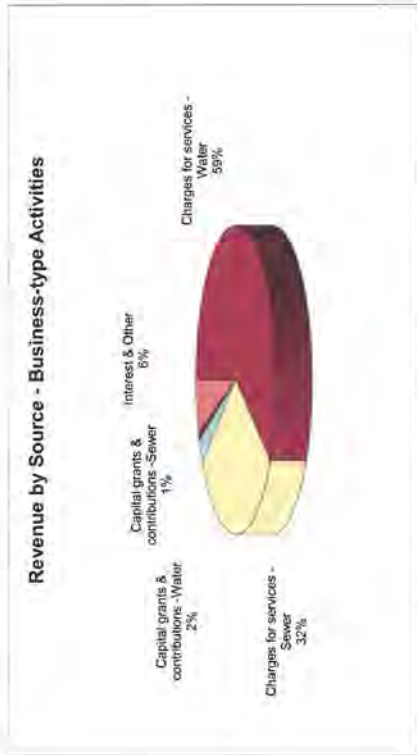
In 2015, business-type activities decreased the City's net position by \$775,677 or -23%. Amortization of regulatory assets increased operating expense that year.

The following graph compares the 2016 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 contributed in recent years is the reason for this policy. Over 87% of the business-type assets have been contributed by developers or new growth resources. When maintenance and replacement costs increase, this policy may need to be reevaluated. The City replaced \$284,000 of contributed water mains in 2015 and none in 2016.

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).



2016 Water Utility revenues increased \$444,645 (7.9%) which resulted from increased customer demand as measured by volume and an 8% rate increase approved by the State regulator in June 2016. The Water Utility was successful in reducing un-billed water to 10% of water purchases, which is down from 15% the prior year. This improved Water Utility results in 2016. The Water Utility also incurred significant professional costs successfully contesting a Construction Authorization request by its wholesale supplier.

2016 Sanitary Sewer revenues were substantially unchanged from the prior year. Capital grants are dependent upon new development in the City. 2016 had less development activity than 2015.

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 \$23,036,463, an increase of \$1,842,240 from the prior year. At year end the unassigned fund balance was \$5,263,784. Of this total \$5,334,100 was for General Fund activities. This amount was offset by deficits in the TIF Districts and Nonmajor Governmental Funds. Newly created TIF District #5 has a small advance from the General Fund for organizational expenses.

The City has assigned fund balances for activities of the Capital Projects of \$5,684,525. In addition, \$61,626 of General Fund Balance has been assigned for purchase commitments into 2017.

Outside party restrictions have resulted in restricted fund balances:

- 1) to pay debt service - \$651,298
- 2) for utility improvements - \$1,224,190
- 3) for development purposes - \$4,058,562
- 4) for TIF Districts of \$2,583,687
- 5) for library services \$494,386
- 6) for Solid Waste services \$ 330,883 and
- 7) for donations, health, grant funds, and recreational activities - totaling \$387,290.

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 (\$47,616) and for advances to other funds (\$2,248,616). The advances are scheduled for substantial repayment in January, 2017.

The **General Fund** is the chief operating fund of the City. As of December 31, 2016, the total fund balance of the General Fund was \$7,690,684, of which \$5,334,100 was unassigned. This unassigned fund balance represents approximately 21% of 2017 General Fund budgeted expenditures.

The total General Fund fund balance decreased by \$1,359,225 during fiscal year 2016. With the scheduled repayment of the \$2.2 million advance to the Sanitary Sewer Fund in January 2017 and considering State restrictions on expenditures, a \$1.2 million transfer to the Capital Improvement Fund was made in 2016. A \$390,000 return of Landfill Siting fees (operator overpaid the fees over several years) was another significant non-recurring event.

The **Debt Service Fund** has a total fund balance of \$651,298, restricted for the payment of debt service. The fund balance increase of \$144,015 related to the collection of Special Assessments.

The **TIF Districts Fund** has total fund balance of \$2,531,841; a restricted fund of \$2,583,687 and a deficit fund balance of \$51,846 related to interfund advances.

The **Nonmajor Governmental Funds** have a total fund balance of \$12,162,640. The fund balance increase of \$1,383,853 came principally from the transfer in from the General Fund. 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 \$2,159,943, an increase of \$479,141 from the prior year coming out of operating results.

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$1,290,775, an increase of \$109,071 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 trailed budget by \$202,088. Building permit revenues were below budget by \$182,181 due to the lack of any major projects. Ambulance fees also trailed expectations.

Actual expenditures were less than budgeted expenditures by \$634,873. The City established a \$552,000 contingency reserve in the Adopted Budget. \$390,000 of that contingency was used to return an overpayment of landfill siting revenues (as the operator mis-calculated payments). Reductions in fuel costs reduced Public Works costs.

A \$23,705 deficit before transfers out, compares favorably to the amended budgeted \$456,490 deficit.

Capital assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2016, amounts to \$228,883,812, 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
	2016	2015	2016	2015	2016	2015	
Land	\$ 24,623,751	\$ 25,268,691	\$ 888,479	\$ 521,225	\$ 25,512,230	\$ 25,789,916	
Buildings and Improvements	26,770,132	24,880,902	6,677,157	6,646,943	33,447,289	31,527,845	
other than buildings	98,419,149	95,141,359	134,145,872	108,949,807	232,565,021	204,091,168	
Machinery and equipment	17,924,405	18,137,992	5,385,346	5,296,978	23,309,751	23,434,970	
Construction in process	1,019,925	1,180,903	-	40,484	1,019,925	1,221,387	
Total capital assets	168,757,362	164,609,847	147,096,854	121,455,437	315,854,216	286,065,284	
Less: Accumulated depreciation	(50,357,916)	(49,104,573)	(36,612,488)	(31,371,411)	(86,970,404)	(80,475,984)	
Capital assets net of depreciation	\$ 118,399,446	\$ 115,505,274	\$ 110,484,366	\$ 90,084,026	\$ 228,883,812	\$ 205,589,300	

The total increase in the City's net investment in capital assets net of depreciation for the current fiscal year was \$23,294,512 or 11.3%. The inclusion of the \$22.5 million Ryan Creek Sanitary Interceptor sewer and the \$3.0 million S. North Cape Road, both donations from other governments caused the increase.

For further details on capital asset activity refer to Note 1(D)6 and Note 3(E) 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, 2016, the City had general obligation note and bond issues outstanding totaling \$32,625,228. The current legal debt limitation for the City is \$186,450,155. The City's current outstanding general obligation debt is 17.5% 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 \$74,580,062. Outstanding debt represents 44% of this internal limit, leaving an internal debt limit margin of \$41,954,834.

The City's present rating from Moody's for its general obligation debt is "Aa1". This rating was affirmed in the spring of 2016, when a bond refunding took place.

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

In April 2016, the City refunded the 2007 bonds with a notional value of \$5,895,000 with new bonds valued at \$5,770,000. See the debt footnote for further details.

City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total
	2016	2015	2016	2015	
General obligation Premium (Discount)	\$ 260,403	\$ 203,902	\$ (11,534)	\$ (12,681)	\$ 246,869
Bonds	5,770,000	7,095,000	22,380,228	23,592,277	28,150,228
Notes	4,475,000	5,225,000	-	-	4,475,000
Total	\$ 10,505,403	\$ 12,523,902	\$ 22,368,694	\$ 23,579,596	\$ 32,874,097
					\$ 36,103,498

Additional information of the City's long-term debt can be found in Note 3(H), 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 No. 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 No. 45 was \$342,872 for 2016 and \$324,393 for 2015.

More detailed information can be found in Note 4(C).

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2016 for the City was 3.4% and Milwaukee County which includes the City, was 3.9%. This compares with an unemployment rate of 4.1% for the State of Wisconsin.
- The local tax rate decreased \$5.69 from \$6.26 for operations for 2017. In the prior two years the tax rate of \$6.26 and \$6.28 was relatively unchanged. The 2016 rate reduction was the result of a revaluation in the City. The tax levy was un-changed the past three years, excluding the TIF Districts.

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.

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
As of December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 24,364,141	\$ 1,708,306	\$ 26,072,447
Receivables (net):			
Accounts	922,837	2,281,830	3,204,667
Taxes	24,201,827	305,400	24,507,227
Special assessments	965,653	-	965,653
Internal balances	8,944	(8,944)	-
Due from other governments	215,783	3,940,408	4,156,191
Prepaid items	178,294	4,518	182,812
Inventories	20,287	-	20,287
Long term advances	2,198,616	(2,198,616)	-
Restricted cash	-	394,227	394,227
Due from other governments - long term	-	20,014,692	20,014,692
Regulatory asset	-	303,391	303,391
Capital assets (net of accumulated depreciation)			
Land	24,623,751	888,479	25,512,230
Construction in progress	1,019,925	-	1,019,925
Buildings and improvements	16,493,700	5,166,988	21,660,688
Machinery and equipment	7,077,705	1,791,057	8,868,762
Improvements other than buildings	69,184,365	102,637,842	171,822,207
Total assets	171,475,828	137,229,578	308,705,406
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding costs	84,189	-	84,189
Pension related amounts	8,371,580	356,959	8,728,539
Total deferred outflow of resources	8,455,769	356,959	8,812,728
LIABILITIES			
Accounts payable	1,085,247	1,288,618	2,373,865
Accrued liabilities	1,041,774	28,626	1,070,400
Due to other governments	98,757	-	98,757
Accrued interest	79,562	98,187	177,749
Special deposits	98,629	-	98,629
Noncurrent liabilities			
Due within one year	3,787,608	1,312,973	5,100,581
Due in more than one year	10,901,599	21,587,002	32,488,601
Total liabilities	17,093,176	24,315,406	41,408,582
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	3,056,450	110,286	3,166,736
Subsequent year property taxes	24,003,783	-	24,003,783
Total deferred inflows of resources	27,060,233	110,286	27,170,519
NET POSITION			
Net investment in capital assets	110,638,152	88,115,672	198,334,454
Restricted	10,617,660	21,594,455	32,212,115
Unrestricted	14,522,376	3,450,718	18,392,464
Total net position	\$ 135,778,188	\$ 113,160,845	\$ 248,939,033

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,215,423	\$ 138,723	\$ -	\$ 5,060	\$ (3,071,640)	\$ -	\$ (3,071,640)
Public safety	18,398,830	2,325,154	313,766	88,752	(15,671,158)	-	(15,671,158)
Public works	8,124,372	2,825,532	1,266,075	3,291,094	(741,671)	-	(741,671)
Health and human services	794,502	184,304	109,213	-	(500,985)	-	(500,985)
Culture and recreation	1,872,691	176,065	193,352	292,980	(1,210,294)	-	(1,210,294)
Conservation and development	547,060	122,264	-	-	(424,796)	-	(424,796)
Interest on long term debt	313,301	-	-	-	(313,301)	-	(313,301)
Total governmental activities	33,266,179	5,772,042	1,882,406	3,677,886	(21,933,845)	-	(21,933,845)
Business-type activities:							
Water	5,549,508	6,054,573	-	302,940	-	808,005	808,005
Sewer	5,729,314	3,328,550	-	38,975	-	(2,361,789)	(2,361,789)
Total business-type activities	11,278,822	9,383,123	-	341,915	-	(1,553,784)	(1,553,784)
Total primary government	\$ 44,545,001	\$ 15,155,165	\$ 1,882,406	\$ 4,019,801	(21,933,845)	(1,553,784)	(23,487,629)
General revenue:							
Property taxes levied for general purposes					19,057,468	-	19,057,468
Property taxes levied for debt service					1,500,000	-	1,500,000
Property taxes levied for TIF Districts					3,111,557	-	3,111,557
Other taxes					863,735	-	863,735
Intergovernmental revenue not restricted to specific programs					1,350,257	-	1,350,257
Investment earnings					315,376	437,909	753,285
Miscellaneous revenue					54,447	58,832	113,279
Gain on sale of capital assets					106,934	-	106,934
Transfers					305,112	(305,112)	-
Total general revenue and transfers					26,664,886	191,629	26,856,515
Change in net position					4,731,041	(1,362,155)	3,368,886
Net position - beginning					131,047,147	92,071,540	223,118,687
Restatement (See Note 4.F.)					-	22,451,460	22,451,460
Net position - beginning (restated)					131,047,147	114,523,000	245,570,147
Net position - ending					\$ 135,778,188	\$ 113,160,845	\$ 248,939,033

CITY OF FRANKLIN, WISCONSIN
Balance Sheet
Governmental Funds
As of December 31, 2016

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,945,947	\$ 619,492	\$ 3,156,715	\$ 12,024,645	\$ 21,746,799
Receivables (net):					
Accounts	730,900	-	-	191,937	922,837
Taxes	16,441,551	1,331,806	2,267,467	4,161,003	24,201,827
Special assessments	-	86,356	-	879,297	965,653
Due from other funds	60,974	-	-	-	60,974
Due from other governments	24,548	-	-	191,235	215,783
Prepaid items	26,055	-	-	1,274	27,329
Inventories	20,287	-	-	-	20,287
Advances to other funds	2,248,616	-	-	275,000	2,523,616
TOTAL ASSETS	\$ 25,498,878	\$ 2,037,654	\$ 5,424,182	\$ 17,724,391	\$ 50,685,105
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 498,871	\$ -	\$ 180	\$ 559,465	\$ 1,058,516
Accrued liabilities	672,619	-	-	98,655	771,274
Due to other funds	5,784	-	24,694	21,552	52,030
Due to other governments	97,861	-	-	896	98,757
Special deposits	98,629	-	-	-	98,629
Advance from other funds	-	-	600,000	-	600,000
Total liabilities	1,373,764	-	624,874	680,568	2,679,206
DEFERRED INFLOWS OF RESOURCES					
Subsequent year property taxes	16,434,430	1,300,000	2,267,467	4,001,886	24,003,783
Unavailable revenue	-	86,356	-	879,297	965,653
Total deferred inflows of resources	16,434,430	1,386,356	2,267,467	4,881,183	24,969,436
FUND BALANCES					
Nonspendable	2,294,958	-	-	1,274	2,296,232
Restricted	-	651,298	2,583,687	6,495,311	9,730,296
Assigned	61,626	-	-	5,684,525	5,746,151
Unassigned (deficit)	5,334,100	-	(51,846)	(18,470)	5,263,784
Total fund balances	7,690,684	651,298	2,531,841	12,162,640	23,036,463
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 25,498,878	\$ 2,037,654	\$ 5,424,182	\$ 17,724,391	\$ 50,685,105

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of December 31, 2016

Fund balances - total governmental funds	\$	23,036,463
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and are therefore are not reported in the funds		
Capital assets, net of depreciation		118,399,446
Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenues when earned in the government-wide statements		
Special assessments		965,653
Deferred outflows of resources related to pension are applicable to future periods and, therefore, are not reported in fund statements		
		8,371,580
Deferred inflows of resources related to pension are applicable to future periods and, therefore, are not reported in fund statements		
		(3,056,450)
Internal Service Fund net position		
		2,746,075
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due		
General obligation debt		(10,245,000)
Unamortized debt premiums		(260,403)
Compensated absences		(2,050,751)
Net pension obligation		(2,133,053)
Unamortized refunding costs		84,189
Accrued interest		(79,561)
		(14,584,528)
Net change in net position of governmental activities	\$	<u>135,778,188</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$ 17,161,004	\$ 1,500,000	\$ 3,111,557	\$ 2,760,200	\$ 24,532,761
Intergovernmental revenue	2,318,825	-	373,905	465,866	3,158,596
Licenses and permits	665,169	-	-	27,355	692,524
Fines, forfeitures and penalties	498,653	-	-	-	498,653
Public charges for services	1,452,601	-	-	2,589,914	4,042,515
Special assessments	-	50,583	-	853,564	904,147
Intergovernmental charges for services	194,806	-	-	-	194,806
Investment earnings	161,281	12,676	7,730	102,493	284,180
Miscellaneous revenue	182,016	-	-	299,927	481,943
Total revenue	<u>22,634,355</u>	<u>1,563,259</u>	<u>3,493,192</u>	<u>7,099,319</u>	<u>34,790,125</u>
EXPENDITURES					
Current					
General government	2,910,893	-	58,504	350	2,969,747
Public safety	15,787,827	-	-	25,527	15,813,354
Public works	3,745,146	-	17,352	1,540,268	5,302,766
Health and human services	646,870	-	-	119,238	766,108
Culture, recreation and education	179,933	-	-	1,530,245	1,710,178
Conservation and development	523,268	-	-	-	523,268
Capital Outlay	-	-	1,034,856	3,654,291	4,689,147
Debt Service					
Principal on current refunding	-	5,895,000	-	-	5,895,000
Principal	-	1,300,000	650,000	-	1,950,000
Interest	-	265,588	110,109	-	375,697
Debt issuance costs	-	53,789	-	-	53,789
Total expenditures	<u>23,793,937</u>	<u>7,514,377</u>	<u>1,870,821</u>	<u>6,869,919</u>	<u>40,049,054</u>
Excess (deficiency) of revenue over expenditures	<u>(1,159,582)</u>	<u>(5,951,118)</u>	<u>1,622,371</u>	<u>229,400</u>	<u>(5,258,929)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	126,585	126,585
Transfers in	1,050,382	170,931	113,515	1,524,536	2,859,364
Transfers out	(1,250,025)	-	(62,289)	(496,668)	(1,808,982)
Refunding debt issued	-	5,770,000	-	-	5,770,000
Premium on debt issued	-	154,202	-	-	154,202
Total other financing sources and uses	<u>(199,643)</u>	<u>6,095,133</u>	<u>51,226</u>	<u>1,154,453</u>	<u>7,101,169</u>
Net change in fund balances	(1,359,225)	144,015	1,673,597	1,383,853	1,842,240
Fund balances - beginning	<u>9,049,909</u>	<u>507,283</u>	<u>858,244</u>	<u>10,778,787</u>	<u>21,194,223</u>
Fund balances - ending	<u>\$ 7,690,684</u>	<u>\$ 651,298</u>	<u>\$ 2,531,841</u>	<u>\$ 12,162,640</u>	<u>\$ 23,036,463</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Reconciliation of the Statement of Revenue
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$ 1,842,240
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense or losses when disposed of.	
Capital outlay is reported as an expenditure in the fund statements but capitalized in the government-wide financial statements	4,689,147
Some items reported as capital outlay expenditures in the fund statements are operating expenses in the government-wide financial statements	(476,820)
Depreciation	(3,297,378)
Net book value of assets disposed	(1,023,191)
Contributed capital assets are reported as revenues in the statement of activities.	3,002,414
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net position.	
Principal paid on long-term debt	1,950,000
Principal paid on current refunding	5,895,000
Proceeds from long-term debt	(5,770,000)
Government funds report the effects of premiums, discounts and refunding losses when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	(93,731)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the government funds	
Compensated absences	(69,931)
OPEB asset	(146,420)
Pension obligation	(3,465,472)
Deferred outflows of resources related to pensions	5,649,593
Deferred inflows of resources related to pensions	(3,056,450)
Accrued interest payable	56,405
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	
Special assessments	(238,558)
Internal service fund change in net position	<u>(715,807)</u>
Net change in net position of governmental activities	<u>\$ 4,731,041</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with final budget - Excess (Deficiency)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Taxes	\$ 18,133,800	\$ 18,133,800	\$ 18,211,386	\$ 77,586
Intergovernmental revenue	2,321,200	2,321,200	2,318,825	(2,375)
Licenses and permits	847,350	847,350	665,169	(182,181)
Fines, forfeitures and penalties	440,000	450,000	498,653	48,653
Public charges for services	1,544,975	1,565,975	1,452,601	(113,374)
Intergovernmental charges for services	203,200	203,200	194,806	(8,394)
Investment earnings	205,200	205,200	161,281	(43,919)
Miscellaneous revenue	160,100	160,100	182,016	21,916
Total revenue	<u>23,855,825</u>	<u>23,886,825</u>	<u>23,684,737</u>	<u>(202,088)</u>
EXPENDITURES				
Current				
General government	3,166,630	3,126,970	2,887,296	239,674
Public safety	16,128,832	15,780,161	15,780,009	152
Public works	3,612,003	3,948,930	3,717,037	231,893
Health and human services	684,191	684,191	646,870	37,321
Culture and recreation	167,911	194,911	184,883	10,028
Conservation and development	579,858	608,152	492,347	115,805
Total expenditures	<u>24,339,425</u>	<u>24,343,315</u>	<u>23,708,442</u>	<u>634,873</u>
Excess (deficiency) of revenue over (under) expenditures	(483,600)	(456,490)	(23,705)	432,785
OTHER FINANCING USES				
Transfers out	(1,224,000)	(1,250,025)	(1,250,025)	-
Net change in fund balance - budgetary basis	(1,707,600)	(1,706,515)	(1,273,730)	432,785
Adjustments to generally accepted accounting principles basis				
2016 encumbrances	-	61,626	61,626	-
2015 encumbrances	-	(147,121)	(147,121)	-
Net change in fund balance - generally accepted accounting principles basis	(1,707,600)	(1,792,010)	(1,359,225)	432,785
Fund Balances - beginning	<u>9,049,909</u>	<u>9,049,909</u>	<u>9,049,909</u>	<u>-</u>
Fund Balances - ending	<u>\$ 7,342,309</u>	<u>\$ 7,257,899</u>	<u>\$ 7,690,684</u>	<u>\$ 432,785</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
 Statement of Net Position
 Proprietary Funds
 As of December 31, 2016
 (with comparative information for December 31, 2015)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	
	Current Year	Prior Year	Current Year	Prior Year	Current Year Totals
ASSETS					
Current assets					
Cash and investments	\$ 1,189,005	\$ 828,364	\$ 519,301	\$ -	\$ 1,708,306
Receivables					
Accounts	1,415,091	1,309,816	866,739	1,143,385	2,281,830
Taxes	183,461	167,052	121,939	124,633	305,400
Due from other funds	26,276	107,810	56,171	89,219	82,447
Due from other governments	-	-	3,940,408	380,582	3,940,408
Prepaid expenses	2,304	4,039	2,214	2,109	4,518
Advance to other funds	-	-	-	-	-
Total current assets	2,816,137	2,417,081	5,506,772	1,739,928	8,322,909
Noncurrent assets					
Restricted cash and investments	-	-	394,227	356,106	394,227
Due from other governments	-	-	20,014,692	24,931,318	20,014,692
Regulatory assets	303,391	434,057	-	-	303,391
OPEB asset	-	2,319	-	2,319	-
Capital assets					
Land	162,885	162,885	725,594	358,340	888,479
Buildings and improvements	3,384,279	3,369,172	3,292,878	3,277,771	6,677,157
Improvements other than buildings	55,420,201	54,568,851	78,725,671	54,380,957	134,145,872
Machinery and equipment	4,573,476	4,500,307	811,870	796,670	5,385,346
Construction in progress	-	21,389	-	19,095	-
Less accumulated depreciation	(18,128,361)	(17,147,492)	(18,484,127)	(14,223,919)	(36,612,488)
Total capital assets (net of accumulated depreciation)	45,412,480	45,475,112	65,071,886	44,608,914	110,484,366
Total noncurrent assets	45,715,871	45,911,488	85,480,805	69,898,657	131,196,676
Total assets	48,532,008	48,328,569	90,987,577	71,638,585	139,519,585
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	188,850	180,266	168,109	106,114	356,959

Continued

CITY OF FRANKLIN, WISCONSIN
Statement of Net Position
Proprietary Funds

As of December 31, 2016

(with comparative information for December 31, 2015)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
LIABILITIES							
Current liabilities							
Accounts payable	\$ 730,533	\$ 830,203	\$ 558,085	\$ 597,931	\$ 1,288,618	\$ 26,732	
Accrued liabilities	689	21,798	27,937	41,867	28,626	270,500	
Accrued interest payable	11,196	11,562	86,991	91,739	98,187	-	
Due to other funds	70,899	186,335	20,492	109,915	91,391	-	
Current portion of long-term obligations	91,219	86,849	1,221,754	1,188,896	1,312,973	-	
Total current liabilities	904,536	1,136,747	1,915,259	2,030,348	2,819,795	297,232	
Noncurrent liabilities							
Long-term advances	-	-	2,198,616	2,198,616	2,198,616	-	
Pension obligation	202,705	244,572	180,443	133,402	383,148	-	
General obligation notes payable	1,077,247	1,167,320	19,978,474	21,200,228	21,055,721	-	
Accrued compensated absences	74,066	35,380	74,067	35,381	148,133	-	
Total noncurrent liabilities	1,354,018	1,447,272	20,232,984	21,369,011	21,587,002	-	
Total liabilities	2,258,554	2,584,019	24,346,859	25,597,975	26,605,413	297,232	
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	58,347	-	51,939	-	110,286	-	
NET POSITION							
Net investment in capital assets	44,244,014	44,252,792	43,871,658	44,608,914	88,115,672	-	
Restricted	-	-	21,594,455	356,106	21,594,455	-	
Unrestricted	2,159,943	1,672,024	1,290,775	1,181,704	3,450,718	2,746,075	
Total net position	\$ 46,403,957	\$ 45,924,816	\$ 66,756,888	\$ 46,146,724	\$ 113,160,845	\$ 2,746,075	

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016
(with comparative information for December 31, 2015)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	
	Current Year	Prior Year	Current Year	Prior Year	Current Year Totals
OPERATING REVENUE					
Metered sales					
Residential	\$ 3,040,247	\$ 2,822,150	\$ 1,789,296	\$ 1,871,113	\$ 4,829,543
Multi-Family	717,806	663,537	457,801	424,760	1,175,607
Commercial	819,012	777,816	487,248	467,975	1,306,260
Industrial	467,973	392,069	406,631	406,203	874,604
Public authority	270,342	250,751	151,190	133,395	421,532
Total metered sales	5,315,380	4,906,323	3,292,166	3,303,446	8,607,546
Group health & dental charges	-	-	-	-	3,055,459
Unmetered sales	27,284	11,385	-	-	27,284
Public fire protection service	534,028	517,722	-	-	534,028
Private fire protection service	122,290	121,055	-	-	122,290
Forfeited discounts, penalties and other	55,591	53,443	36,384	36,936	91,975
Total operating revenue	6,054,573	5,609,928	3,328,550	3,340,382	9,383,123
OPERATING EXPENSES					
Cost of sales and services	3,609,058	3,621,471	2,240,685	2,678,872	5,849,743
Depreciation	1,214,163	1,189,963	2,123,035	692,909	3,337,198
Amortization	130,666	367,551	-	-	130,666
Administration	560,354	576,166	834,149	216,935	1,394,503
Total operating expenses	5,514,241	5,755,151	5,197,869	3,588,716	10,712,110
Operating income (loss)	540,332	(145,223)	(1,869,319)	(248,334)	(1,328,987)
NONOPERATING REVENUE (EXPENSES)					
Investment earnings	2,589	3,368	435,320	589,760	437,909
Sundry	56,317	67,475	2,515	6,126	58,832
Interest expense	(35,267)	(10,937)	(531,445)	(559,704)	(566,712)
Total non-operating revenue (expenses)	23,639	59,906	(93,610)	36,182	(69,971)
Income (loss) before contributions and transfers	563,971	(85,317)	(1,962,929)	(212,152)	(1,398,958)
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	962,223	541,420	124,962	24,831	1,087,185
Transfers out	(1,047,053)	(1,041,040)	(3,329)	(3,419)	(1,050,382)
Change in net position	479,141	(584,937)	(1,841,296)	(190,740)	(1,362,155)
Net position - beginning	45,924,816	46,541,606	46,146,724	46,354,839	92,071,540
Restatement (See Note 4.F.)	-	(31,853)	22,451,460	(17,375)	22,451,460
Net position - beginning (restated)	45,924,816	46,509,753	68,598,184	46,337,464	114,523,000
Net position - ending	\$ 46,403,957	\$ 45,924,816	\$ 66,756,888	\$ 46,146,724	\$ 113,160,845

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2016
(with comparative information for December 31, 2015)

	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		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 5,794,402	\$ 5,397,656	\$ 3,640,557	\$ 3,382,616	\$ 9,434,959	\$ 3,055,651	
Receipts for interfund services provided	276,338	273,986	2,897	-	279,235	-	
Payments to suppliers	(3,649,633)	(3,580,074)	(2,627,146)	(2,534,518)	(6,276,779)	(3,869,573)	
Payments to employees	(629,943)	(616,922)	(436,869)	(403,655)	(1,066,812)	-	
Payments for interfund services used	(107,284)	(96,600)	(107,982)	(96,600)	(215,246)	-	
Net cash flows provided by (used in) operating activities	1,683,900	1,378,046	471,457	347,843	2,155,357	(813,922)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Advances from other funds	-	-	-	-	-	813,000	
Transfer out - paid for tax equivalent	(1,047,053)	(1,041,040)	(3,329)	(3,419)	(1,050,382)	-	
Net cash provided by (used in) noncapital financing activities	(1,047,053)	(1,041,040)	(3,329)	(3,419)	(1,050,382)	813,000	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds on disposal of asset	-	86,741	-	-	-	-	
Payments on debt	(55,000)	(55,000)	(1,157,048)	(1,129,246)	(1,212,048)	-	
Payments from other governments	-	-	1,356,800	744,031	1,356,800	-	
Interest on debt	(34,487)	-	(536,193)	(564,338)	(570,680)	-	
Capital contribution received	38,975	-	38,975	-	77,950	-	
Acquisition of capital assets	(228,283)	(1,947,556)	(48,560)	(1,774,183)	(276,843)	-	
Net cash provided by (used in) capital and related financing activities	(278,795)	(1,915,815)	(346,026)	(2,723,736)	(624,821)	-	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment earnings	2,589	3,368	435,320	589,760	437,909	31,196	
Net increase (decrease) in cash and cash equivalents	360,641	(1,575,441)	557,422	(1,789,552)	918,063	30,274	
Cash and cash equivalents - Beginning	828,364	2,403,805	356,106	2,145,658	1,184,470	2,587,068	
Cash and cash equivalents - Ending	\$ 1,189,005	\$ 828,364	\$ 913,528	\$ 356,106	\$ 2,102,533	\$ 2,617,342	
Cash and Investments - Unrestricted	\$ 1,189,005	\$ 828,364	\$ 519,301	\$ -	\$ 1,708,306	\$ 2,617,342	
Cash and Investments - Restricted	-	-	394,227	356,106	394,227	-	
Cash and Investments - Restricted	\$ 1,189,005	\$ 828,364	\$ 913,528	\$ 356,106	\$ 2,102,533	\$ 2,617,342	

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2016
(with comparative information for December 31, 2015)

	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	Current Year Totals	
Reconciliation of operating income (loss) to net cash provided by operating activities							
Operating income (loss)	\$ 540,332	\$ (145,223)	\$ (1,869,319)	\$ (248,334)	\$ (1,328,987)	\$ (747,003)	
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities							
Depreciation	1,214,163	1,189,963	2,123,035	692,909	3,337,198	-	-
Depreciation allocated to other funds	12,363	12,435	(12,363)	(12,435)	-	-	-
Amortization	130,666	367,551	-	-	130,666	-	-
Nonoperating revenues	56,317	67,475	2,515	6,126	58,832	-	-
(Increase) decrease in assets							
Accounts receivable	(105,275)	(28,586)	276,646	46,327	171,371	192	-
Taxes receivable	(16,409)	22,825	2,694	(14,328)	(13,715)	-	-
Prepaid expense	1,735	(4,039)	(105)	(2,109)	1,630	(93,465)	-
Due from other funds	81,534	(86,891)	45,411	(15,687)	126,945	-	-
Due from other governments	-	-	-	4,109	-	-	-
OPEB asset	2,319	(2,319)	2,319	(2,319)	4,638	-	-
Pension deferrals	(8,584)	(180,266)	(61,995)	(106,114)	(70,579)	-	-
Increase (decrease) in liabilities							
Accounts payable	(99,670)	19,274	(39,846)	(241,748)	(139,516)	26,354	-
Accrued liabilities	17,577	(193,473)	24,756	19,794	42,333	-	-
Due to other funds	(127,799)	120,781	(89,423)	99,705	(217,222)	-	-
Customer deposits	-	(100)	-	-	-	-	-
Pension obligations	16,480	212,719	98,981	116,027	115,461	-	-
Compensated absences	(31,849)	5,920	(31,849)	5,920	(63,698)	-	-
Total adjustments	1,143,568	1,523,269	2,340,776	596,177	3,484,344	(66,919)	-
Net cash flows provided by (used in) operating activities	\$ 1,683,900	\$ 1,378,046	\$ 471,457	\$ 347,843	\$ 2,155,357	\$ (813,922)	\$ -
Noncash Capital Activities							
Cost of Utility plant installed and/or financed by external parties or the City	\$ 923,248	\$ 541,420	\$ 85,987	\$ 24,831	\$ 1,009,235	\$ -	\$ -
Amortization on discount	\$ (1,147)	\$ (826)	\$ -	\$ -	\$ (1,147)	\$ -	\$ -

See accompanying notes to the financial statements.

CITY OF FRANKLIN, WISCONSIN
Statement of Fiduciary Net Position
Fiduciary Funds
As of December 31, 2016

	Agency Funds	City of Franklin Post Employment Benefits Trust
ASSETS		
Cash	\$ 56,633,892	\$ 663,296
Investments:		
Fixed Income Securities - Corporate Bonds	-	1,024,272
Domestic Equities	-	2,842,010
International Equities	-	442,930
Total Cash & Investments	56,633,892	4,972,508
Accounts receivable	67,673	-
Taxes receivable	15,012,442	-
Prepaid expense	-	10,653
Total assets	\$ 71,714,007	\$ 4,983,161
LIABILITIES		
Accounts payable	\$ 263,859	\$ 52,325
Accrued liabilities	-	45,000
Due to other governments	71,438,790	-
Special deposits	11,358	-
Total liabilities	\$ 71,714,007	97,325
Total net position restricted for post employment benefits		\$ 4,885,836

See accompanying notes to the financial statements

CITY OF FRANKLIN, WISCONSIN
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2016

	City of Franklin Post Employment Benefits Trust
ADDITIONS	
Contributions:	
City of Franklin	\$ 191,757
Retirees	84,137
Net investment earnings	461,669
Total additions	737,563
DEDUCTIONS	
Incurred claims	174,425
Prescription drug claims	95,165
Claims fees	16,840
Stop loss premiums less claims received	83,282
Total deductions	369,712
Change in net position	367,851
NET POSITION HELD IN TRUST FOR POST EMPLOYMENT BENEFITS:	
Beginning of year	4,517,985
End of year	\$ 4,885,836

See accompanying notes to the financial statements

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for certain Tax Incremental Districts (TID) development within the City. The Authority is governed by a seven member board appointed by the Mayor and confirmed by the Common Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and manage certain TID development projects for the benefit of the City. The Authority had no financial transactions during 2016, nor does the Authority own any assets or liable for any debt. Therefore, no financial statements are presented in this report. The Authority does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued statement No. 72 - *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

Government-Wide Financial Statements

The statement of net position (Exhibit A) and statement of activities (Exhibit B) display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services provided.

The statement of activities demonstrates the degree that direct expenses of a given segment or function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate all indirect expenses to functions in the statement of activities. Program revenue includes 1) charges to customers or applicants, who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported as general revenue. Internally dedicated resources are reported as general revenue rather than as program revenue.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds with a fund considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenue and expenditures/expenses.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the City of Franklin's (the "City") 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. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit 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 or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government. The City has not identified any component units required to be discretely presented.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenue, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is important to financial statement users may be reported as a major fund.

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

Major Governmental Funds

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

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

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

Major Enterprise Funds

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Major Enterprise Funds (continued)

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.

In addition the City reports:

Nonmajor Governmental Funds

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

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

Other Fund Types

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

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

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

Government-Wide Financial Statements

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (continued)

Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. 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. At December 31, 2016, there were \$481,833 of anticipated future assessments. This is not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

Fund Financial Statements

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

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

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

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

Proprietary funds distinguish operating revenue and expenses from 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 Sewerage District and local operation and maintenance expenses. The principal operating revenue of the internal service fund is charges to other funds for group health coverage.

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

All Financial Statements

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

1. Cash and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The City of Franklin maintains two investment policies. The first covers all funds except fiduciary funds for retiree health purposes. The objective of this policy is to generate current income, consistent with safety and reasonable risk as defined under prudent person rules. As operating reserves, the quality, liquidity and maturity structure of the portfolio are most important. The investment policy:

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

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

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

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

1. Cash and Investments (continued)

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 3.A. 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 (loss). Investment income (loss) on commingled investments of various City Funds is allocated based on average investment balances.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2016, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

3. Inventories and Prepaid Items

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

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

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

4. Restricted Assets

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

5. Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

2. Receivables

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

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	March 31, 2017
Third installment due	May 31, 2017
Personal property taxes in full	January 31, 2017
Final tax settlement with County	August 20, 2017
Tax deed by County – 2017	
Delinquent real estate taxes	October 2019

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

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

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

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

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

6. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$10,000 for infrastructure assets with estimated useful lives of two years or more. Capital assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at estimated fair value at the date of donation. Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant.

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

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

Buildings and improvements	5-50 Years
Machinery and equipment	2-30 Years
Water and sewer infrastructure	20-100 Years
Infrastructure	20-90 Years

Fund Financial Statements

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

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

7. Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time. A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

In governmental funds, property taxes receivable, special assessments and interest revenue not yet due are not recognized as revenue in the current period. For the government-wide and proprietary fund type financial statements, special assessments and interest revenue are recognized as revenue in the current period. This leaves property tax receivable as a deferred inflow of resources in the statement of net position.

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

8. Compensated Absences

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

9. Long-term Obligations/Conduit Debt

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

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the interest rate method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

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. Five series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$13,075,000 are outstanding with a December 31, 2016 balance of \$7,814,653.

10. Claims and Judgments

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

11. Equity Classifications

Government-Wide Statements

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

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

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 110,638,152	\$ 88,115,672	\$ (419,370)	\$ 198,334,454
Unrestricted	14,522,376	3,450,718	419,370	18,392,464

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

12. Comparative Data

11. Equity Classifications (continued)

Fund Statements

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The City does not report any committed fund balance.

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

When committed, assigned and unassigned resources are available for use, it is the City's policy to use committed resources first, then assigned resources and then unassigned resources, as they are needed.

The City has adopted a fund balance policy (Res. 2016-7216) for all governmental funds supported by tax levy as follows: the ratio of year end fund balance to current year Expenditures shall target a range between 20 and 30%. The amount of Fund Balance will be taken into consideration when establishing the following year's budget. At least 15% of the succeeding year expenditure budget be maintained for working capital. Any non-spendable fund balance of the General Fund shall be excluded from the ratio. As of the year ended December 31, 2016, the City was in compliance with the fund balance policy.

11. Equity Classifications (continued)

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, 2015 from which the data was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

A budget has been adopted for the General, Debt Service, TID #3, TID #4, Library Operating, Library Auxiliary, Solid Waste Collection, Civic Celebrations, St. Martin's Fair, Donations, Grant, Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Utility Improvement, Development, Sanitary Sewer and Water Utility funds. A budget has not been formally adopted for TID #5 fund.

The budget amounts presented include any amendments made during the year. The City may authorize transfers of budget amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds vote of the Common Council. Supplemental appropriations during the year were not significant. Appropriations lapse at the end of the year unless specifically carried over. Carryovers to the following year amounted to approximately \$2.6 million. Budgets are adopted for personnel and non-personnel expenditures at the function level.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 3 - 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 per financial institution. However, although the fund had reserves available at December 31, 2016, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 35 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

The City maintains a collateral arrangement with its main bank to provide collateralization in excess of deposits maintained at the bank. The collateral is maintained in the form of a letter of credit from the Federal Home Loan Bank of Cincinnati in the amount of \$20,000,000.

Cash and investments as shown on the December 31, 2016 statement of net position are subject to the following risks:

	Carrying Value	Bank & Investment Balances	Risks
Local Government Investment Pool	\$ 3,538,326	\$ 3,538,326	Credit
Money market funds	704,274	704,274	Custodial credit
Certificates of deposit	245,000	245,000	Custodial credit
U.S. agencies	15,037,838	15,037,838	Credit, custodial credit, interest rate and concentration of credit
Municipal bonds	1,027,420	1,027,420	Credit, custodial credit, interest rate and concentration of credit
Corporate notes	4,518,160	4,518,160	Credit, custodial credit, interest rate and concentration of credit
Total fixed income investments	25,072,018	25,072,018	
Equity funds	3,284,940	3,284,940	Custodial credit
Fixed income funds	1,024,272	1,024,272	Credit and interest rate
Cash and demand deposits	58,691,844	46,055,020	Custodial credit
Total	\$ 88,073,074	\$ 75,436,250	

Reconciliation to the financial statements is shown below:

Per Statement of Net Position	
Primary Government:	
Unrestricted cash and investments	\$ 26,072,447
Restricted cash and investments	394,227
Per Statement of Fiduciary Net Position - Fiduciary Funds	
Agency Fund	56,633,892
City of Franklin Post Employment Benefits Trust	4,972,508
	<u>\$ 88,073,074</u>

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law 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 zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety). For the year ended December 31, 2016 the following fund functions had expenditures exceeding budget:

Fund/Function	Budget Expenditures	Actual Expenditures	Excess Expenditures Over Budget
TIF Districts			
Transfers out	\$ -	\$ 62,289	\$ 62,289
Civic Celebration			
Culture, recreation, and education	102,789	142,353	39,564
Donation			
General government	-	350	350
Health and human services	600	716	116
Capital Improvement			
Transfers out	-	113,515	113,515

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

As of December 31, 2016, the City's investments exposed to interest rate risk were as follows:

Investment type	Fair Value	Investment Maturity in years			
		Less than 1	2 - 3	4 - 5	6 - 7
U.S. treasuries and agencies	\$ 15,037,838	\$ 3,502,981	\$ 5,065,623	\$ 6,469,234	\$ -
Municipal bonds	1,027,420	-	1,027,420	-	-
Corporate notes	4,518,160	2,500,598	2,017,562	-	-
Fixed income funds	1,024,272	171,271	473,681	170,019	209,301
Total	\$ 21,607,690	\$ 6,174,850	\$ 8,584,286	\$ 6,639,253	\$ 209,301

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:
Market approach – prices or other information from market transactions involving identical or similar assets.

Investment Type	As of December 31, 2016:			
	Level 1	Level 2	Level 3	Total
US treasuries & agencies	\$ -	\$ 15,037,838	\$ -	\$ 15,037,838
Municipal Bonds	-	1,027,420	-	1,027,420
Corporate notes	-	4,518,160	-	4,518,160
Total	-	20,583,418	-	20,583,418
Equity Funds	3,284,940	-	-	3,284,940
Fixed Income Funds	1,024,272	-	-	1,024,272
Total	\$ 4,309,212	\$ 20,583,418	\$ -	\$ 24,892,630

B. RECEIVABLES

Receivables consist of accounts, taxes, notes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and ambulance revenue, was \$67,940 at December 31, 2016. Other than the special assessment receivables, all other receivables are expected to be collected within one year.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - 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, 2016, none of the City's total bank balances of \$46,055,020 were uninsured and uncollateralized and therefore exposed to custodial credit risk. For investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. All of the City's investments have a tri-party relationship with the investments held by a party independent of the party managing the investment.

Credit Risk Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. The City's policy requires a minimum credit rating of Aa3 at time of purchase. The City's fixed income investments subject to credit risk include agencies securities, corporate asset backed securities, corporate bonds, government repurchase agreements and money market funds and were rated by Moody's Investor Service.

As of December 31, 2016, 73.1% of the fixed income investments were in rated fixed income investments and subject to credit risk. The ratings as a percentage of the total investment portfolio were as follows: Aaa at 6.9%, Aa1 at 3.5%, and Aa3 at 8.6%. The portfolio makeup of fixed income investments was treasury and agency securities at 51.6%, corporate securities at 15.6%, Municipal Bonds at 3.5%, Local Government Investment Pool at 12.1% and money market funds at 2.4%. The Local Government Investment Pool is not rated. Equities and fixed income mutual funds held in trust at 14.8% make up the remainder of the investments and are not individually rated.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to a large investment position in a single issuer. As of December 31, 2016 no issuer other than U.S. Treasury and Agency securities that have the full faith guarantee of the U.S. government had a position of greater than ten percent of the portfolio.

Interest Rate Risk Interest rate risk is the risk that rising interest rates will have an adverse impact on the fair value of the investments in the portfolio. The longer the maturities in the portfolio the greater the risk of loss is in portfolio value.

The portfolio policy limits this risk by limiting the length of permitted investments and limits the purchase of investments highly sensitive to market changes.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

Governmental funds report unavailable or unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Governmental funds:			
Subsequent year property taxes	\$ -	\$ 24,003,783	\$ 24,003,783
Special assessments not yet due	965,653	-	965,653
Total deferred inflows of resources for governmental funds	<u>\$ 965,653</u>	<u>\$ 24,003,783</u>	<u>\$ 24,969,436</u>

C. DUE FROM OTHER GOVERNMENTS

In 2011, the City entered into an intergovernmental cooperation agreement with another government for the construction and financing of the Ryan Creek Interceptor Sewer. The terms of this agreement include that the other government will reimburse the City for substantially all of the debt service costs resulting from the City taking on a State Clean Water Fund Loan. Those reimbursements will continue over the life of the loan, ending in 2031. This is presented as due from other governments in the statement of net position. Annual principal and interest payments to maturity received as part of this agreement are as follows:

Year Ending December 31	Business-type Activities	
	Principal	Interest
2017	\$ 3,658,571	\$ 507,356
2018	1,214,723	477,809
2019	1,244,629	447,534
2020	1,275,272	416,514
2021	1,306,669	384,731
2022-26	7,032,035	1,418,823
2027-31	7,941,365	498,299
Total	<u>\$ 23,673,264</u>	<u>\$ 4,151,066</u>

D. RESTRICTED ASSETS

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge is accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2016 is \$394,227.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated:				
Land	\$ 25,268,691	\$ 358,600	\$ 1,003,540	\$ 24,623,751
Construction in progress	1,180,903	1,693,420	1,854,398	1,019,925
Total capital assets not depreciated	26,449,594	2,052,020	2,857,938	25,643,676
Capital assets depreciated:				
Buildings & improvements	24,880,902	1,889,230	-	26,770,132
Machinery & equipment	18,137,992	1,253,044	1,466,631	17,924,405
Infrastructure	95,141,359	3,874,845	597,055	98,419,149
Total capital assets depreciated	138,160,253	7,017,119	2,063,686	143,113,686
Less: Accumulated depreciation for:				
Buildings & improvements	9,592,251	684,181	-	10,276,432
Machinery & equipment	11,325,850	967,830	1,446,980	10,846,700
Infrastructure	28,186,472	1,645,367	597,055	29,234,784
Total accumulated depreciation	49,104,573	3,297,378	2,044,035	50,357,916
Net capital assets depreciated	89,055,680	3,719,741	19,651	92,755,770
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 115,505,274</u>	<u>\$ 5,771,761</u>	<u>\$ 2,877,589</u>	<u>\$ 118,399,446</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	\$
General government	223,641
Public safety	703,447
Public works	1,975,535
Health & human services	4,931
Culture & recreation	388,325
Conservation & development	1,499
Total governmental activities depreciation expense	<u>\$ 3,297,378</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

E. CAPITAL ASSETS (continued)

	Restated Beginning Balance	Additions	Dispositions	Transfers	Ending Balance
Business-type Activities					
Capital Assets not depreciated:					
Land	\$ 888,479	\$ -	\$ -	\$ -	\$ 888,479
Construction in progress	40,484	48,467	-	(88,951)	-
Total capital assets not depreciated	928,963	48,467	-	(88,951)	888,479
Capital assets depreciated:					
Buildings & improvements	6,646,943	-	-	30,214	6,677,157
Machinery & equipment	5,296,978	88,368	-	-	5,385,346
Infrastructure	133,171,187	1,243,967	328,019	58,737	134,145,872
Total capital assets depreciated	145,115,108	1,332,335	328,019	88,951	146,208,375
Less: Accumulated depreciation for:					
Buildings & improvements	1,301,494	208,675	-	-	1,510,169
Machinery & equipment	3,499,684	234,131	139,526	-	3,594,289
Infrastructure	28,707,407	2,894,392	93,769	-	31,508,030
Total accumulated depreciation	33,508,585	3,337,198	233,295	-	36,612,488
Net capital assets depreciated	111,606,523	(2,004,863)	94,724	88,951	109,595,887
Business-type Activities Capital Assets,					
Net of Accumulated Depreciation	\$ 112,535,486	\$ (1,956,396)	\$ 94,724	\$ -	\$ 110,484,366

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 1,214,163
Sewer	2,123,035
	<u>\$ 3,337,198</u>

Opening Business-type activity balances were restated to reflect the prior period adjustment for the Ryan Creek Interceptor Sanitary Sewer. Land values were increased by \$367,254 and infrastructure was increased \$24,221,380, while accumulated depreciation for infrastructure was increased \$2,137,174 reflecting prior period depreciation. Refer to Note 4.F. for additional information.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

F. LEASE DISCLOSURES

OPERATING LEASES

The City has entered into several lease agreements with telecommunications companies, wherein the City has agreed to allow the use of water utility property for the purpose of telecommunication relays. Revenue from this activity totaled \$102,614 for the year ended December 31, 2016. Future minimum lease payments receivable in conjunction with the leases are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities		Total
2017	\$	53,033	\$	53,003	\$ 106,036
2018		55,892		55,892	111,784
2019		43,218		43,218	86,436
2020		20,778		20,778	41,556
2021		1,913		1,913	3,826

G. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund receivables/payables result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. In all cases amounts are repaid within one year. For the statement of net position, interfund balances owed within the governmental activities or business - type activities are netted and eliminated.

The interfund receivables and payables at December 31, 2016 are as follows:

Payable Fund	General	Receivable Fund		
		Water Utility	Sanitary Sewer	Total
General	\$ -	\$ 5,784	\$ -	\$ 5,784
TIF Districts	24,694	-	-	24,694
Non-Major	21,552	-	-	21,552
Water Utility	14,728	-	56,171	70,899
Sanitary Sewer	-	20,492	-	20,492
Totals	\$ 60,974	\$ 26,276	\$ 56,171	\$ 143,421

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (continued)

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 TIF Districts to carry out approved project plans. The TIF Districts interest rate is based upon the interest rate incurred by the Debt Service Fund on its borrowings or the reinvestment rate available to other funds. The advances will be repaid as the TIF District resources are available.

Payable Fund	Receivable Fund		Total	Due within one year
	General	Internal Development Service		
TIF Districts	\$ 50,000	\$ 275,000	\$ 600,000	\$ 500,000
Sanitary Sewer	2,198,616	-	2,198,616	2,198,616
	<u>\$ 2,248,616</u>	<u>\$ 275,000</u>	<u>\$ 2,798,616</u>	<u>\$ 2,698,616</u>

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 as presented on the fund financial statements during the year ended December 31, 2016 were as follows:

Transfers In	General Fund	TIF Districts	Transfers Out	
			Nonmajor Governmental Funds	Enterprise Funds
Debt Service Fund	-	-	-	\$ 1,050,382
TIF Districts	-	-	170,931	170,931
Nonmajor Governmental Funds	1,250,025	62,289	113,515	113,515
Total	<u>\$ 1,250,025</u>	<u>\$ 62,289</u>	<u>\$ 498,668</u>	<u>\$ 2,859,364</u>

Current year transfers into the debt service fund from nonmajor governmental funds were completed for principal and interest payments. Transfers from the enterprise funds to the general fund were for tax-equivalent payments. All other transfers were completed for general operational purposes and capital activities.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

G. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (continued)

Transfers (continued)

A reconciliation of fund statement transfers to government wide transfers for the year ended December 31, 2016 is as follows:

	Governmental Funds	Enterprise Funds
Transfers in per fund statements	\$ 2,859,364	\$ -
Transfers out per fund statements	(1,808,982)	(1,050,382)
Municipality financed additions to Utility plant	(745,270)	745,270
Government Wide Transfers	<u>\$ 305,112</u>	<u>\$ (305,112)</u>

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

H. LONG TERM OBLIGATIONS

General Obligation Debt

Long-term liabilities for the year ended December 31, 2016 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 12,320,000	\$ 5,770,000	\$ 7,845,000	\$ 10,245,000	\$ 3,030,000
Premium	203,902	154,202	97,701	260,403	-
Sub-total	<u>12,523,902</u>	<u>5,924,202</u>	<u>7,942,701</u>	<u>10,505,403</u>	<u>3,030,000</u>
Compensated absences	440,276	1,000,969	990,065	451,180	451,180
Accrued vacation pay	1,318,330	115,071	30,294	1,403,107	109,964
Accrued severance pay	222,214	237,876	263,626	196,464	196,464
Accrued compensatory time	1,980,820	1,353,916	1,283,985	2,050,751	757,608
Total compensated absences	(2,066,135)	3,410,631	-	1,344,496	-
Pension obligation (asset) - WRS	733,716	54,841	-	788,557	-
Pension obligation - City of Franklin Defined Benefit Retirement Plan	(1,332,419)	3,465,472	-	2,133,053	-
Total pension obligations					
Governmental activities	\$ 13,172,303	\$ 10,743,590	\$ 9,226,686	\$ 14,689,207	\$ 3,787,608
Long-term liabilities					

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Business-type Activities					
General obligation debt	\$ 23,592,277	\$ -	\$ 1,212,049	\$ 22,380,228	\$ 1,240,535
Discount	(12,681)	-	(1,147)	(11,534)	-
Subtotal	23,579,596	-	1,210,902	22,368,694	1,240,535
Compensated absences	42,179	42,377	39,623	44,933	44,932
Accrued vacation pay	70,760	4,934	-	75,694	-
Accrued compensatory time	21,519	13,311	7,324	27,506	27,506
Total compensated absences	134,458	60,622	46,947	148,133	72,438
Pension obligation - City of Franklin Defined Benefit Retirement Plan	377,974	5,174	-	383,148	-
Business-type activities					
Long-term liabilities	\$ 24,092,028	\$ 65,796	\$ 1,257,849	\$ 22,899,975	\$ 1,312,973

On April 20, 2016, the City issued \$5,770,000 of general obligation refunding bonds with an average coupon rate of 2% to refund \$5,895,000 of outstanding general obligation refunding bonds issued in 2007 with an average coupon rate of 3.8%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$1,378,985 from January 1, 2016 to May 12, 2016. The cash flow requirements on the refunding bonds was \$41,993 from May 12, 2016 through December 31, 2016. The current refunding resulted in an economic gain of \$389,894.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

H. LONG TERM OBLIGATIONS (continued)

Details of general obligation notes and bonds payable as of December 31, 2016 are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance Outstanding 12/31
General obligation Refunding Bonds	4/20/2016	2.0%	3/1/17-21	3/1 & 9/1	\$ 5,770,000	\$ 5,770,000
General obligation promissory notes	12/18/14	2.0% - 2.5%	3/1/15-24	3/1 & 9/1	5,320,000	4,475,000 ¹
Total Governmental Activities Debt						<u>\$ 10,245,000</u>
Business-type Activity Debt						
General obligation Clean Water Fund Loan	1/25/12	2.46%	5/1/14-31	5/1 & 11/1	27,562,754	\$ 21,200,228 ²
General obligation Bonds	12/18/14	2.0% - 3.125%	3/1/15-34	3/1 & 9/1	1,290,000	1,180,000 ³
Total Business-type Activities Debt						<u>\$ 22,380,228</u>

¹ Issued 63% for capital TIF purposes and 37% for general capital purposes, ² Issued for a sewer extension on W Ryan Rd, ³ Issued for water building purposes.

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 3,030,000	\$ 199,288	\$ 1,240,535	\$ 540,393
2018	2,315,000	131,038	1,269,723	509,746
2019	1,340,000	88,788	1,299,629	478,371
2020	1,275,000	62,413	1,330,272	446,251
2021	1,295,000	36,263	1,366,669	413,018
2022-26	990,000	35,219	7,342,035	1,532,961
2027-31	-	-	8,296,365	562,815
2032-34	-	-	235,000	11,172
Total	\$ 10,245,000	\$ 553,009	\$ 22,380,228	\$ 4,494,727

The City's statutory debt limit and margin of indebtedness at December 31, 2016 are \$186,450,155 and \$153,824,927, respectively. By City debt policy, the debt limit and margin of indebtedness limit are \$74,580,062 (40% of the limit prescribed by law) and \$41,954,834, respectively.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES

Governmental Activities

Governmental activities net position reported on the government-wide statement of net position at December 31, 2016 include the following:

Net investment in capital assets	\$ 24,623,751
Land	1,019,925
Construction in process	92,755,770
Other capital assets, net of accumulated depreciation	(7,761,294)
Less: related long term debt outstanding, net of unspent bond proceeds	<u>110,638,152</u>
Net investment in capital assets	<u>110,638,152</u>
Restricted for:	
Debt service	658,091
Utility improvement	2,103,487
Development	4,058,562
TIF Districts	2,583,687
Library	495,660
Solid waste	330,883
Recreation services	48,386
Health	161,571
Donations	177,333
Total restricted	<u>10,617,660</u>
Unrestricted	<u>14,522,376</u>
Total governmental activities net position	<u>\$ 135,778,188</u>

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Governmental Fund Balances

Reported on the fund financial statements at December 31, 2016 include the following:

General Fund - advances	\$ 2,248,616
General Fund - prepaid items and inventory	46,342
Library Fund - prepaid items	1,274
Total nonspendable	<u>\$ 2,296,232</u>
Restricted fund balances	
Debt service	\$ 651,298
Utility improvements	1,224,190
Development	4,058,562
TIF Districts	2,583,687
Donations	177,333
Health services	161,571
Library services	494,386
Solid waste	330,883
Recreational services	48,386
Total restricted	<u>\$ 9,730,296</u>
Assigned Fund balances:	
General Fund - purchase on order	\$ 61,626
Capital Projects:	
Capital outlay	338,922
Equipment replacement	2,371,003
Capital improvement	2,717,272
Street improvement	257,328
Total assigned fund balances	<u>\$ 5,746,151</u>
Unassigned fund balances	
General Fund	\$ 5,334,100
TIF Districts (Deficit)	(51,846)
St Martin's Fair (Deficit)	(18,470)
Total unassigned fund balances	<u>\$ 5,263,784</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (continued)

I. NET POSITION/FUND BALANCES (continued)

Business-type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2016 include the following:

Net investment in capital assets	\$ 888,479
Land	109,595,887
Other capital assets, net of accumulated depreciation	(22,368,694)
Less: related long term debt outstanding	88,115,672
Net investment in capital assets	<u>394,227</u>
Restricted for:	
Sewer equipment replacement	21,200,228
Intergovernmental cooperation agreement	21,594,455
Total Restricted	<u>3,450,718</u>
Unrestricted	<u>\$ 113,160,845</u>
Total business-type activities net position	

NOTE 4 - OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System (Protective Occupation Employees only)

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://ef.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or 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, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

General Information about the Pension Plan (continued)

Benefits provided. Employees who retire at or after age 54 for protective occupation employees are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 50 for protective occupation employees and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund		Variable Fund Adjustment
	Adjustment	Adjustment	
2006	0.8%		3%
2007	3.0		10
2008	6.6		0
2009	(2.1)		(42)
2010	(1.3)		22
2011	(1.2)		11
2012	(7.0)		(7)
2013	(9.6)		9
2014	4.7		25
2015	2.9		2

NOTE 4 - OTHER INFORMATION (continued)

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

General Information about the Pension Plan (continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$803,686 in contributions from the employer.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
Protective with Social Security	6.6%	9.4%

At December 31, 2016, the City reported a liability of \$1,344,496, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.082739220%, which was a decrease of 0.001377480%, from its proportion measured as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$1,616,977, which includes amounts paid to WRS related to duty disability payments.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 227,451	\$ 2,829,469
Changes in assumptions	940,668	-
Net differences between projected and actual earnings on pension plan investments	5,504,752	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,912	-
Employer contributions subsequent to the measurement date	869,137	-
Total	\$ 7,636,920	\$ 2,829,469

The \$869,137 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the pension liability (asset) in the year ended December 31, 2017 for the City.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,758,072	\$ 684,737
2018	1,758,072	684,737
2019	1,758,072	684,737
2020	1,461,974	684,737
2021	31,593	90,521

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	
			Nominal Rate of Return %	Expected Real Rate of Return %
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
Variable Fund Asset Class				
US Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

General Information about the Pension Plan (continued)

The factors influencing the benefit are: (1) average compensation at retirement, (2) years of creditable service, and (3) a formula factor.

Average compensation at retirement is the average of the participant's three highest consecutive years' earnings out of the ten latest years prior to retirement. Creditable service is the creditable current and prior service expressed in years or fractional partial years for which a participant receives earnings. The formula factor is a standard percentage based on the plan provisions.

Employees may retire at age 55, with a minimum of 10 completed years of service and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may receive either normal retirement benefits at normal retirement date, or a lump-sum cash payment of participant's vested accumulations.

The plan also provides death and disability benefits for employees.

Participating employees - Membership in the plan as of date of study consisted of the following classes of participants:

Active employees	30
Terminated vested participants	6
Retirees	18
Total	<u>54</u>

Contributions - Contribution requirements are established through action of the City Council and may be amended only through city ordinance. Employees make a non-elective and non-discretionary pension contribution that is equal to 8.2% of their payroll. The City contributes all remaining amounts necessary to fund the pension plan. During the reporting period, contributions of \$339,927 were made by the City to the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$1,171,705 for its net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Wisconsin Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the City's proportionate share of the net pension liability (asset) - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 9,430,323	\$ 1,344,496	\$ (4,970,678)

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

Payables to the pension plan - The City reported payables to the WRS of \$117,957 as of December 31, 2016, of which \$68,699 was the City's share.

City of Franklin Defined Benefit Retirement Income Plan

General Information about the Pension Plan

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

Vesting - Participants with five years of creditable service are 50% vested in the plan. Upon reaching 10 years of creditable service participants are fully vested in the plan.

Benefits provided - The City of Franklin Defined Benefit Retirement Income Plan provides retirement benefits to former bargaining employees of the City that are not covered under Wisconsin State Pension Plan (Wisconsin Retirement System), or who are regular part-time employees as defined by Civil Service and who have a minimum of 6 months of service. Employees who retire at or after age 60 are entitled to receive an unreduced retirement benefit.

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Current year changes in the net pension liability were as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 8,268,760	\$ 7,157,070	\$ 1,111,690
Changes for the year:			
Service cost	180,074	-	180,074
Interest	603,514	-	603,514
Difference between expected and actual experience	(460,357)	-	(460,357)
Changes of assumptions	12,332	-	12,332
Contributions - employer	339,927	(339,927)	-
Net investment income	-	(41,577)	(41,577)
Benefit payments	(239,861)	(239,861)	-
Administrative Expense	-	(22,802)	(22,802)
Balance at December 31, 2015	<u>\$ 8,364,462</u>	<u>\$ 7,192,757</u>	<u>\$ 1,171,705</u>

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 293,510	\$ 337,267
Changes in assumptions	127,801	-
Net differences between projected and actual earnings on pension plan investments	521,414	-
Employer contributions subsequent to measurement date	148,894	-
Total	<u>\$ 1,091,619</u>	<u>\$ 337,267</u>

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$148,894 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 304,018	\$ 123,090
2017	304,018	123,090
2018	222,673	91,087
2019	112,016	-

Actuarial assumptions - The pension liability in the December 31, 2015 actuarial valuation was determined use the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset):	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Market Value
Long-Term Expected Rate of Return:	7.3%
Discount Rate:	7.3%
Salary Increase - Inflation:	2.3%
Salary Increase - Seniority/Merit:	3.0%
Mortality:	2014 IRS Prescribed Mortality - Optional Combined Table for Small Plans

Actuarial assumptions are based upon an experience study conducted in 2014 using historical experience. The total pension liability for December 31, 2015 is based upon the liability calculated from the December 31, 2014 actuarial valuation.

CITY OF FRANKLIN, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the City's net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease to Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase to Discount Rate (8.25%)
City's net pension liability (asset)	\$ 2,107,701	\$ 1,171,705	\$ 371,168

For the year ended December 31, 2016, the City recognized pension expense of \$323,200.

B. DEFINED CONTRIBUTION PLAN

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

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees are required to make contributions of 5% of wages. A participant's accrued benefit for City contributions is 100% vested and non-forfeitable upon death, normal retirement, early retirement or permanent and total disability as defined in the Plan. If employment is terminated for any other reason, each participant's accrued benefit vests at various percentages, based on years of service. During 2016, total contributions of \$275,894 or 10% of covered payroll were made. The City contributed \$84,137 and employees \$84,137. 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, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

City of Franklin Defined Benefit Retirement Income Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Long-term Expected Return on Plan Assets - The long-term expected rate of return on pension plan investments was determined using the weighted average rate based on the target asset allocation and the Long-Term Capital Market Assumptions. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equity - Large Cap	8.8%	38.8%
US Equity - Mid Cap	9.1%	4.9%
US Equity - Small Cap	9.6%	4.8%
Non-US Equity	9.2%	12.4%
REITs	8.4%	0.0%
Core Bonds	4.3%	35.1%
High Yield	6.3%	4.0%

Discount rate - A discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a long term bond rate of 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended December 31, 2016

NOTE 4 - 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 another post-employment benefit (OPEB) obligation for those groups. These groups commonly have higher medical costs than anticipated in the blended premium rates. That differential is referred to as an implicit rate subsidy.

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:

Employee Group	#	City Amount	Age	Years Service
Non-represented	34	75% of Premium at Retirement	62	20
Police	72	75% of Premium at Retirement	53	15
Dispatch	14	75% of 2005 Premium	62	20
Fire	54	75% of Premium at Retirement	53	20
DPW	28	75% of Premium at Retirement	60	15

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

Annual required contribution	\$ 342,872
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB expense	342,872
Contributions made	(191,814)
Increase in net OPEB obligation (asset)	151,058
Net OPEB obligation (asset) - beginning of year	(151,058)
Net OPEB obligation (asset) - end of year	\$ -

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS**
As of and for the Year Ended December 31, 2016

NOTE 4 - 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 current and prior two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
12/31/2016	\$ 342,872	55.9%	-
12/31/2015	324,393	146.6%	(151,058)
12/31/2014	551,716	100.0%	-

Funding progress:

(A) Actuarial Valuation Date	(B) Actuarial Asset Value	(C) Actuarial Liability (AAL) Projected unit credit	(D) Unfunded AAL (UAAL) [(B)-(A)]	(E) Funded Ratio [(A)/(B)]	(F) Percentage of Covered Payroll [(C)/(E)]
1/1/2016	\$ 4,537,189	5,815,218	\$ 1,278,029	78%	\$ 12,867,864

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

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

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

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

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 a closed period of 30 years. The remaining amortization period at December 31, 2015 was 22 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 6.75% was used.

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

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

The expected healthcare trend rate of increase in group health charges was based upon the recent experience of the City of Franklin self-funded health care program. The trend rate assumption of 6.5% for years one and two, 6.0% for years three and four, reduced to an ultimate rate of 5.5% after thirteen years, was used.

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

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

Rates of retirement, mortality and termination for reasons other than retirement and death are from the "Wisconsin Retirement System 2009-2011 Experience Study".

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

D. CONTINGENCIES AND COMMITMENTS

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

CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - OTHER INFORMATION (continued)

D. CONTINGENCIES AND COMMITMENTS (continued)

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

The City has encumbered approximately \$2.6 million at year end due to valid contacts or purchase orders in place and the related services committed and not yet received.

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

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

E. RISK MANAGEMENT

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

The City also offers a group medical and dental insurance plan to employees for which the City is self-insured. This activity is accounted for in the City's Self Insurance Internal Service Fund. Group medical and dental costs are charged to City departments and retirees participating in the program. A third party administrator handles claims payments. The City carries stop loss insurance for claims in excess of \$60,000 per year per individual and \$75,000 per year per group. Liabilities are reported when it is probable that claims have occurred and the amount of the claim can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported ("IBNR").

Changes in the balance of claims payable for the years ended December 31, 2016 and 2015 are as follows:

Fiscal Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claims Payments	Balance End of Year
2016	\$ 270,500	\$ 3,802,461	\$ 3,802,461	\$ 270,500
2015	\$ 370,500	\$ 3,296,302	\$ 3,396,302	\$ 270,500

**CITY OF FRANKLIN, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016**

NOTE 4 - OTHER INFORMATION (continued)

F. RESTATEMENT

The City entered into an intergovernmental cooperation agreement in 2010 for the construction and financing of the Ryan Creek Interceptor Sanitary Sewer. Prior to 2016, the City did not report any capital assets related to this transaction. As a result, the City beginning of the year net position has been restated as follows:

	Business-type Activities	Sanitary Sewer
Ending net position, December 31, 2015, as previously reported	\$ 92,071,540	\$ 46,146,724
Restatement to record land capital assets related to the Ryan Creek Interceptor Sanitary Sewer	367,254	367,254
Restatement to record infrastructure capital assets related to the Ryan Creek Interceptor Sanitary Sewer	24,221,380	24,221,380
Restatement to record accumulated depreciation related to the Ryan Creek Interceptor Sanitary Sewer	<u>(2,137,174)</u>	<u>(2,137,174)</u>
Net position, January 1, 2016, as restated	<u>\$ 114,523,000</u>	<u>\$ 68,598,184</u>

G. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, WISCONSIN
SCHEDULE OF FUNDING PROGRESS -
CITY OF FRANKLIN POST EMPLOYMENT BENEFIT TRUST
For the Year Ended December 31, 2016

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Actuarial Accrued Liability (AAL) - Aggregate	(C) Unfunded AAL (UAAL) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C)/(E)]
1/1/2012	\$ 2,399,455	\$ 8,184,388	\$ 5,784,933	29%	\$ 11,553,455	50%
1/1/2014	3,908,637	7,095,993	3,187,356	55%	12,155,777	26%
1/1/2016	4,537,189	5,815,218	1,278,029	78%	12,867,864	10%

CITY OF FRANKLIN, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

Fiscal Year Ending Date	Proportion of the Net Pension Asset	Proportionate Share of the Net Liability (Asset)		Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		Liability (Asset)	Payroll	Covered	Payroll	
12/31/15	0.841167000%	\$ (2,065,567)	\$ 8,071,472	25.59%	8,459,850	102.74%
12/31/16	0.827392200%	1,344,496	8,459,850	15.89%		98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

Fiscal Year Ending Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions		Contributions as a Percentage of Covered Payroll
		Contributions	Contribution Deficiency (Excess)	
12/31/15	\$ 689,692	\$ 689,692	\$ -	8.15%
12/31/16	869,137	869,137	-	10.01%

See independent auditors' report and accompanying notes to required supplementary information.

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN
For the Year Ended December 31, 2016

	Fiscal Year Ending	
	2015	2016
Total Pension Liability		
Service Cost	\$ 165,130	\$ 180,074
Interest on the Total Pension Liability	531,850	603,514
Difference between Expected and Actual Experience	527,384	(460,357)
Assumption Changes	213,402	12,332
Benefit Payments	(191,375)	(239,861)
Net Change in Total Pension Liability	1,246,391	95,702
Total Pension Liability - Beginning	7,022,369	8,268,760
Total Pension Liability - Ending	\$ 8,268,760	\$ 8,364,462
Plan Fiduciary Net Position		
Employer Contributions	293,632	339,927
Pension Plan Net Investment Income	377,842	(41,577)
Benefit Payments	(191,375)	(239,861)
Pension Plan Administrative Expense	(27,941)	(22,802)
Net Change in Plan Fiduciary Net Position	452,158	35,687
Plan Fiduciary Net Position - Beginning	6,704,912	7,157,070
Plan Fiduciary Net Position - Ending	\$ 7,157,070	\$ 7,192,757
Net Pension Liability (Asset) Ending	\$ 1,111,690	\$ 1,171,705
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.6%	86.0%
Covered Payroll	\$ 1,792,628	\$ 1,876,995
Net Pension Liability as a Percentage of Covered Payroll	62.0%	62.4%

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF FRANKLIN, WISCONSIN

SCHEDULE OF CONTRIBUTIONS
CITY OF FRANKLIN DEFINED BENEFIT RETIREMENT INCOME PLAN
For the Year Ended December 31, 2016

Fiscal Year Ending Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
12/31/15	\$ 293,632	\$ 293,632	\$ -	\$ 1,792,628	16.38%
12/31/16	339,927	339,927	-	1,876,995	18.11%

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF FRANKLIN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
As of and for the Year Ended December 31, 2016

NOTE 1 – PRESENTATION

The City is required to present the last ten years of data on each schedule; however, the standards allow the City to present as many years as are available until ten years are presented.

NOTE 2 – FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress for City of Franklin Post Employment Benefit Trust was taken from the reports issued by the actuary

NOTE 3 – WISCONSIN RETIREMENT SYSTEM

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

SUPPLEMENTARY INFORMATION

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 Library.

Library Auxiliary Fund – This fund accounts for Library donations, fines and forfeitures.

Solid Waste Collection Fund – This fund accounts for solid waste collection activities.

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

St Martin's Fair Fund – This fund accounts for activities related to the farmers/flea market held the first Monday of the spring and summer months and the Labor Day weekend.

Civic Celebrations Fund – This fund accounts for activity related to the City's Fourth of July and 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 and landfill siting revenue. Expenditures are normally 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 and landfill siting revenues 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 landfill siting revenues, 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, landfill siting revenue and an 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 and special assessments 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, WISCONSIN
 Combining Balance Sheet
 Nonmajor Governmental Funds
 As of December 31, 2016

	Special Revenue Funds						Total
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Collection Fund	St Martin's Fair Fund	Donation Fund	Civic Celebrations Fund	
ASSETS							
Cash and investments	\$ 333,948	\$ 125,789	\$ 466,109	\$ 3,082	\$ 178,297	\$ 48,386	\$ 1,285,066
Receivables (net):							
Accounts	-	-	27,673	-	-	-	61,100
Taxes	1,296,600	-	1,207,786	-	-	-	2,504,386
Special assessments	-	-	-	-	-	-	-
Due from other governments	93,361	-	-	-	-	-	98,360
Prepaid items	624	650	-	-	-	-	1,274
Long-term advances	-	-	-	-	-	-	-
Total assets	\$ 1,724,533	\$ 126,439	\$ 1,701,568	\$ 3,082	\$ 178,297	\$ 48,386	\$ 3,950,186
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 33,542	\$ -	\$ 162,899	\$ -	\$ 964	\$ -	\$ 202,036
Accrued liabilities	23,020	1,254	-	-	-	-	25,953
Due to other funds	-	-	-	21,552	-	-	21,552
Due to other governments	-	896	-	-	-	-	896
Total liabilities	\$ 56,562	\$ 2,150	\$ 162,899	\$ 21,552	\$ 964	\$ 6,310	\$ 250,437
DEFERRED INFLOWS OF RESOURCES							
Subsequent years property taxes	1,296,600	-	1,207,786	-	-	-	2,504,386
Unavailable revenue	-	-	-	-	-	-	-
Total deferred inflows of resources	\$ 1,296,600	\$ -	\$ 1,207,786	\$ -	\$ -	\$ -	\$ 2,504,386
FUND BALANCES (DEFICIT)							
Nonspendable	624	650	-	-	-	-	1,274
Restricted	370,747	123,639	330,883	-	177,333	48,386	1,212,559
Assigned	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	(18,470)	-	-	(18,470)
Total fund balances (deficit)	\$ 371,371	\$ 124,289	\$ 330,883	\$ (18,470)	\$ 177,333	\$ 48,386	\$ 1,195,363
Total liabilities, deferred inflows and fund balances	\$ 1,724,533	\$ 126,439	\$ 1,701,568	\$ 3,082	\$ 178,297	\$ 48,386	\$ 3,950,186

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2016

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	
ASSETS							
Cash and investments	\$ 510,187	\$ 2,420,785	\$ 2,774,817	\$ 164,453	\$ 1,065,073	\$ 3,804,264	\$ 10,739,579
Receivables (net):							
Accounts	-	-	130,837	-	-	-	130,837
Taxes	444,300	348,300	-	704,900	159,117	-	1,656,617
Special assessments	-	-	-	-	879,297	-	879,297
Due from other governments	-	-	-	92,875	-	-	92,875
Prepaid items	-	-	-	-	-	-	1,274
Long-term advances	-	-	-	-	-	275,000	275,000
Total assets	\$ 954,487	\$ 2,769,085	\$ 2,905,654	\$ 962,228	\$ 2,103,487	\$ 4,079,264	\$ 13,774,205
	\$ 171,265	\$ 49,782	\$ 136,382	\$ -	\$ -	\$ 20,702	\$ 357,429
	-	-	52,000	-	-	-	72,702
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total liabilities	171,265	49,782	188,382	-	-	20,702	430,131
	444,300	348,300	-	704,900	-	-	1,497,500
	-	-	-	-	879,297	-	879,297
Total deferred inflows of resources	444,300	348,300	-	704,900	879,297	-	2,376,797
	-	-	-	-	-	-	1,274
	-	-	-	-	1,224,190	4,058,562	5,282,752
	338,922	2,371,003	2,717,272	257,328	-	-	5,684,525
	-	-	-	-	-	-	(18,470)
Total fund balances (deficit)	338,922	2,371,003	2,717,272	257,328	1,224,190	4,058,562	10,967,277
Total liabilities, deferred inflows and fund balances	\$ 954,487	\$ 2,769,085	\$ 2,905,654	\$ 962,228	\$ 2,103,487	\$ 4,079,264	\$ 13,774,205

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Accounts payable
Accrued liabilities
Due to other funds
Due to other governments
Total liabilities

DEFERRED INFLOWS OF RESOURCES

Subsequent years property taxes
Unavailable revenue
Total deferred inflows of resources

FUND BALANCES (DEFICIT)

Nonspendable
Restricted
Assigned
Unassigned (deficit)
Total fund balances (deficit)

Total liabilities, deferred inflows and fund balances

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Special Revenue Funds							Total
	Library Operating Fund	Library Auxiliary Fund	Solid Waste Fund	St Martin's Fair Fund	Donation Fund	Celebrations Fund	Grant Fund	
REVENUE								
Taxes	\$ 1,287,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,287,000
Intergovernmental revenue	93,361	-	65,995	-	-	-	141,268	300,624
Public charges for services	-	8,273	1,538,170	-	-	109,628	-	1,656,071
Licenses and permits	-	-	-	27,355	-	-	-	27,355
Special assessments	-	-	-	-	-	-	-	-
Investment earnings	6,635	106	5,137	-	-	-	-	11,878
Miscellaneous revenue	-	82,379	905	250	71,179	20,375	8,590	183,678
Total revenue	<u>1,386,996</u>	<u>90,758</u>	<u>1,610,207</u>	<u>27,605</u>	<u>71,179</u>	<u>130,003</u>	<u>149,858</u>	<u>3,466,606</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	350	-	-	350
Public safety	-	-	-	-	22,936	-	2,591	25,527
Public works	-	-	1,540,268	-	-	-	-	1,540,268
Health and human services	-	-	-	-	716	-	118,522	119,238
Culture and recreation	1,288,591	54,937	-	44,364	-	142,353	-	1,530,245
Capital Outlay	133,897	28,556	-	-	3,522	-	27,177	193,152
Total expenditures	<u>1,422,488</u>	<u>83,493</u>	<u>1,540,268</u>	<u>44,364</u>	<u>27,524</u>	<u>142,353</u>	<u>148,290</u>	<u>3,408,780</u>
Excess (deficiency) of revenue over expenditures	(35,492)	7,265	69,939	(16,759)	43,655	(12,350)	1,568	57,826
OTHER FINANCING SOURCES (USES)								
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	11,000	-	13,000	-	24,000
Transfers out	-	-	-	-	-	-	-	-
Net change in fund balances	(35,492)	7,265	69,939	(5,759)	43,655	650	1,568	81,826
Fund balances (deficit) - beginning	406,863	117,024	260,944	(12,711)	133,678	47,736	160,003	1,113,537
Fund balances (deficit) - ending	<u>\$ 371,371</u>	<u>\$ 124,289</u>	<u>\$ 330,883</u>	<u>\$ (18,470)</u>	<u>\$ 177,333</u>	<u>\$ 48,386</u>	<u>\$ 161,571</u>	<u>\$ 1,195,363</u>

(Continued)

CITY OF FRANKLIN, WISCONSIN
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Development Fund	
REVENUE							
Taxes	\$ 437,100	\$ 342,600	\$ -	\$ 693,500	\$ -	\$ -	\$ 1,473,200
Intergovernmental revenue	4,425	-	67,942	92,875	-	-	165,242
Public charges for services	67,000	200,000	533,843	133,000	-	-	933,843
Licenses and permits	-	-	-	-	270,967	582,597	853,564
Special assessments	5,940	9,370	(7,945)	3,687	46,220	33,343	90,615
Investment earnings (loss)	39	-	87,355	28,855	-	-	116,249
Miscellaneous revenue	514,504	551,970	681,195	951,917	317,187	615,940	3,632,713
Total revenue							
	\$ 437,100	\$ 342,600	\$ -	\$ 693,500	\$ -	\$ -	\$ 1,473,200
	4,425	-	67,942	92,875	-	-	165,242
	67,000	200,000	533,843	133,000	-	-	933,843
	-	-	-	-	270,967	582,597	853,564
	5,940	9,370	(7,945)	3,687	46,220	33,343	90,615
	39	-	87,355	28,855	-	-	116,249
	514,504	551,970	681,195	951,917	317,187	615,940	3,632,713
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	350
Public safety	-	-	-	-	-	-	25,527
Public works	-	-	-	-	-	-	1,540,268
Health and human services	-	-	-	-	-	-	119,238
Culture and recreation	-	-	-	-	-	-	1,530,245
Capital Outlay	898,728	581,235	1,014,754	940,544	-	25,878	3,461,139
Total expenditures							
	898,728	581,235	1,014,754	940,544	-	25,878	3,461,139
	(384,224)	(29,265)	(333,559)	11,373	317,187	590,062	171,574
Excess (deficiency) of revenue over expenditures							229,400
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	30,960	95,625	-	-	-	-	126,585
Transfers in	26,025	-	1,474,511	-	-	-	1,500,536
Transfers out	-	-	(113,515)	-	-	(383,153)	(496,668)
Total other financing sources (uses)							
	56,985	95,625	1,360,996	-	-	(383,153)	1,130,453
Net change in fund balances	(327,239)	66,360	1,027,437	11,373	317,187	206,909	1,383,853
Fund balances - beginning	666,161	2,304,643	1,689,835	245,955	907,003	3,851,653	10,778,787
Fund balances (deficit) - ending							
	\$ 338,922	\$ 2,371,003	\$ 2,717,272	\$ 257,328	\$ 1,224,190	\$ 4,058,562	\$ 10,967,277
							\$ 12,162,640

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Revenue - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
TAXES				
General property taxes	\$ 16,248,800	\$ 16,248,800	\$ 16,297,268	\$ 48,468
Water Utility - tax equivalent	1,100,000	1,100,000	1,050,382	(49,618)
Cable TV franchise fees	500,000	500,000	513,031	13,031
Hotel/Room Tax	260,000	260,000	327,191	67,191
Mobile home assessments	25,000	25,000	23,514	(1,486)
	<u>18,133,800</u>	<u>18,133,800</u>	<u>18,211,386</u>	<u>77,586</u>
INTERGOVERNMENTAL REVENUE				
State shared revenue	476,000	476,000	484,882	8,882
State expenditure restraint revenue	220,100	220,100	220,258	158
Fire insurance - dues	133,000	133,000	141,878	8,878
Local, state and federal grants and aids				
Computer aid	277,000	277,000	271,212	(5,788)
Transportation aids	1,132,600	1,132,600	1,132,139	(461)
Other	82,500	82,500	68,456	(14,044)
	<u>2,321,200</u>	<u>2,321,200</u>	<u>2,318,825</u>	<u>(2,375)</u>
LICENSES, FEES AND PERMITS				
Licenses:				
Beer and liquor	33,000	33,000	32,428	(572)
Bartenders	16,000	16,000	16,582	582
Amusement and related	10,200	10,200	10,055	(145)
Peddlers	1,700	1,700	4,842	2,942
Food and related	1,600	1,600	1,965	365
Dog and cat	12,000	12,000	12,399	399
Health	57,200	57,200	60,761	3,561
Other	15,150	15,150	14,474	(676)
Permits:				
Building	505,500	505,500	322,011	(183,489)
Electrical	75,000	75,000	65,552	(9,448)
Plumbing	80,000	80,000	78,745	(1,255)
Sign	7,500	7,500	9,577	2,077
Park	12,000	12,000	16,342	4,342
Fire	4,500	4,500	4,430	(70)
Other	16,000	16,000	15,206	(794)
	<u>847,350</u>	<u>847,350</u>	<u>665,169</u>	<u>(182,181)</u>
FINES, FORFEITURES AND PENALTIES	440,000	450,000	498,653	48,653
				(Continued)

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
PUBLIC CHARGES FOR SERVICES				
General government				
Property reports and document fees	\$ 11,950	\$ 11,950	\$ 16,491	\$ 4,541
Clerk Services	-	9,000	4,259	(4,741)
Public safety				
Police Department and related	7,000	7,000	14,252	7,252
Ambulance service	1,100,000	1,100,000	1,056,410	(43,590)
Fire Department and related	96,000	96,000	50,422	(45,578)
Quarry reimbursement	42,000	42,000	40,185	(1,815)
Weights and measures	8,000	8,000	8,709	709
Public works				
Weed cutting	15,000	15,000	4,184	(10,816)
Street lighting	8,000	8,000	1,000	(7,000)
Engineering and DPW fees	16,500	16,500	12,742	(3,758)
Landfill tippage fees	94,500	94,500	62,050	(32,450)
Health and human services				
Health clinics and other health fees	80,750	80,750	114,986	34,236
Conservation and development				
Zoning, subdivision and other filing fees	65,275	77,275	66,911	(10,364)
	<u>1,544,975</u>	<u>1,565,975</u>	<u>1,452,601</u>	<u>(113,374)</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES	203,200	203,200	194,806	(8,394)
INVESTMENT EARNINGS	205,200	205,200	161,281	(43,919)
MISCELLANEOUS REVENUE				
Municipal property rental	49,000	49,000	51,307	2,307
Property sales	4,700	4,700	12,138	7,438
Refunds and reimbursements	10,000	10,000	79,908	69,908
Insurance dividend	35,000	35,000	38,308	3,308
Other revenue	61,400	61,400	355	(61,045)
	<u>160,100</u>	<u>160,100</u>	<u>182,016</u>	<u>21,916</u>
TOTAL REVENUE	<u>\$ 23,855,825</u>	<u>\$ 23,886,825</u>	<u>\$ 23,684,737</u>	<u>\$(202,088)</u>

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Expenditures and Transfers - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
CURRENT				
General Government				
Mayor - Personnel Services	\$ 18,508	\$ 18,508	\$ 18,500	\$ 8
Mayor - Other Services	8,000	8,000	5,273	2,727
Aldermen - Personnel Services	47,471	47,471	47,445	26
Aldermen - Other Services	29,500	29,500	22,793	6,707
Municipal court - Personnel Services	181,151	185,151	184,729	422
Municipal court - Other Services	47,150	57,150	55,793	1,357
City clerk - Personnel Services	288,640	292,640	288,673	3,967
City clerk - Other Services	31,000	31,000	22,916	8,084
Elections - Personnel Services	35,548	74,548	72,277	2,271
Elections - Other Services	25,600	25,600	13,094	12,506
Information services - Personnel Services	117,756	117,756	99,508	18,248
Information services - Other Services	364,789	364,789	330,409	34,380
Administration - Personnel Services	285,888	285,888	282,607	3,281
Administration - Other Services	157,045	157,045	85,068	71,977
Finance - Personnel Services	416,636	416,636	409,536	7,100
Finance - Other Services	98,930	98,930	86,734	12,196
Independent Audit	31,810	31,810	29,545	2,265
Assessor - Personnel Services	55,300	17,200	7,735	9,465
Assessor - Other Services	186,100	224,200	223,795	405
Legal counsel	340,225	340,225	310,308	29,917
Municipal buildings - Personnel Services	95,800	95,800	94,319	1,481
Municipal buildings - Other Services	113,595	120,415	115,754	4,661
Property and liability insurance	105,908	105,908	61,743	44,165
Anticipated Underexpenditure	(470,220)	(73,070)	-	(73,070)
Contingency	552,500	53,870	18,742	35,128
Total General Government	3,166,630	3,126,970	2,887,296	239,674
Public Safety				
Police - Personnel Services	6,856,537	6,821,537	6,904,205	17,332
Police - Other Services	1,082,650	891,559	986,241	35,318
Dispatch - Personnel Services	1,094,026	1,094,026	987,578	106,448
Fire - Personnel Services	5,609,357	5,609,357	5,498,363	110,994
Fire - Other Services	434,600	434,600	402,073	32,527
Fire protection service charge	273,200	275,200	274,635	565
Building inspection - Personnel Services	736,312	735,518	726,336	9,182
Building inspection - Other Services	34,550	35,344	22,978	12,366
Sealer of weights and measures	7,600	7,600	7,600	-
Anticipated Underexpenditure	-	(324,580)	-	(324,580)
Total Public Safety	16,128,832	15,780,161	15,780,009	152

(Continued)

CITY OF FRANKLIN, WISCONSIN
General Fund
Schedule of Expenditures and Transfers - Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
CURRENT				
Public Works				
Engineering - Personnel Services	603,481	603,481	553,392	50,089
Engineering - Other Services	25,290	70,620	19,332	51,288
Highway - Personnel Services	1,819,785	1,794,785	1,718,531	76,254
Highway - Other Services	791,697	790,864	701,393	89,471
Solid Waste Services	-	390,000	390,000	-
Street lighting	356,700	356,700	331,010	25,690
Weed control	15,050	15,050	3,379	11,671
Anticipated Underexpenditure	-	(72,570)	-	(72,570)
Total Public Works	3,612,003	3,946,930	3,717,037	231,893
Health and Human Services				
Public health - Personnel Services	576,741	576,741	553,597	23,144
Public health - Other Services	68,950	61,323	7,627	61,273
Animal control	38,500	38,500	31,950	6,550
Total Health and Human Services	684,191	684,191	646,870	37,321
Culture and Recreation				
Senior activities and travel program	20,000	22,000	18,314	3,686
Parks - Personnel Services	118,261	136,261	134,492	3,769
Parks - Other Services	29,650	34,650	32,077	2,573
Total Culture and Recreation	167,911	194,911	184,883	10,028
Conservation and Development				
Planning - Personnel Services	332,469	332,469	324,304	8,165
Planning - Other Services	61,200	61,200	54,187	7,013
Economic development - Personnel Services	130,689	130,689	120,785	9,904
Economic development - Other Services	55,500	83,794	(6,929)	90,723
Total Conservation and Development	579,858	608,152	492,347	115,805
Total Expenditures	24,339,425	24,343,315	23,708,442	634,873
Transfers to Other Funds	1,224,000	1,250,025	1,250,025	-
Total Expenditures and Transfers Out - budgetary basis	25,563,425	25,593,340	24,958,467	634,873
Adjustments to generally accepted accounting principles basis				
2016 encumbrances	-	(61,626)	(61,626)	-
2015 encumbrances	-	147,121	147,121	-
Total Expenditures and Transfers Out - generally accepted accounting principles basis	\$ 25,563,425	\$ 25,678,835	\$ 25,043,962	\$ 634,873

CITY OF FRANKLIN, WISCONSIN

Debt Service Fund

Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Special assessments	-	-	50,583	50,583
Investment earnings	-	-	12,676	12,676
Total revenue	1,500,000	1,500,000	1,563,259	63,259
EXPENDITURES				
Debt service				
Principal on current refunding	-	5,895,000	5,895,000	-
Principal	1,300,000	1,300,000	1,300,000	-
Interest	291,298	266,711	265,588	1,123
Debt issuance costs	-	53,789	53,789	-
Total expenditures	1,591,298	7,515,500	7,514,377	1,123
Excess of revenue over expenditures	(91,298)	(6,015,500)	(5,951,118)	64,382
OTHER FINANCING SOURCES (USES)				
Transfers in	205,000	205,000	170,931	(34,069)
Refunding debt issued	-	5,770,000	5,770,000	-
Premium on debt issued	-	154,202	154,202	-
Total other financing sources (uses)	205,000	6,129,202	6,095,133	(34,069)
Net change in fund balances	\$ 113,702	\$ 113,702	\$ 144,015	\$ 30,313
Fund balances - beginning			507,283	
Fund balances - ending			\$ 651,298	

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Library Operating Fund				Library Auxiliary Fund			
	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE								
Taxes	\$ 1,287,000	\$ 1,287,000	\$ 1,287,000	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	78,000	78,000	93,361	15,361	-	-	-	-
Public charges for services	-	-	-	-	11,100	11,100	8,273	(2,827)
Investment earnings	-	-	6,635	6,635	100	100	106	6
Miscellaneous revenue	-	-	-	-	42,950	69,454	82,379	12,925
Total revenue	<u>1,365,000</u>	<u>1,365,000</u>	<u>1,386,996</u>	<u>21,996</u>	<u>54,150</u>	<u>80,654</u>	<u>90,758</u>	<u>10,104</u>
EXPENDITURES								
Current:								
Culture and recreation	1,322,471	1,332,471	1,288,591	43,880	70,850	91,150	54,937	36,213
Capital Outlay	111,500	135,500	131,199	4,301	23,300	54,504	28,556	25,948
Total expenditures	<u>1,433,971</u>	<u>1,467,971</u>	<u>1,419,790</u>	<u>48,181</u>	<u>94,150</u>	<u>145,654</u>	<u>83,493</u>	<u>62,161</u>
Excess (deficiency) of revenue over expenditures	\$ (68,971)	\$ (102,971)	(32,794)	\$ 70,177	(40,000)	(65,000)	7,265	72,265
Adjustments to generally accepted accounting principles basis								
2015 encumbrances			(2,698)					
Fund balances - beginning			<u>406,863</u>				<u>117,024</u>	
Fund balances - ending			<u>\$ 371,371</u>				<u>\$ 124,289</u>	

(Continued)

CITY OF FRANKLIN, WISCONSIN

Special Revenue Funds

Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Solid Waste Collection Fund				St Martin's Fair Fund			
	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE								
Intergovernmental revenue	\$ 69,200	\$ 69,200	\$ 65,995	\$ (3,205)	\$ -	\$ -	\$ -	\$ -
Public charges for services	1,514,915	1,521,915	1,538,170	16,255	-	-	-	-
Licenses and permits	-	-	-	-	36,100	36,100	27,355	(8,745)
Investment earnings	2,000	2,000	5,137	3,137	-	-	-	-
Miscellaneous revenue	5,050	5,050	905	(4,145)	3,500	3,500	250	(3,250)
Total revenue	<u>1,591,165</u>	<u>1,598,165</u>	<u>1,610,207</u>	<u>12,042</u>	<u>39,600</u>	<u>39,600</u>	<u>27,605</u>	<u>(11,995)</u>
EXPENDITURES								
Current:								
Public works	1,533,551	1,540,551	1,540,268	283	-	-	-	-
Culture and recreation	-	-	-	-	50,736	50,736	44,364	6,372
Total expenditures	<u>1,533,551</u>	<u>1,540,551</u>	<u>1,540,268</u>	<u>283</u>	<u>50,736</u>	<u>50,736</u>	<u>44,364</u>	<u>6,372</u>
Excess (deficiency) of revenue over expenditures	57,614	57,614	69,939	12,325	(11,136)	(11,136)	(16,759)	(5,623)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	11,000	11,000	11,000	-
Net changes in fund balances	<u>\$ 57,614</u>	<u>\$ 57,614</u>	<u>69,939</u>	<u>\$ 12,325</u>	<u>\$ (136)</u>	<u>\$ (136)</u>	<u>(5,759)</u>	<u>\$ (5,623)</u>
Fund balances (deficit) - beginning			260,944				(12,711)	
Fund balances (deficit) - ending			<u>\$ 330,883</u>				<u>\$ (18,470)</u>	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Donation Fund				Civic Celebrations Fund				Variance with final budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	
REVENUE									
Public charges for services	\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ 70,000	\$ 109,628	\$ 39,628	
Miscellaneous revenue	20,500	20,500	71,179	50,679	20,000	20,000	20,375	375	
Total revenue	<u>20,500</u>	<u>20,500</u>	<u>71,179</u>	<u>50,679</u>	<u>90,000</u>	<u>90,000</u>	<u>130,003</u>	<u>40,003</u>	
EXPENDITURES									
Current:									
General government	-	-	350	(350)	-	-	-	-	
Public safety	102,501	104,635	22,936	81,699	-	-	-	-	
Health and human services	600	600	716	(116)	-	-	-	-	
Culture and recreation	-	-	-	-	102,789	102,789	142,353	(39,564)	
Capital Outlay	30,000	30,000	3,522	26,478	-	-	-	-	
Total expenditures	<u>133,101</u>	<u>135,235</u>	<u>27,524</u>	<u>107,711</u>	<u>102,789</u>	<u>102,789</u>	<u>142,353</u>	<u>(39,564)</u>	
Excess (deficiency) of revenue over expenditures	(112,601)	(114,735)	43,655	158,390	(12,789)	(12,789)	(12,350)	439	
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	13,000	13,000	13,000	-	
Net changes in fund balances	<u>\$ (112,601)</u>	<u>\$ (114,735)</u>	<u>43,655</u>	<u>\$ 158,390</u>	<u>\$ 211</u>	<u>\$ 211</u>	<u>650</u>	<u>\$ 439</u>	
Fund balances - beginning			133,678				47,736		
Fund balances - ending			<u>\$ 177,333</u>				<u>\$ 48,386</u>		

(Continued)

CITY OF FRANKLIN, WISCONSIN
Special Revenue Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Grant Fund			Variance with final budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	
REVENUE				
Intergovernmental revenue	\$ 455,900	\$ 497,765	\$ 141,268	\$ (356,497)
Miscellaneous revenue	2,250	8,250	8,590	340
Total revenue	<u>458,150</u>	<u>506,015</u>	<u>149,858</u>	<u>(356,157)</u>
EXPENDITURES				
Current:				
Public safety	5,000	5,000	2,591	2,409
Health and human services	172,950	220,815	118,522	102,293
Capital Outlay	347,400	347,400	27,177	320,223
Total expenditures	<u>525,350</u>	<u>573,215</u>	<u>148,290</u>	<u>424,925</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (67,200)</u>	<u>\$ (67,200)</u>	1,568	<u>\$ 68,768</u>
Fund balances - beginning			<u>160,003</u>	
Fund balances - ending			<u>\$ 161,571</u>	

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Capital Outlay Fund			Equipment Replacement Fund			Variance with final budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUE							
Taxes	\$ 437,100	\$ 437,100	\$ 437,100	\$ 342,600	\$ 342,600	\$ 342,600	\$ -
Intergovernmental revenue			4,425				-
Public charges for services - Landfill siting	67,000	67,000	67,000	200,000	200,000	200,000	-
Investment earnings (loss)	4,500	4,500	5,940	20,000	20,000	9,370	(10,630)
Miscellaneous revenue	-	-	39	15,000	15,000	-	(15,000)
Total revenue	<u>508,600</u>	<u>508,600</u>	<u>514,504</u>	<u>577,600</u>	<u>577,600</u>	<u>551,970</u>	<u>(25,630)</u>
EXPENDITURES							
Capital Outlay	900,268	1,147,050	932,947	655,000	655,000	618,126	36,874
Excess (deficiency) of revenue over expenditures	(391,668)	(638,450)	(418,443)	(77,400)	(77,400)	(66,156)	11,244
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	25,000	25,000	30,960	-	-	95,625	95,625
Transfers in	-	26,025	26,025	-	-	-	-
Net changes in fund balances	<u>\$ (366,668)</u>	<u>\$ (587,425)</u>	<u>(361,458)</u>	<u>\$ (77,400)</u>	<u>\$ (77,400)</u>	<u>29,469</u>	<u>\$ 106,869</u>
Adjustments to generally accepted accounting principles basis							
2015 encumbrances			(44,618)				-
2016 encumbrances			78,837			36,891	
Fund balances - beginning			<u>666,161</u>			<u>2,304,643</u>	
Fund balances - ending			<u>\$ 338,922</u>			<u>\$ 2,371,003</u>	

(Continued)

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Capital Improvement Fund			Street Improvement Fund			Variance with final budget - Excess (Deficiency)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUE							
Taxes	\$ -	\$ -	\$ -	\$ 693,500	\$ 693,500	\$ 693,500	\$ -
Intergovernmental revenue	65,193	65,193	67,942	70,000	70,000	92,875	22,875
Public charges for services - Landfill siting	498,000	557,000	533,843	133,000	133,000	133,000	-
Investment earnings (loss)	5,000	5,000	(7,945)	5,500	5,500	3,687	(1,813)
Miscellaneous revenue	-	-	87,355	-	22,000	28,855	6,855
Total revenue	<u>568,193</u>	<u>627,193</u>	<u>681,195</u>	<u>902,000</u>	<u>924,000</u>	<u>951,917</u>	<u>27,917</u>
EXPENDITURES							
Capital outlay	3,775,359	4,434,856	1,584,282	940,000	962,000	940,544	21,456
Debt Service	50,000	50,000	-	-	-	-	-
Debt issuance costs	3,825,359	4,484,856	1,584,282	940,000	962,000	940,544	21,456
Total expenditures	<u>(3,257,166)</u>	<u>(3,857,663)</u>	<u>(903,087)</u>	<u>(38,000)</u>	<u>(38,000)</u>	<u>11,373</u>	<u>49,373</u>
Excess (deficiency) of revenue over expenditures							
OTHER FINANCING SOURCES (USES)							
Transfers in	2,120,953	2,120,953	1,474,511	-	-	-	-
Transfers out	-	-	(113,515)	-	-	-	-
General obligation debt issued	1,000,000	1,000,000	-	-	-	-	-
Net changes in fund balances	<u>\$ (136,213)</u>	<u>\$ (736,710)</u>	<u>457,909</u>	<u>\$ (38,000)</u>	<u>\$ (38,000)</u>	<u>11,373</u>	<u>\$ 49,373</u>
Adjustments to generally accepted accounting principles basis							
2015 encumbrances			(575,497)				
2016 encumbrances			1,145,025				
Fund balances - beginning			<u>1,689,835</u>			<u>245,955</u>	
Fund balances - ending			<u>\$ 2,717,272</u>			<u>\$ 257,328</u>	

CITY OF FRANKLIN, WISCONSIN
Capital Projects Funds
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	Development Fund			Utility Development Fund		
	Original Budget	Final Budget	Actual	Original and final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE						
Special assessments	\$ 585,000	\$ 585,000	\$ 582,597	\$ 234,350	270,967	36,617
Investment earnings	36,334	36,334	33,343	59,650	46,220	(13,430)
Total revenue	<u>621,334</u>	<u>621,334</u>	<u>615,940</u>	<u>294,000</u>	<u>317,187</u>	<u>23,187</u>
EXPENDITURES						
Current:						
General government	15,000	18,321	-	-	-	-
Capital Outlay	500,000	500,000	25,878	-	-	-
Total expenditures	<u>515,000</u>	<u>518,321</u>	<u>25,878</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenditures	106,334	103,013	590,062	294,000	317,187	23,187
OTHER FINANCING SOURCES (USES)						
Transfers out	(876,570)	(876,570)	(383,153)	(500,000)	-	500,000
Net changes in fund balances	<u>\$ (770,236)</u>	<u>\$ (773,557)</u>	<u>206,909</u>	<u>\$ (206,000)</u>	<u>\$ 317,187</u>	<u>\$ 523,187</u>
Adjustments to generally accepted accounting principles basis						
2015 encumbrances			(3,321)			-
2016 encumbrances			3,321			-
Fund balances - beginning			<u>3,851,653</u>		<u>907,003</u>	
Fund balances - ending			<u>\$ 4,058,562</u>		<u>\$ 1,224,190</u>	

CITY OF FRANKLIN, WISCONSIN
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
As of December 31, 2016

	December 31, 2015	Additions	Deductions	December 31, 2016
PROPERTY TAX AGENCY FUND				
ASSETS				
Cash and investments	\$ 52,800,005	\$ 251,494,293	\$ 247,669,825	\$ 56,624,473
Receivables:				
Taxes	18,319,156	125,065,382	128,372,096	15,012,442
Accounts	1,224	62,622	-	63,846
Total assets	\$ 71,120,385	\$ 376,622,297	\$ 376,041,921	\$ 71,700,761
LIABILITIES				
Accounts payable	\$ 163,150	\$ 105,028,916	\$ 105,127,737	\$ 261,971
Due to other governments	70,957,235	71,121,657	71,603,212	71,438,790
Total liabilities	\$ 71,120,385	\$ 176,150,573	\$ 176,730,949	\$ 71,700,761
OTHER AGENCY FUND				
ASSETS				
Cash and investments	\$ 4,477	\$ 35,473	\$ 30,531	\$ 9,419
Accounts receivable	7,845	20,974	24,992	3,827
Total assets	\$ 12,322	\$ 56,447	\$ 55,523	\$ 13,246
LIABILITIES				
Accounts payable	\$ 2,385	\$ 21,853	\$ 21,355	\$ 1,888
Special deposits	9,936	30,583	32,004	11,358
Total liabilities	\$ 12,322	\$ 52,436	\$ 53,360	\$ 13,246
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 52,804,482	\$ 251,529,766	\$ 247,700,356	\$ 56,633,892
Receivables:				
Taxes	18,319,156	125,065,382	128,372,096	15,012,442
Accounts	9,069	83,596	24,992	67,673
Total assets	\$ 71,132,707	\$ 376,678,744	\$ 376,097,444	\$ 71,714,007
LIABILITIES				
Accounts payable	\$ 165,535	\$ 105,050,769	\$ 105,149,092	\$ 263,859
Due to other governments	70,957,235	71,121,657	71,603,212	71,438,790
Special deposits	9,936	30,583	32,004	11,358
Total liabilities	\$ 71,132,707	\$ 176,203,009	\$ 176,784,309	\$ 71,714,007

CITY OF FRANKLIN, WISCONSIN
TIF Districts Fund
Combining Balance Sheet
As of December 31, 2016

	District #3	District #4	District #5	Total
ASSETS				
Cash and investments	\$ 1,891,495	\$ 1,242,372	\$ 22,848	\$ 3,156,715
Taxes receivable	1,253,575	1,013,892	-	2,267,467
Total assets	\$ 3,145,070	\$ 2,256,264	\$ 22,848	\$ 5,424,182
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 90	\$ 90	\$ -	\$ 180
Due to other funds	-	-	24,694	24,694
Advances from other funds	550,000	-	50,000	600,000
Total liabilities	550,090	90	74,694	624,874
DEFERRED INFLOWS OF RESOURCES				
Subsequent year property taxes	1,253,575	1,013,892	-	2,267,467
FUND BALANCES (DEFICIT)				
Restricted	1,341,405	1,242,282	-	2,583,687
Unassigned (deficit)	-	-	(51,846)	(51,846)
Total fund balances (deficit)	1,341,405	1,242,282	(51,846)	2,531,841
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 3,145,070	\$ 2,256,264	\$ 22,848	\$ 5,424,182

CITY OF FRANKLIN, WISCONSIN
TIF Districts Fund
Combining Schedule of TIF Districts Revenue, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2016

	District #3	District #4	District #5	Total
REVENUE				
Taxes	\$ 1,730,642	\$ 1,380,915	\$ -	\$ 3,111,557
Intergovernmental revenue	355,862	18,043	-	373,905
Investment earnings (loss)	12,765	(5,035)	-	7,730
Total revenue	<u>2,099,269</u>	<u>1,393,923</u>	-	<u>3,493,192</u>
EXPENDITURES				
Current:				
General government	11,505	12,505	34,494	58,504
Public works	-	-	17,352	17,352
Capital Outlay	1,034,856	-	-	1,034,856
Debt Service	650,000	-	-	650,000
Principal	109,189	920	-	110,109
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,805,550</u>	<u>13,425</u>	<u>51,846</u>	<u>1,870,821</u>
Excess (deficiency) of revenue over expenditures	293,719	1,380,498	(51,846)	1,622,371
OTHER FINANCING SOURCES (USES)				
Transfers in	113,515	-	-	113,515
Transfers out	(62,289)	-	-	(62,289)
Total other financing sources (uses)	<u>51,226</u>	-	-	<u>51,226</u>
Net change in fund balances	344,945	1,380,498	(51,846)	1,673,597
Fund balances (deficit) - beginning	996,460	(138,216)	-	858,244
Fund balances (deficit) - ending	<u>\$ 1,341,405</u>	<u>\$ 1,242,282</u>	<u>\$ (51,846)</u>	<u>\$ 2,531,841</u>

CITY OF FRANKLIN, WISCONSIN
TIF Districts
Schedule of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary Basis)
For the Year Ended December 31, 2016

	District #3			District #4				
	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)	Original Budget	Final Budget	Actual	Variance with final budget - Excess (Deficiency)
REVENUE								
Taxes	\$ 1,708,000	\$ 1,708,000	\$ 1,730,642	\$ 22,642	\$ 1,292,000	\$ 1,292,000	\$ 1,380,915	\$ 88,915
Intergovernmental revenue	420,000	420,000	355,862	(64,138)	19,000	19,000	18,043	(957)
Investment earnings (loss)	3,000	3,000	12,765	9,765	-	-	(5,035)	(5,035)
Total revenue	<u>2,131,000</u>	<u>2,131,000</u>	<u>2,099,269</u>	<u>(31,731)</u>	<u>1,311,000</u>	<u>1,311,000</u>	<u>1,393,923</u>	<u>82,923</u>
EXPENDITURES								
Current:								
General Government	13,020	13,020	11,505	1,515	40,835	52,955	405	52,550
Capital Outlay	1,205,000	3,525,289	56,175	3,469,114	-	-	-	-
Debt Service								
Principal	650,000	650,000	650,000	-	-	-	-	-
Interest	109,418	109,418	109,189	229	5,415	5,415	920	4,495
Total expenditures	<u>1,977,438</u>	<u>4,297,727</u>	<u>826,869</u>	<u>3,470,858</u>	<u>46,250</u>	<u>58,370</u>	<u>1,325</u>	<u>57,045</u>
Excess (deficiency) of revenue over expenditures	<u>153,562</u>	<u>(2,166,727)</u>	<u>1,272,400</u>	<u>3,439,127</u>	<u>1,264,750</u>	<u>1,252,630</u>	<u>1,392,598</u>	<u>139,968</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	113,515	113,515	-	-	-	-
Transfers out	-	-	(62,289)	(62,289)	-	-	-	-
Net changes in fund balances	<u>\$ 153,562</u>	<u>\$ (2,166,727)</u>	<u>1,323,626</u>	<u>\$ 3,490,353</u>	<u>\$ 1,264,750</u>	<u>\$ 1,252,630</u>	<u>1,392,598</u>	<u>\$ 139,968</u>
Adjustments to generally accepted accounting principles basis								
2015 encumbrances			(2,320,289)				(12,100)	
2016 encumbrances			1,341,608				-	
Fund balances - beginning			<u>996,460</u>				<u>(138,216)</u>	
Fund balances - ending			<u>\$ 1,341,405</u>				<u>\$ 1,242,282</u>	

CITY OF FRANKLIN, WISCONSIN
Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source
 As of December 31, 2016

Governmental funds capital assets:	
Land	\$ 24,623,751
Buildings and improvements	26,770,132
Machinery and equipment	17,924,405
Infrastructure improvements	98,419,149
Construction in process	1,019,925
	<u> </u>
Total governmental funds capital assets	\$ 168,757,362
Investment in governmental capital assets by source:	
General Fund	\$ 614,851
Special Revenue Funds	3,194,955
Capital Projects Funds	91,530,097
Donations	73,417,459
	<u> </u>
Total governmental funds capital assets	\$ 168,757,362

CITY OF FRANKLIN, WISCONSIN
Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 For the Year Ended December 31, 2016

Function and Activity	Land		Buildings and Improvements		Machinery and Equipment		Infrastructure Improvements		Construction In process		Total
	\$		\$		\$		\$		\$		
General Government:											
Mayor					2,202						2,202
Aldermen					9,584						9,584
Municipal court					35,210						35,210
City clerk					21,416						21,416
Elections					24,910						24,910
Information services					660,460						660,460
Administration					261,310						261,310
Human resources					9,617						9,617
Finance					167,549						167,549
Assessor					46,080						46,080
Attorney					906						906
Municipal buildings			3,472,282		499,539						4,569,256
Total General Government	597,437		3,472,282		1,738,483						5,806,202
Public Safety:											
Police	1,201,829		8,418,912		2,418,889						12,038,610
Fire	63,248		4,351,456		3,618,999						8,033,703
Building inspection					273,105						273,105
Total Public Safety	1,265,077		12,770,368		6,307,973						20,343,418
Public Works:											
Engineering					334,980						334,980
Highway	357,407		2,737,523		5,898,811						8,993,741
Street Lighting					1,097						1,097
Infrastructure	18,408,176						98,419,149				116,827,325
Construction in process									1,019,925		1,019,925
Total Public Works	18,765,583		2,737,523		6,234,888		98,419,149		1,019,925		127,177,068
Health & Human Services:											
Health					131,833						131,833
Culture and Recreation:											
Library			4,969,004		2,702,634						7,671,638
Parks	3,995,654		2,820,955		760,409						7,577,018
Total Culture and Recreation	3,995,654		7,789,959		3,463,043						15,248,656
Conservation and Development:											
Planning					48,185						48,185
Total governmental funds capital assets	\$ 24,623,751		\$ 26,770,132		\$ 17,924,405		\$ 98,419,149		\$ 1,019,925		\$ 168,757,362

CITY OF FRANKLIN, WISCONSIN
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 For the Year Ended December 31, 2016

Function and Activity	Governmental Funds Capital Assets				
	December 31, 2015	Additions	Deletions	Transfers	December 31, 2016
General Government:					
Mayor	\$ 2,202	\$ -	\$ -	\$ -	2,202
Aldermen	9,584	-	-	-	9,584
Municipal court	42,656	-	7,446	-	35,210
City clerk	21,416	-	-	-	21,416
Elections	24,610	-	-	-	24,610
Information services	518,281	142,179	-	-	660,460
Administration	261,310	-	-	-	261,310
Human resources	9,617	-	-	-	9,617
Finance	168,034	-	485	-	167,549
Assessor	46,080	-	-	-	46,080
Attorney	906	-	-	-	906
Municipal buildings	4,550,518	224,414	205,674	-	4,569,258
Total General Government	5,655,214	366,593	213,605	-	5,808,202
Public Safety:					
Police	12,749,685	80,542	757,444	(36,173)	12,036,610
Fire	7,940,139	190,468	112,885	15,981	8,033,703
Building inspection	273,105	-	-	-	273,105
Total Public Safety	20,962,929	271,010	870,329	(20,192)	20,343,418
Public Works:					
Engineering	362,888	-	27,908	-	334,980
Highway	8,606,102	635,721	270,274	20,192	8,993,741
Street lighting	1,097	-	-	-	1,097
Infrastructure	113,190,935	4,233,445	597,055	-	116,827,325
Construction in process	1,180,903	1,693,420	1,854,398	-	1,019,925
Total Public Works	123,343,925	6,562,586	2,749,635	20,192	127,177,068
Health & Human Services:					
Health	138,640	-	6,807	-	131,833
Culture and Recreation:					
Library	7,787,102	195,284	310,748	-	7,671,638
Parks	6,635,684	1,673,666	732,332	-	7,577,018
Total Culture and Recreation	14,422,786	1,868,950	1,043,080	-	15,248,656
Conservation and Development:					
City development	86,353	-	38,168	-	48,185
Total governmental funds capital assets	\$ 164,609,847	\$ 9,069,139	\$ 4,921,624	\$ -	\$ 168,757,362

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 basic 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 wellbeing 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 11

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 14

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 17

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, WISCONSIN
 Net Position by Component
 Last Ten Years
 (accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
					Fiscal Year					
					2012	2011				
					(2)					
Governmental activities										
Net investment in capital assets	\$ 110,638,152	\$ 107,184,603	\$ 106,031,877	\$ 104,721,982	\$ 104,097,426	\$ 94,637,222	\$ 88,776,271	\$ 84,178,261	\$ 71,753,307	\$ 72,970,238
Restricted										
Debt service	658,091	482,773	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238	8,550,662	12,588,371
Utility improvements	2,103,487	1,999,759	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220	1,353,540	2,205,799
Development	4,058,562	3,851,653	4,170,339	5,052,168	4,614,731	3,895,040	3,620,826	3,051,562	3,083,708	2,643,952
Library	495,660	524,137	598,752	582,292	541,825	492,473	488,302	442,509	414,428	357,875
Donations and other	3,301,860	602,281	560,306	507,955	541,755	311,101	311,101	279,730	286,114	263,198
Unrestricted (deficit)	14,522,376	16,401,941	8,848,660	4,889,704	1,487,025	2,582,464	2,311,078	(2,085,981)	(791,175)	(11,039,755)
Total governmental activities net position	\$ 135,778,188	\$ 131,047,147	\$ 122,708,989	\$ 118,000,800	\$ 113,442,058	\$ 107,969,822	\$ 100,281,181	\$ 89,772,539	\$ 84,650,584	\$ 79,929,678
Business-type activities										
Net investment in capital assets	\$ 88,115,672	\$ 88,861,706	\$ 88,567,257	\$ 89,095,184	\$ 89,398,082	\$ 89,550,594	\$ 90,202,124	\$ 90,828,559	\$ 90,842,486	\$ 90,242,854
Restricted										
Sewer equipment replacement agreement	394,227	356,106	313,558	277,230	334,508	293,844	261,852	227,388	231,384	225,177
Intergovernmental cooperation										
Unrestricted	21,200,228	2,853,728	4,015,630	3,017,842	2,518,834	3,171,123	2,763,610	2,875,722	2,309,236	2,342,349
Total business-type activities net position	\$ 113,160,845	\$ 92,071,540	\$ 92,896,445	\$ 92,390,256	\$ 92,251,424	\$ 93,015,561	\$ 93,227,586	\$ 93,931,669	\$ 93,383,106	\$ 92,810,380
Total										
Net investment in capital assets (3)	\$ 198,334,454	\$ 196,046,309	\$ 194,599,134	\$ 193,817,166	\$ 193,495,508	\$ 184,187,816	\$ 178,978,395	\$ 175,006,820	\$ 162,595,793	\$ 163,213,092
Restricted										
Debt service	658,091	482,773	580,605	722,710	535,337	4,076,267	3,050,470	2,263,238	8,550,662	12,588,371
Utility improvements	2,103,487	1,999,759	1,918,450	1,523,989	1,623,959	1,985,774	1,723,133	1,643,220	1,353,540	2,205,799
Development	4,058,562	3,851,653	4,170,339	5,052,168	4,614,731	3,895,040	3,620,826	3,051,562	3,083,708	2,643,952
TIF Districts	495,660	524,137	598,752	582,292	541,825	492,473	488,302	442,509	414,428	357,875
Donations and grants	3,301,860	602,281	560,306	507,955	541,755	311,101	311,101	279,730	286,114	263,198
Sewer replacement	394,227	356,106	313,558	277,230	334,508	293,844	261,852	227,388	231,384	225,177
Intergovernmental cooperation agreement	21,200,228									
Unrestricted (3)	18,392,464	19,255,669	12,864,290	7,907,546	4,005,859	5,753,587	5,074,688	789,741	1,518,061	(8,757,406)
Total net position	\$ 248,939,033	\$ 223,118,687	\$ 215,605,434	\$ 210,391,056	\$ 205,693,482	\$ 200,985,383	\$ 193,508,767	\$ 183,704,208	\$ 178,033,690	\$ 172,740,058

Notes:
 (1) Ryan Creek Interceptor Sewer brought on Sewer Fund Balance Sheet in 2016
 (2) 2012 and prior years have been reclassified to be consistent with the current year presentation
 (3) Net investment in capital assets and unrestricted net position are adjusted to reflect capital assets owned by the business-type activities but financed by the governmental activities.
 A reconciliation of the adjustment for the current year is provided in Note 1.D.11 to the financial statements.

CITY OF FRANKLIN, WISCONSIN
 Changes in Net Position, Last Ten Years
 (accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
General government	\$ 3,215,423	\$ 2,990,355	\$ 2,919,940	\$ 2,915,267	\$ 2,794,497	\$ 2,749,207	\$ 2,897,491	\$ 2,948,713	\$ 3,028,903	\$ 2,769,041
Public safety	18,398,830	16,959,091	16,194,631	16,484,847	17,228,769	16,622,386	16,003,898	15,526,031	15,598,642	14,387,891
Public works	8,124,372	8,304,583	7,231,238	6,550,808	6,182,036	6,596,316	6,208,391	6,034,720	6,900,408	6,800,767
Health and human services	794,502	726,000	673,332	698,088	730,499	649,656	698,944	708,084	663,262	630,002
Culture and recreation	1,872,691	1,969,297	1,865,832	1,838,700	1,870,573	1,890,350	1,919,689	1,763,139	1,803,155	1,766,274
Conservation and development	547,060	576,421	459,884	422,095	412,066	957,877	529,833	600,099	718,032	6,591,661
Interest on long term debt	313,301	405,022	582,211	802,562	1,272,721	1,563,257	1,920,023	2,253,215	2,654,969	2,705,294
Total governmental activities expenses	33,266,179	31,930,769	29,927,068	29,712,367	30,491,161	31,019,049	30,178,269	29,824,001	31,367,371	35,650,930
Business-type activities										
Water	5,549,508	5,766,088	5,077,744	5,051,835	5,064,149	4,251,187	4,076,409	4,216,453	3,928,578	3,620,524
Sewer	5,729,314	4,148,420	4,180,946	4,133,632	3,640,106	3,373,459	3,376,505	3,226,261	3,069,523	2,640,092
Total business-type activities expenses	11,278,822	9,914,508	9,258,690	9,185,467	8,704,255	7,624,646	7,452,914	7,442,714	6,998,101	6,260,610
Total expenses	\$ 44,545,001	\$ 41,845,277	\$ 39,185,758	\$ 38,897,834	\$ 39,195,416	\$ 38,643,695	\$ 37,631,183	\$ 37,266,715	\$ 38,365,472	\$ 41,911,546
Program Revenue										
Governmental activities:										
Charges for services:										
General government	\$ 138,723	\$ 150,787	\$ 213,328	\$ 251,573	\$ 163,947	\$ 217,360	\$ 270,412	\$ 305,232	\$ 210,433	\$ 226,496
Public safety	2,325,154	2,362,176	2,268,334	2,459,946	2,226,209	2,173,060	2,154,618	2,068,413	2,267,590	2,473,830
Public works	2,825,532	2,719,888	2,638,717	2,388,273	2,417,109	1,490,348	1,230,437	660,670	739,948	1,071,513
Health and human services	184,304	164,674	115,650	118,702	126,516	105,686	54,385	89,855	86,439	89,853
Culture and recreation	176,065	146,594	118,008	113,217	45,992	181,414	311,757	146,256	143,797	138,793
Conservation and development	122,264	152,588	51,917	63,366	73,530	78,667	64,168	67,051	305,299	127,711
Operating grants and contributions	1,882,406	1,809,520	1,901,262	1,838,950	2,144,164	2,136,106	1,921,805	2,080,213	2,285,275	2,957,937
Capital grants and contributions	3,677,886	1,144,757	1,437,524	1,659,859	1,240,439	1,334,285	2,570,564	1,190,090	1,735,333	2,753,612
Total governmental activities program revenue	11,332,334	8,650,984	8,744,740	8,893,886	8,437,906	7,716,926	8,578,146	6,587,780	7,774,104	9,839,745
Business-type activities										
Charges for services:										
Water	6,054,573	5,609,928	5,421,719	5,403,994	5,361,646	4,539,066	4,395,269	4,454,495	4,218,653	3,926,626
Sewer	3,328,550	3,340,382	3,266,897	3,243,737	3,142,062	3,124,786	3,062,486	2,984,024	2,706,583	2,029,447
Capital grants and contributions	341,915	566,251	238,557	-	-	-	210,668	337,667	734,367	1,629,536
Total business-type activities program revenue	9,725,038	9,516,561	8,927,173	8,647,731	8,503,708	7,663,852	7,668,423	7,786,186	7,659,603	7,585,609
Total program revenue	\$ 21,057,372	\$ 18,167,545	\$ 17,671,913	\$ 17,541,617	\$ 16,941,614	\$ 15,380,778	\$ 16,246,569	\$ 14,373,966	\$ 15,433,707	\$ 17,425,354

** Restated - In 2012 the Solid Waste Fee began

CITY OF FRANKLIN, WISCONSIN
Changes in Net Position, Last Ten Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net (Expense)/Revenue										
Governmental activities	\$ (21,933,845)	\$ (23,279,785)	\$ (21,182,328)	\$ (20,818,481)	\$ (22,053,255)	\$ (23,302,123)	\$ (21,600,123)	\$ (23,236,221)	\$ (23,593,267)	\$ (25,811,185)
Business-type activities	(1,553,784)	(397,947)	(331,517)	(537,736)	(200,547)	39,206	215,509	343,472	661,502	1,324,993
Total net expense	\$ (23,487,629)	\$ (23,677,732)	\$ (21,513,845)	\$ (21,356,217)	\$ (22,253,802)	\$ (23,262,917)	\$ (21,384,614)	\$ (22,892,749)	\$ (22,931,765)	\$ (24,486,192)
General Revenue and other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 19,057,468	\$ 19,022,067	\$ 18,905,872	\$ 18,884,009	\$ 18,695,907	\$ 19,058,282	\$ 18,523,570	\$ 18,237,375	\$ 17,534,150	\$ 16,404,257
Property taxes levied for debt service	1,500,000	1,600,000	1,600,000	1,650,000	1,750,000	1,900,000	1,900,000	1,900,000	2,000,000	2,110,000
Property taxes levied for TIF Districts	3,111,557	2,690,637	2,526,925	2,410,131	2,560,324	5,645,805	7,457,955	4,829,216	4,685,811	3,127,116
Other taxes	863,735	785,195	726,774	723,985	708,832	673,736	699,431	666,767	472,575	429,674
Intergovernmental revenue	1,350,257	1,804,045	1,519,848	1,620,331	1,590,209	2,292,529	1,485,982	1,380,418	1,320,286	1,461,840
Investment earnings	315,376	411,650	695,541	87,278	784,932	973,349	907,723	1,401,560	1,862,688	2,547,179
Miscellaneous revenue	54,447	48,685	43,170	66,191	394,032	40,091	58,885	43,566	14,451	452,613
Gain on sale of capital assets	106,934	13,106	16,988	2,024	32,129	58,871	64,070	-	-	-
Transfers	305,112	1,044,459	(144,601)	(66,726)	1,009,126	348,101	1,011,149	(100,726)	424,212	(560,258)
Total governmental activities	26,664,886	27,419,864	25,890,517	25,377,223	27,525,491	30,990,764	32,108,765	28,358,176	28,314,173	25,972,421
Business-type activities:										
Investment earnings	437,909	593,128	642,227	569,444	318,669	32,320	41,393	46,738	67,617	113,197
Miscellaneous revenue	58,832	73,601	50,878	40,398	126,867	64,550	50,164	57,627	267,819	41,436
Transfers	(305,112)	(1,044,459)	144,601	66,726	(1,009,126)	(348,101)	(1,011,149)	100,726	(424,212)	560,258
Total business-type activities	191,629	(377,730)	837,706	676,568	(563,590)	(251,231)	(919,592)	205,091	(88,776)	714,891
Total General Revenue and other Changes in Net Position	\$ 26,856,515	\$ 27,042,134	\$ 26,728,223	\$ 26,053,791	\$ 26,961,901	\$ 30,739,533	\$ 31,189,173	\$ 28,563,267	\$ 28,225,397	\$ 26,687,312
Change in Net Position										
Governmental activities	\$ 4,731,041	\$ 4,140,079	\$ 4,708,189	\$ 4,558,742	\$ 5,472,236	\$ 7,688,641	\$ 10,508,642	\$ 5,121,955	\$ 4,720,906	\$ 161,236
Business-type activities	(1,362,155)	(775,677)	506,189	138,832	(764,137)	(212,025)	(704,083)	548,563	572,726	2,039,884
Total	\$ 25,820,346	\$ 7,513,253	\$ 5,214,378	\$ 4,697,574	\$ 4,708,099	\$ 7,476,616	\$ 9,804,559	\$ 5,670,518	\$ 5,293,632	\$ 2,201,120

* 2016 prior period adjustment for Ryan Creek Interceptor Sewer Intergovernmental Cooperation Agreement

** 2015 prior period adjustment for implementation of GASB Statement Nos. 68 and 71

*** Restated - in 2012 the Solid Waste Fee began

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

	Fiscal Year									
	2016	2015	2014	2013	2012*	2011	2010	2009	2008	2007
General Fund										
Nonspendable:										
Inventories and prepaid items	\$ 46,342	\$ 41,186	\$ 78,455	\$ 45,866	\$ 62,936	\$ 55,820	\$ 75,673	\$ 24,927	\$ 25,109	\$ 24,990
Advances to other funds	2,248,616	2,198,616	2,198,616	505,040	-	-	-	-	-	1,000,000
Assigned - Purchase Orders	61,626	147,121	207,270	-	-	-	-	-	-	-
Unassigned	5,334,100	6,662,986	6,148,771	7,230,661	6,439,199	6,065,053	5,400,912	5,079,711	5,519,932	4,910,492
Total general fund	7,690,684	9,049,909	8,633,112	7,781,567	6,502,135	6,120,873	5,476,585	5,104,638	5,545,041	5,935,482
All other governmental funds:										
Nonspendable:										
Prepaids	1,274	730	900	2,475	21,800	10,313	10,181	15,707	-	-
Restricted:										
Debt service	651,298	507,283	546,238	6,801,945	7,423,733	7,876,755	8,393,278	8,845,900	12,091,660	12,240,785
Utility improvements	1,224,190	907,003	672,431	443,438	543,408	640,787	356,798	147,317	12,640	380,961
Development	4,058,562	3,851,653	4,170,339	5,052,168	4,614,731	7,633,040	6,408,826	5,869,562	9,383,708	14,100,000
TIF Districts	2,583,687	996,460	347,978	-	-	552,904	1,804,838	536,476	184,257	-
Donations	177,333	133,678	122,550	102,326	105,238	299,982	311,101	279,730	286,114	263,198
Health services	161,571	160,003	175,220	165,846	179,239	492,473	488,302	442,509	414,428	-
Library services	494,386	523,237	596,277	579,817	520,775	-	-	-	-	-
Solid waste	330,883	260,944	216,385	188,307	100,546	-	-	-	-	-
Recreational services	48,386	47,656	46,151	51,476	52,244	72,857	179,224	165,348	132,206	1,206,529
Assigned:										
Capital projects	5,684,525	4,906,594	4,699,459	2,791,111	2,724,764	2,372,072	2,710,245	1,378,971	3,640,970	1,777,308
Unassigned	(70,316)	(150,927)	(2,196,383)	(5,180,799)	(5,965,890)	(3,663,211)	(4,009,430)	(5,904,216)	(5,891,813)	(14,651,138)
Total all other government funds	15,345,779	12,144,314	9,397,545	10,998,110	10,320,588	16,287,972	16,653,363	11,777,304	20,254,170	15,675,518
Total fund balances	\$ 23,036,463	\$ 21,194,223	\$ 18,030,657	\$ 18,779,677	\$ 16,822,723	\$ 22,408,845	\$ 22,129,948	\$ 16,881,942	\$ 25,799,211	\$ 21,611,000

Notes:
 * 2012 and prior years have been reclassified to be consistent with the current year presentation

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue										
Taxes	\$ 24,532,761	\$ 24,097,919	\$ 23,759,571	\$ 23,668,125	\$ 23,715,063	\$ 27,277,823	\$ 28,580,956	\$ 25,633,358	\$ 24,692,536	\$ 22,071,047
Intergovernmental revenue	3,158,596	3,490,037	3,408,075	3,438,041	3,757,618	4,380,850	3,704,159	3,299,648	3,536,635	4,269,969
Licenses and permits	692,524	706,977	808,302	912,357	755,027	702,674	729,432	609,278	723,225	978,942
Fines, forfeitures and penalties	498,653	484,957	421,976	411,795	457,499	433,106	422,506	385,427	362,928	392,451
Public charges for services	4,042,515	4,065,334	3,799,898	3,791,279	3,612,576	2,589,786	2,211,119	1,600,313	1,908,473	1,998,696
Special assessments	904,147	642,256	1,057,088	1,483,350	1,236,114	1,305,578	1,119,230	817,736	1,114,498	1,581,962
Intergovernmental charges for services	194,806	192,188	136,372	162,308	103,615	245,000	237,319	291,584	206,156	426,387
Investment earnings	284,180	426,018	739,930	223,806	661,976	938,226	878,978	1,276,600	1,797,738	2,513,703
Miscellaneous revenue	481,943	419,464	411,301	288,465	674,305	365,129	597,611	635,424	723,724	934,141
Total revenue	34,790,125	34,525,150	34,542,513	34,379,526	34,973,793	38,238,172	38,481,310	34,549,368	35,065,913	35,167,298
Expenditures										
Current										
General government	2,969,747	2,783,745	2,786,740	2,710,650	2,631,419	2,596,581	2,694,374	2,780,444	2,825,835	2,609,731
Public safety	15,813,354	16,006,187	15,390,139	15,465,617	16,429,496	16,000,393	15,206,317	15,043,628	15,236,640	13,856,032
Public works	5,302,766	4,587,108	5,140,650	4,855,870	4,848,568	4,817,644	4,521,991	4,504,611	4,632,957	4,110,460
Health and human services	766,249	716,169	666,475	668,711	719,447	681,984	629,499	701,821	666,364	631,887
Culture, recreation and education	1,710,037	1,606,027	1,575,381	1,514,668	1,539,040	1,575,825	1,565,093	1,427,945	1,490,936	1,436,987
Conservation and development	523,268	568,364	461,181	416,765	409,996	964,610	524,705	603,961	729,274	6,587,035
Capital outlay	4,689,147	2,097,046	3,967,446	3,172,706	2,915,159	3,343,196	1,953,999	6,061,625	7,627,455	10,931,589
Debt service										
Principal payment on current refunding	5,895,000	-	-	-	-	-	-	-	-	-
Principal	1,950,000	615,000	10,265,000	3,790,000	10,825,000	7,395,000	5,275,000	10,915,000	6,000,000	5,170,000
Interest	375,687	460,072	731,288	1,033,519	1,334,958	1,618,615	1,939,762	2,350,882	2,543,194	2,584,080
Debt issuance costs	53,789	-	73,091	-	-	-	-	-	65,650	130,602
Total expenditures	40,049,054	32,439,718	41,057,391	33,628,506	41,653,083	38,993,848	34,310,740	44,389,917	41,818,305	48,048,403
Excess of revenue over (under) expenditures	(5,258,929)	2,085,432	(6,514,878)	751,020	(6,679,290)	(755,676)	4,170,570	(9,840,549)	(6,752,392)	(12,881,105)
Other financing sources (uses)										
Debt issued	-	-	5,320,000	-	-	-	-	-	10,000,000	10,000,000
Refunding debt issued	5,770,000	-	-	-	-	-	-	-	-	9,925,000
Premium on debt issued	154,202	-	232,827	-	-	-	-	-	83,583	34,970
Payment to refunding escrow agent	-	-	-	-	-	-	-	-	-	(10,040,675)
Sale of capital assets	126,585	33,675	39,894	75,559	32,129	58,871	64,070	-	-	-
Transfers in	2,859,364	2,408,253	2,125,007	2,769,157	2,398,454	2,415,916	1,389,654	2,229,036	5,786,181	6,237,805
Transfers out	(1,808,982)	(1,363,794)	(1,951,870)	(1,638,782)	(1,337,416)	(1,440,214)	(376,288)	(1,305,756)	(4,929,161)	(5,400,460)
Net change in fund balances	\$ 1,842,240	\$ 3,163,566	\$ (749,020)	\$ 1,956,954	\$ (5,586,123)	\$ 278,897	\$ 5,248,006	\$ (8,917,269)	\$ 4,188,211	\$ (2,124,465)
Debt service as a percentage of non capital expenditures *	22.9%	3.7%	29.3%	15.1%	30.9%	24.6%	22.2%	33.4%	23.8%	19.4%

** Restated - In 2012, the Solid Waste Fee began

CITY OF FRANKLIN, WISCONSIN
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				
2016 #	\$ 3,623,999,925	\$ 3,658,026,300	\$ 80,479,000	\$ 70,976,800	\$ 3,704,478,925	\$ 5.69	\$ 3,729,003,100	99.07%
2015	3,320,368,500	3,558,087,200	76,174,600	91,098,700	3,396,543,100	6.22	3,649,185,900	92.74%
2014	3,279,586,200	3,498,464,700	85,006,600	91,229,400	3,364,592,800	6.28	3,589,694,100	93.73%
2013 #	3,265,704,200	3,314,653,800	94,023,900	99,622,800	3,359,728,100	6.29	3,414,276,600	98.40%
2012	3,557,806,088	3,436,681,800	95,404,700	87,424,100	3,653,210,788	5.78	3,524,105,900	103.66%
2011 *	3,555,065,388	3,587,535,800	90,644,700	88,843,900	3,645,710,088	5.79	3,676,379,700	99.17%
2010	3,550,822,488	3,573,233,300	93,921,500	97,275,400	3,644,743,988	6.22	3,670,508,700	99.30%
2009	3,671,323,540	3,820,400,500	90,861,600	92,242,100	3,762,185,140	5.93	3,912,642,600	96.15%
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	5.79	3,689,054,400	97.08%

Assessed Valuation by School District - 2016

#	Reassessment year	Revaluation year	Franklin School District	Oak Creek/ Franklin School District	Whitnall School District	Total Assessed Value
			\$ 2,775,861,725	\$ 707,787,800	\$ 220,829,400	\$ 3,704,478,925

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, WISCONSIN
 Estimated Actual Property Value and Construction Data
 Last Ten Years

Fiscal Year	(1)				(2)				
	Estimate Actual Property value				Residential Construction		Nonresidential Construction		
	Residential	% of Total	Commercial and Manufacturing	Agricultural, Swamp and Other	Total	# of Units	Value	# of Permits	Value
2016	\$2,726,337,800	74.5%	\$ 907,823,500	\$23,865,000	\$3,658,026,300	34	\$ 13,912,735	3	\$ 7,350,000
2015	2,628,835,800	73.9%	905,420,400	23,831,000	3,558,087,200	34	13,454,139	44	16,589,580
2014	2,580,859,500	73.8%	894,256,900	23,348,300	3,498,464,700	44	14,780,900	68	19,734,951
2013	2,418,991,400	73.0%	871,715,000	23,947,400	3,314,653,800	65	19,942,795	17	2,902,692
2012	2,498,514,100	72.7%	914,654,100	23,513,600	3,436,681,800	55	19,322,659	44	27,991,474
2011	2,619,125,600	73.0%	948,708,000	19,702,200	3,587,535,800	30	9,995,820	41	17,794,034
2010	2,637,514,100	73.8%	917,720,700	17,998,500	3,573,233,300	27	6,559,696	40	22,533,497
2009	2,774,343,200	72.6%	1,026,852,400	19,204,900	3,820,400,500	25	6,709,653	35	14,193,522
2008	2,862,287,800	74.9%	939,436,600	19,339,400	3,821,063,800	52	11,030,933	61	28,323,674
2007	2,751,324,400	76.1%	844,563,800	18,856,100	3,614,744,300	99	20,017,954	49	39,920,210

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

(2) Source: City's Building Inspection Department. - from Building Permits issued

CITY OF FRANKLIN, WISCONSIN
 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 (**)
	General	Library	Debt Service	Capital Outlay	Equipment Replacement	Street Improvement	Total	School Districts			Milwaukee Area		Milwaukee Metropolitan Sewerage District			
								Franklin	Oak Creek	Whitnall	School Credits	Technical College	Milwaukee County	District	State	
2017 *	\$ 4.56	\$ 0.36	\$ 0.36	\$ 0.12	\$ 0.10	\$ 0.20	\$ 5.69	\$ 12.03	\$ 9.38	\$ 10.08	\$(1.97)	\$ 1.27	\$ 5.13	\$ 1.76	\$ 0.17	\$ 24.09
2016	4.97	0.39	0.45	0.13	0.10	0.21	6.26	13.29	10.57	10.88	(2.14)	1.35	5.52	1.87	0.18	26.33
2015	4.96	0.38	0.49	0.13	0.10	0.21	6.28	13.21	9.76	11.11	(1.88)	1.36	5.44	1.83	0.18	26.42
2014 #	4.98	0.38	0.49	0.13	0.10	0.21	6.29	13.26	9.10	10.67	(1.86)	2.16	5.21	1.73	0.17	26.97
2013	4.60	0.35	0.47	0.11	0.08	0.17	5.78	11.72	9.09	9.72	(1.69)	2.04	4.87	1.57	0.16	24.45
2012	4.59	0.35	0.49	0.11	0.08	0.17	5.79	11.62	8.83	9.56	(1.70)	1.96	4.76	1.52	0.17	24.12
2011 *	5.04	0.35	0.56	0.11	0.04	0.12	6.22	12.22	8.69	10.40	(1.72)	1.93	4.49	1.45	0.17	24.76
2010	4.61	0.33	0.54	0.14	0.08	0.23	5.93	11.33	8.86	10.11	(1.67)	1.98	4.31	1.38	0.18	23.44
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	4.34	0.34	0.59	0.14	0.10	0.28	5.79	10.98	7.85	9.40	(1.52)	1.82	4.01	1.32	0.18	22.58

Note: * Reassessment impact

Revaluation year

** The City has three tax rates dependent 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

CITY OF FRANKLIN, WISCONSIN
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2016			2007		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Northwestern Mutual	Insurance Services	\$ 120,141,700	1	3.54%	\$ 79,933,200	1	2.23%
VTLC Development	Packaging manufacturing	26,936,900	2	0.79%	19,430,600	4	0.54%
Wal-Mart	Retailer	26,299,800	3	0.77%	18,882,200	6	0.53%
Wheaton Health Care System	Medical facilities	24,881,100	4	0.73%	20,465,300	2	0.57%
Whitnall Pointe Apartments	Apartments	21,429,000	5	0.63%	20,326,600	3	0.57%
Manchester Oaks	Apartments	19,225,800	6	0.57%	19,314,800	5	0.54%
Baptista's Bakery, Inc	Manufacturing	15,891,000	7	0.47%	15,013,000	7	0.42%
Menard Inc	Retail - Home Improvement	13,452,700	8	0.40%			
Franklin Wyndham, LLC	Land held for Development	12,878,400	9	0.38%			
All Glass Aquarium	Aquariums and fluorescent lights	12,577,900	10	0.37%	13,210,800	9	0.37%
Harley Davidson	Motorcycle manufacturing				14,673,300	8	0.41%
Waste Management	Landfill and refuse collection				13,181,300	10	0.37%
		<u>\$ 293,714,300</u>		8.65%	<u>\$ 234,431,100</u>		6.55%

Source: City of Franklin Assessor's Office

CITY OF FRANKLIN, WISCONSIN
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			
2016	\$ 3,020,350	\$ 20,509,000	23,529,350	\$ 23,567,148	100.16%	\$ 2,603
2015	2,690,637	20,509,000	23,199,637	23,212,140	100.05%	57,995
2014	2,526,924	20,509,000	23,035,924	23,016,525	99.92%	52,069
2013	2,363,758	20,509,000	22,872,758	22,851,675	99.91%	52,481
2012	2,560,324	20,467,000	23,027,324	22,981,469	99.80%	75,184
2011	6,737,305	20,965,000	27,702,305	27,695,587	99.98%	53,589
2010	7,457,956	20,426,000	27,883,956	27,851,459	99.88%	39,718
2009	4,829,216	20,142,000	24,971,216	24,966,369	99.98%	36,945
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

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, WISCONSIN
 Property Tax Levies by Tax Jurisdiction
 Last Ten Years

Levy Year	State of Wisconsin	School Districts				City of Franklin				Total	
		Milwaukee County	Franklin	Whitnall	Oak Creek-Franklin	MATC	MMSD	Local	Tax Increment		Special Charges
2016	\$ 632,834	\$ 18,496,951	\$ 33,404,863	\$ 2,224,862	\$ 5,748,697	\$ 4,571,805	\$ 6,354,128	\$ 20,509,000	\$ 2,267,467	\$ 1,758,435	\$ 95,969,042
2015	619,289	18,083,210	33,404,871	2,223,327	5,928,300	4,428,322	6,145,125	20,509,000	3,020,350	1,727,974	96,089,767
2014	609,193	17,713,835	32,782,988	2,285,650	5,557,471	4,411,951	5,955,818	20,509,000	2,690,638	1,767,143	94,283,685
2013	579,423	16,986,670	32,784,606	2,174,991	5,254,726	7,043,487	5,638,269	20,509,000	2,526,924	1,796,214	95,294,310
2012	598,062	17,287,141	31,787,042	2,237,434	5,553,401	7,258,001	5,582,906	20,509,000	2,363,758	1,799,510	94,976,255
2011	623,904	16,812,497	31,435,718	2,208,503	5,268,377	6,934,559	5,188,886	20,467,000	2,560,324	1,900,389	93,400,157
2010	622,907	15,112,830	31,535,755	2,404,637	4,816,333	6,512,551	4,718,481	20,965,000	6,737,305	758,894	94,184,693
2009	664,000	14,854,113	30,632,223	2,424,105	4,403,920	6,842,077	4,574,057	20,426,000	7,457,956	818,455	93,096,906
2008	661,580	14,548,992	29,476,874	2,312,202	4,264,165	6,742,019	4,575,710	20,142,000	4,829,216	738,020	88,290,778
2007	626,055	13,522,407	28,554,442	2,249,175	4,192,123	6,161,570	4,299,178	19,555,000	4,685,811	669,010	84,514,771

Source: State of Wisconsin Department of Revenue Statement of Taxes.

Note: Each taxing jurisdiction above submits to the City of Franklin their approved tax levy in November of the levy year for use in the following year. The City of Franklin totals the levy requests, produces tax bills for all taxable properties, collects amounts billed and remits collections to the tax jurisdictions in accordance with Wisconsin Statutes.

CITY OF FRANKLIN, WISCONSIN
Ratios of Net General Bonded Debt Outstanding
Last Ten Years

Fiscal Year	General Bonded Debt										Total General Bonded Debt	Less Amounts due from Tax Incremental Financing Districts	Less Amounts due from Other Taxing Districts	Net General Bonded Debt	(1) Percent of Actual Property Value	(2) Percent of Personal Income	(2) Per Capita
	Governmental			Sewer			Business-type			(Discount) Premium							
General Obligation Bonds	General Obligation Notes	Lease Revenue Bonds	General Obligation Notes	General Obligation Notes	Water General Obligation Bonds	General Obligation Notes	General Obligation Notes	General Obligation Notes	General Obligation Notes								
2016	\$ 5,770,000	\$ 4,475,000	\$ -	\$ 21,200,228	\$ 1,180,000	\$ 248,869	\$ 32,874,097	\$ (651,298)	\$ (2,660,000)	\$ (21,200,228)	\$ 8,362,571	0.90%	N/A	920			
2015	7,095,000	5,225,000	-	22,357,276	1,235,000	181,221	36,103,497	(507,263)	(3,310,000)	(22,357,276)	9,928,938	1.01%	2.81%	1,013			
2014	7,615,000	5,320,000	-	23,486,522	1,290,000	252,273	37,963,795	424,721	(3,330,000)	(23,486,522)	11,571,994	1.09%	3.03%	1,063			
2013	8,185,000	9,695,000	-	24,565,423	-	21,387	42,466,810	1,491,365	(9,695,000)	(24,565,423)	9,697,772	1.28%	3.54%	1,186			
2012	8,805,000	12,865,000	-	22,064,833	-	-	43,734,833	2,553,267	(12,865,000)	(22,064,833)	11,358,267	1.27%	3.59%	1,231			
2011	9,525,000	22,970,000	-	-	-	-	32,495,000	(4,094,755)	(15,520,000)	-	12,880,245	0.91%	2.96%	915			
2010	9,730,000	30,160,000	-	-	-	-	39,890,000	(3,021,278)	(21,860,000)	-	15,008,722	1.12%	3.67%	1,125			
2009	9,880,000	35,285,000	-	-	-	-	45,165,000	(2,078,900)	(26,285,000)	-	16,801,100	1.18%	4.34%	1,340			
2008	10,030,000	46,050,000	-	-	-	-	56,080,000	(8,339,240)	(29,400,000)	-	18,340,760	1.47%	5.08%	1,672			
2007	10,180,000	39,525,000	2,375,000	-	-	-	52,080,000	(12,240,785)	(22,375,000)	-	17,464,215	1.44%	4.66%	1,560			

(1) Estimated Actual Property values are found in Table 6
(2) Population and personal income can be found in Table 14

Notes: Debt Service Fund balances represent amounts received that are restricted to future payments of outstanding debt.
Amounts due from tax incremental financing districts represent future receipt of non-repealable property tax levies restricted to the payment of debt service.
Amounts due from future development represent future impact fees collected under a 2002 ordinance from residents and restricted for the purpose of retiring debt on a portion of the police station, fire station, library and an eligible road project.
In 2016 the City issued \$5,770,000. Proceeds were used to refinance existing general obligation bonds issued in 2007.
In 2014 the Water Utility issued \$1,290,000 of 20 Year bonds. Proceeds were used to finance the Water Building.
In 2014 the City issued \$5,320,000. Proceeds were used to provide funding for TID projects and Capital Improvement projects.
In 2012 the City issued \$27,562,754. Proceeds were used to provide funding for Ryan Creek Sewer extension with repayment scheduled to be completed in 2031.
In 2008 the City issued \$10,000,000. Proceeds were used to provide funding for TIF Districts with repayment scheduled to be completed in 2014.
In 2007 the City issued \$9,925,000. Proceeds were used to refinance existing general obligation bonds issued in 2001.
In 2007 the City issued \$10,000,000. Proceeds were used to refinance existing lease revenue bonds with repayment scheduled to be completed in 2014.
In 2006 the City issued \$10,000,000. Proceeds were used to refinance existing lease revenue bonds with repayment completed in 2011.

CITY OF FRANKLIN, WISCONSIN
 Schedule of Direct and Overlapping Debt - Governmental Activities
 December 31, 2016

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to City	Amount applicable to City
Milwaukee County ¹	\$ 648,079,858	6.3363%	\$ 41,064,057
Whitnall School District	555,000	13.8210%	76,706
Oak Creek - Franklin School District	95,215,000	17.5988%	16,756,664
Franklin School District	29,120,000	100.0000%	29,120,000
Milwaukee Area Technical College	104,295,000	5.0713%	5,289,102
Milwaukee Metropolitan Sewerage District	881,224,397	6.4588%	56,916,164
Total Overlapping Debt	1,758,489,255		149,222,693
City of Franklin	10,505,403	100.0000%	10,505,403
Total	\$ 1,768,994,658		\$ 159,728,096

History	School Districts			MMSD	Overlapping Debt Total	City of Franklin	Total
	Milwaukee County	Franklin	Whitnall				
2016	\$ 41,064,057	\$ 29,120,000	\$ 76,706	\$ 16,756,664	\$ 149,222,693	\$ 10,505,403	\$ 159,728,096
2015	41,616,636	31,360,000	31,330	17,132,063	159,290,730	12,523,902	171,814,632
2014	42,750,442	33,940,000	39,011	7,614,274	148,628,155	13,187,273	161,815,428
2013	43,757,820	36,275,000	46,013	7,680,950	153,388,635	17,901,387	171,290,022
2012	46,023,745	5,105,000	56,142	8,444,593	129,071,665	21,670,000	150,741,665
2011	49,686,048	6,885,000	1,175,097	8,483,031	129,683,004	32,495,000	162,178,004
2010	49,485,672	8,590,000	366,516	8,804,319	125,776,973	39,890,000	165,666,973
2009	48,685,158	9,860,000	398,980	9,860,000	121,255,661	45,165,000	166,420,661
2008	24,814,695	13,335,000	498,112	8,825,309	100,719,139	56,080,000	156,799,139
2007	24,417,746	16,615,000	584,345	9,317,100	94,499,871	49,705,000	144,204,871

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.

- 1 In 2009 Milwaukee County issued \$400,000,000 in pension obligation debt.
- 2 In 2013 Franklin Public Schools issued \$33,000,000 of Debt to renovate the high school.

CITY OF FRANKLIN, WISCONSIN
 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	City Policy**		
						2% of Equalized Value	Debt Margin	Percent Used
2016	\$ 3,729,003,100	\$ 186,450,155	\$ 32,625,228	\$ 153,824,927	17.50%	\$74,580,062	\$41,954,834	43.75%
2015	3,649,185,900	182,459,295	35,912,276	146,547,019	19.68%	72,983,718	37,071,442	49.21%
2014	3,589,694,100	179,484,705	37,711,522	141,773,183	21.01%	71,793,882	34,082,360	52.53%
2013	3,414,276,600	170,713,830	42,445,423	128,268,407	24.86%	68,285,532	25,840,109	62.16%
2012	3,524,105,900	176,205,295	43,734,833	132,470,462	24.82%	70,482,118	26,747,285	62.05%
2011	3,676,379,700	183,818,985	32,495,000	151,323,985	17.68%	73,527,594	41,032,594	44.19%
2010	3,670,508,700	183,525,435	39,890,000	143,635,435	21.74%	73,410,174	33,520,174	54.34%
2009	3,912,642,600	195,632,130	45,165,000	150,467,130	23.09%	78,252,852	33,087,852	57.72%
2008	3,898,387,300	194,919,365	56,080,000	138,839,365	28.77%	77,967,746	21,887,746	71.93%
2007	3,689,054,400	184,452,720	49,705,000	134,747,720	26.95%	**		

(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.

** The City Debt Policy limits debt to 40% of Legal Limit - adopted by Resolution 2008-6481

CITY OF FRANKLIN, WISCONSIN
 Demographic and Economic Statistics
 Last Ten Years

Fiscal Year	(1) Population	(2) Personal Income		(2) Per capita adjusted gross income			(3) Unemployment rates		
		City of Franklin	State of Wisconsin	City of Franklin	City of Milwaukee County	State of Wisconsin	City of Franklin	City of Milwaukee County	State of Wisconsin
2016	35,741	N/A	N/A	N/A	N/A	N/A	3.4	3.9	4.1
2015	35,655	\$1,286,727,609	36,088	23,939	29,145	29,145	4.0%	5.2%	4.3%
2014	35,702	1,252,194,890	35,074	22,507	27,671	27,671	4.2%	6.0%	5.2%
2013	35,810	1,199,623,750	33,500	22,411	26,963	26,963	4.8%	7.2%	6.3%
2012	35,520	1,218,584,060	34,307	21,433	26,271	26,271	5.6%	8.0%	6.9%
2011	35,504	1,098,257,160	30,933	20,681	24,942	24,942	5.4%	8.0%	7.0%
2010	35,451	1,085,585,506	30,622	20,486	24,218	24,218	6.2%	8.1%	7.8%
2009	33,700	1,039,533,497	30,847	20,195	23,211	23,211	7.2%	9.7%	9.1%
2008	33,550	1,103,807,365	32,900	21,233	24,329	24,329	4.5%	6.5%	6.5%
2007	33,380	1,117,587,480	33,481	21,603	24,374	24,374	3.5%	5.0%	4.5%

(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

CITY OF FRANKLIN, WISCONSIN
Principal Employers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2016			2007		
		Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Northwestern Mutual	Insurance/Investment Services	3,107	1	17.40%	1,100	1	6.08%
Wheaton Franciscan Healthcare	Medical & surgical hospital	853	2	4.78%			
Krones, Incorporated	High speed labeling/filler machines	577	3	3.23%	390	5	2.16%
Baptista's Bakery	Commercial Bakery	559	4	3.13%			
Franklin Public Schools	K-12 Education	554	5	3.10%	580	2	3.21%
Milwaukee County							
County Corrections South	Government	525	6	2.94%	465	3	2.57%
Wal-Mart	Retailer	332	7	1.86%	250	9	1.38%
Carlisle Interconnect Technologies	Wire harnesses	303	8	1.70%			
Conway Trucking	Trucking				300	7	1.66%
Senior Flexonics - GA Precision	Off-road engine components mfg.	255	9	1.43%	400	4	2.21%
Strauss Veal & Lamb Int'l Inc	Animal Processing	270	10	1.51%			
Harley Davidson	Distribution Center				200	10	1.11%
City of Franklin	Government				257	8	1.42%
Waste Management	Landfill and refuse collection				340	6	1.88%
		<u>7,335</u>		<u>41.09%</u>	<u>4,282</u>		<u>23.68%</u>

Source: Past Debt offering Official Statements and employer surveys

CITY OF FRANKLIN, WISCONSIN
Full-time Equivalent City Government Employees by Function
Last Ten Years

<u>Department</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General government										
Common council									0.48	0.48
Municipal Court	2.50	2.50	2.50	2.50	2.50	2.00	2.00	2.00	2.00	2.00
Clerk	4.12	4.12	4.14	4.14	4.14	4.00	4.00	4.00	3.53	3.53
Information services	1.00	-	-	-	-	-	-	-	-	-
Administration	3.00	3.00	4.00	3.00	3.00	3.60	3.60	3.60	3.80	3.80
Finance	6.60	6.60	6.60	7.10	7.10	7.03	7.10	7.10	7.10	7.30
Assessor	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Municipal buildings	4.03	4.03	2.78	3.74	3.74	3.92	4.74	4.74	4.83	4.83
Total general government	21.25	21.25	21.02	21.48	21.48	21.55	22.44	22.44	22.74	22.94
Public safety										
Police	76.75	76.75	75.75	75.75	76.75	77.25	77.25	77.25	77.25	77.25
Fire	46.50	46.50	46.50	46.50	46.45	46.48	46.45	46.45	46.45	45.45
Building inspection	8.00	8.00	7.00	7.00	7.00	8.00	8.00	8.00	10.00	10.00
Total public safety	131.25	131.25	129.25	129.25	130.20	131.73	131.70	131.70	133.70	132.70
Public works										
Engineering	8.25	8.25	8.25	8.25	8.25	8.25	8.80	8.80	9.80	9.80
Highway	22.00	22.00	22.48	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Parks	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.27	1.79
Total public works	32.25	32.25	32.73	32.25	32.25	32.25	32.80	32.80	34.07	33.59
Public health	6.75	6.75	6.75	6.15	6.25	6.25	6.15	6.15	6.50	6.63
Planning	4.00	4.00	4.00	4.00	4.60	5.60	5.60	5.60	7.60	7.60
Economic Development	1.00	1.00	0.58	-	-	-	-	-	-	-
Total general fund	196.50	196.50	194.33	193.13	194.78	197.38	198.69	198.69	204.61	203.46
Public health - grant										
Library	16.94	16.94	17.19	17.70	16.82	17.12	17.11	17.11	17.20	17.22
Sewer & water	10.80	11.50	11.55	11.55	11.53	11.53	12.55	12.55	12.85	12.85
Total	224.24	224.94	223.07	222.38	223.13	226.03	228.35	228.35	234.66	233.53

Source: City of Franklin Budget Document

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police										
Part 1 Major crimes	722	844	859	873	852	689	629	804	994	1,066
Arrests	1,096	1,206	1,160	1,012	1,799	1,554	1,606	1,235	1,467	1,492
Traffic & parking citations	7,392	6,908	7,349	6,524	9,449	11,093	9,125	7,793	6,880	8,449
Calls for service	32,110	30,259	30,040	28,093	29,542	28,847	37,273	28,267	27,107	28,169
Number of sworn officers	60	60	59	58	58	58	58	58	59	59
Fire										
Fire responses	625	689	621	679	594	540	574	496	704	573
EMS responses	3270	2976	2,863	2,754	2,688	2,605	2,546	2,515	2,790	2,767
Fire inspections	2500	2509	2,480	2,436	2,485	2,765	2,463	2,611	2,578	2,364
Number of full-time firefighters	45	45	45	45	45	45	45	46	46	46
Basic Life Support Transports	1050	1059	1,055	1,162	1,137	1,099	1,141	46	46	46
Paramedic Transports	1225	1212	1,091	977	910	863	823	58	59	59
Highway										
Miles of crack sealing	31	26	38	28	32	30	28	31	34	31
Trees pruned	1000	1500	679	704	1,053	1,427	2,176	927	378	558
Vehicles maintained	170	168	167	167	167	165	165	165	165	159
Solid waste										
Non-recyclable refuse collected (tons)	8100	8259	7,923	7972	8,205	8,353	8,320	7,762	8,519	8,381
Recyclables collected (tons)	3200	2975	3,479	3114	2,737	2,813	2,693	2,676	2,825	3,008
Yard waste (tons)	300	332	221	322	335	274	295	375	214	205
Health										
Home visits	1200	951	1,180	1,276	1,435	1,213	1,383	1,616	1,280	1,401
Immunization clinic visits	2200	2032	2,130	1,825	2,488	2,653	3,660	8,658	3,407	3,015
Sanitarian inspections	380	340	429	383	438	298	366	380	274	196
Animal control										
Animal control pickups	115	116	122	104	92	120	167	126	165	223
Library										
Circulation	460,000	477,658	465,656	477,991	502,989	514,163	519,580	519,054	490,843	471,442
Collection size	140,000	132,330	139,772	140,000	144,000	142,000	140,000	135,688	130,000	127,000
Internet use **	26,000	28,239	30,970	33,507	39,976	49,638	50,369	50,222	55,000	54,000
Sanitary sewer										
Number of customers	10,231	10,198	10,090	10,060	10,010	9,970	9,775	9,883	9,853	9,779
Feet of sewer cleaned	255,000	260,000	255,000	250,000	250,000	217,000	218,000	250,000	264,000	92,010
Water										
Number of customers -average	8,220	8,172	7,978	7,930	7,931	7,850	7,807	7,756	7,683	7,561
Average daily consumption	2,800,000	2,800,000	2,800,000	2,400,000	2,615,000	2,370,000	2,298,000	2,461,276	2,474,000	2,521,000
Peak daily consumption	1,788,000	4,888,200	4,969,000	6,770,000	6,770,000	5,604,000	4,212,000	4,803,000	5,681,000	6,097,420

** in 2013 Internet session length increased to 2 hours from one.

Source: City Budget Document

CITY OF FRANKLIN, WISCONSIN
 Capital Asset Statistics by Function/Program
 Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Area in square miles	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Area in acres:											
Taxable acres (approximate)	14,967	14,984	15,038	14,889	14,804	15,474	15,550	15,549	15,550	15,634	15,642
Acres developed (approximate)	9,694	9,694	9,694	9,540	9,410	11,336	11,329	11,287	11,233	10,878	10,210
Acres in park and open space	5,167	5,167	5,167	4,928	4,854	3,873	3,873	3,873	3,873	3,851	3,684
Miles of road:											
State	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85
County	21.24	23.24	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74	23.74
Local	169.25	167.05	166.32	166.07	166.51	165.97	165.97	165.97	166.51	165.31	164.74
Fire protection and ambulance service:											
Number of manned fire stations	3	3	3	3	3	3	3	3	3	3	3
Police protection:											
Number of stations	1	1	1	1	1	1	1	1	1	1	1
Number of sub stations	1	1	1	1	1	1	1	1	1	1	1
Sewer and water service:											
Miles of sanitary sewer	194	193	191	185	185	185	185	185	182	181	180
Miles of watermain	170	169	168	167	167	167	166	166	164	163	157
Number of fire hydrants	2565	2155	2,145	2,130	2,120	2,115	2,111	2,106	2,081	2,058	1,956
Recreation and culture:											
Number of trails	11	11	11	10	10	7	7	4	4	4	3
Number of city parks	12	12	12	12	12	12	12	12	12	12	11
Number of county parks	8	8	8	8	8	8	8	8	8	8	8
Number of libraries	1	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	47,206
Law enforcement building	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300	68,300
Fire stations	37,750	37,750	37,750	37,750	37,750	37,750	37,750	32,392	26,480	26,480	26,480
Library	40,000	40,000	40,000	40,000	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	45,450
Sewer & water building	23,215	23,215	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620

Source: City of Franklin records

FORM OF LEGAL OPINION

(See following pages.)

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

December 21, 2017

Re: City of Franklin, Wisconsin ("Issuer")
\$1,645,000* General Obligation Promissory Notes, Series 2017B,
dated December 21, 2017 ("Notes")

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

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

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

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2019	\$ 50,000	___%
2020	50,000	___
2021	50,000	___
2022	235,000	___
2023	240,000	___
2024	245,000	___
2025	250,000	___
2026	260,000	___
2027	265,000	___

Interest is payable semi-annually on March 1 and September 1 of each year commencing on March 1, 2018.

The Notes maturing on March 1, 2026 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2025 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

* Preliminary, subject to change.

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

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

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

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

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

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

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

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages.)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Franklin, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$1,645,000* General Obligation Promissory Notes, Series 2017B, dated December 21, 2017 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on December 5, 2017 (the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

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

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

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

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

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

"Final Official Statement" means the Final Official Statement dated December 6, 2017, delivered in connection with the Securities, which is available from the MSRB.

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

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

* Preliminary, subject to change.

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

"Issuer Contact" means the City Clerk of the Issuer who can be contacted at 9229 West Loomis Road, Franklin, Wisconsin 53132, phone (414) 425-7500, fax (414) 427-7627.

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

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ending December 31, 2017, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - DIRECT DEBT
2. DEBT - DEBT LIMIT
3. VALUATIONS - CURRENT PROPERTY VALUATIONS
4. TAX LEVIES AND COLLECTIONS - TAX LEVIES AND COLLECTIONS

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

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

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

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 21st day of December, 2017.

(SEAL)

Stephen R. Olson
Mayor

Sandra L. Wesolowski
City Clerk

NOTICE OF SALE

**\$1,645,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2017B
CITY OF FRANKLIN, WISCONSIN**

Bids for the purchase of \$1,645,000* General Obligation Promissory Notes, Series 2017B (the "Notes") of the City of Franklin, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on December 5, 2017, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. The bid offering to purchase the Notes upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including street projects, public safety projects and park projects within the City. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

The Notes will be dated December 21, 2017, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$50,000	2022	\$235,000	2025	\$250,000
2020	50,000	2023	240,000	2026	260,000
2021	50,000	2024	245,000	2027	265,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2018, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of**

4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after March 1, 2026 shall be subject to optional redemption prior to maturity on March 1, 2025 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

DELIVERY

On or about December 21, 2017, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL MATTERS

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Notes. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Notes and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.

SUBMISSION OF BIDS

Bids must not be for less than \$1,628,550 nor more than \$1,743,700 plus accrued interest on the principal sum of \$1,645,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

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

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

A good faith deposit ("Deposit") in the amount of \$32,900 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Notes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;

- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Notes to the Underwriter. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its bid form to determine the issue price for the Notes. On its bid form, each Underwriter must select one of the following two rules for determining the issue price of the Notes: (1) the first price at which 10% of a maturity of the Notes (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Notes (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Notes.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Notes have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Notes or until all of the Notes of a certain maturity have been sold.

(f) By submitting a bid, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if an for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public),
- (iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Notes are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the Common Council

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

BID FORM

The Common Council
City of Franklin, Wisconsin

December 5, 2017

RE: \$1,645,000* General Obligation Promissory Notes, Series 2017B
DATED: December 21, 2017

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$1,628,550 nor more than \$1,743,700) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due	2019	_____ % due	2022	_____ % due	2025
_____ % due	2020	_____ % due	2023	_____ % due	2026
_____ % due	2021	_____ % due	2024	_____ % due	2027

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

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$32,900, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about December 21, 2017.

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

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

This bid is a firm offer for the purchase of the Notes identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Notes.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 21, 2017 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Franklin, Wisconsin, on December 5, 2017.

By: _____ By: _____
Title: _____ Title: _____