

**CITY OF FRANKLIN**

Franklin, New Hampshire

**FINANCIAL STATEMENTS**

June 30, 2019

and

Independent Auditor's Report

# CITY OF FRANKLIN, NEW HAMPSHIRE

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## **INDEPENDENT AUDITOR'S REPORT**

# **ROBERGE AND COMPANY, P.C.**

## **Certified Public Accountants**

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Member – American Institute of CPA's (AICPA)  
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Member – AICPA Private Company Practice Section (PCPS)  
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### **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Franklin  
Franklin, New Hampshire

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 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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.

#### **Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, as of June 30, 2019, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability, schedules of proportionate share and contributions of the NHRS net OPEB liability, schedule of proportionate share of the net pension liability, and schedule of pension contributions 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.

### *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 combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Roberge and Co. , P.C.*

**ROBERGE & COMPANY, P.C.**

Franklin, New Hampshire  
May 15, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

City of Franklin, New Hampshire  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2019

The City of Franklin's management team offers this narrative overview and analysis of the financial activities of the City of Franklin for the fiscal year ended June 30, 2019. The City's financial performance is discussed and analyzed in conjunction with the accompanying financial statements and disclosures following this section.

### Financial Highlight

- As of the close of the current fiscal year, total assets and deferred outflows exceeded liabilities and deferred inflows for governmental and business activities by \$14,153,518 (net position). This is an increase of \$1,741,022 over the prior year.
- As of the close of the current fiscal year, the total net position for governmental activities was \$705,548 (-\$17,790,953 unrestricted) and total net position for business like activities was \$13,447,970 (\$112,501 unrestricted). The negative unrestricted net position for governmental activities is due to the implementation of Governmental Accounting Standards Board (GASB) Statement 68 which requires the City to record its proportionate share of unfunded pension liability of the New Hampshire Retirement System's cost sharing employer defined benefit pension plan and Statement 75 which requires the City to record its liability for other post-employment benefits related to health insurance.
- As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of \$8,997,704, an increase of \$368,691 over the prior year. Of the combined ending fund balances, \$4,220,400, an increase of \$320,446 from the prior year, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,269,105, or 16.64 percent of total general fund expenditures.
- At the close of the current fiscal year, total long-term bonds & notes outstanding was \$9,774,709, an increase of \$329,134 from the prior year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Franklin's basic financial statements. The City of Franklin's basic financial statements comprise 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 of Franklin's finances. There are two basic governmental-wide financial statements: the statement of net position and the statement of activities. All activities included within the government-wide financial statements are measured and reported using the economic resources measurement focus and the accrual basis of accounting similar to a private-sector business.

- The *statement of net position* presents information on all of the City of Franklin's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as *net position* as opposed to fund balance as shown on the fund statements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Franklin is improving or deteriorating.
- 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, revenues and expenses are

City of Franklin, New Hampshire  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2019

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Franklin and are represented by Statement A and Statement B of the accompanying financial statements.

- Governmental Activities represent most of the City's basic services and are principally supported by taxes, grants and intergovernmental revenues. The governmental activities of the City of Franklin include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation.
- Business-Type Activities are normally intended to recover all or a significant portion of their costs through user fees and charges. The business-type activities of the City of Franklin include water and sewer Activities.

The government-wide financial statements include not only the City of Franklin (known as the primary government), but also a legally separate dependent school district, Franklin School District, which the City of Franklin is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself. Separately issued financial statements for the School District can be obtained by contacting SAU #18, 119 Central Street, Franklin, NH 03235.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Franklin 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 the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Franklin maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Franklin adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- **Proprietary funds.** The City of Franklin maintains one type of proprietary funds: enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Franklin uses enterprise funds to account for its water and sewer activities.



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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 water and sewer operations, both of which are considered to be major funds of the City of Franklin.

*Internal service funds* report "any activity that provides goods and services to other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis". The City of Franklin does not report any internal service funds. Because the nature of these funds is internal, internal service funds would be combined with governmental activities on the government-wide financial statements.

- ***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 of Franklin's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which is required to be disclosed by the accounting principles generally accepted in the United States of America. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

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Management's Discussion and Analysis  
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**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. Changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

**Financial Position.** The following table provides a summary of the City's net position at June 30 for the current and prior two fiscal years:

**City of Franklin, New Hampshire Net Position (in Thousands)**

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>			<b>Total Primary Government</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Current and other assets</b>	19,617	17,307	15,784	2,257	2,258	2,291	21,874	19,565	18,075
<b>Capital assets</b>	20,086	18,320	18,041	19,525	19,339	19,415	39,611	37,659	37,456
<b>Total assets</b>	39,703	35,627	33,825	21,782	21,597	21,706	61,485	57,224	55,531
<b>Deferred outflow of resources</b>	4,809	4,237	6,063	166	187	187	4,975	4,424	6,250
<b>Total assets and deferred outflow of resources</b>	44,512	39,864	39,888	21,948	21,784	21,893	66,460	61,648	61,781
<b>Current liabilities</b>	3,461	2,955	1,552	1,754	1,855	1,800	5,215	4,810	3,352
<b>Long term liabilities outstanding</b>	30,804	26,221	28,370	6,670	7,232	7,291	37,474	33,453	35,661
<b>Total liabilities</b>	34,265	29,176	29,922	8,424	9,087	9,091	42,689	38,263	39,013
<b>Deferred inflow of resources</b>	9,541	9,219	7,177	77	30	13	9,618	9,249	7,190
<b>Total liabilities and deferred inflow of resources</b>	43,806	38,395	37,099	8,501	9,117	9,104	52,307	47,512	46,203
<b>Net Position:</b>									
<b>Invested in capital assets, net of related debt</b>	14,821	14,537	14,358	13,335	13,149	12,331	28,156	27,686	26,689
<b>Restricted</b>	3,675	2,906	3,491	0	0	0	3,675	2,906	3,491
<b>Unrestricted</b>	(17,791)	(15,974)	(15,060)	113	(481)	458	(17,678)	(16,455)	(14,602)
<b>Total net position</b>	705	1,469	2,789	13,448	12,668	12,789	14,153	14,137	15,578

The City of Franklin, assets and deferred outflows exceeded liabilities and deferred inflows by \$14.2 million, \$14.1 million and \$15.6 million at the close of fiscal years 2019, 2018 and 2017, respectively. Governmental activities assets exceeded liabilities by \$0.70 million, \$1.47 million and \$2.79 million at the close of fiscal years 2019, 2018 and 2017, respectively.

The largest portion of the City of Franklin's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. As of year-end, net investment in capital assets is \$28,156,587, an increase of \$476,822 over the prior year. The City of Franklin uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Franklin'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 the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Franklin's net position, \$3,675,383 or 25.97%, represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position of* \$(17,678,452). At the end of the current fiscal year, the City of Franklin is able to report positive balances in categories of net position for business-type activities and positive balances in Net Investment in Capital Assets and Restricted categories for governmental activities and the City's net position as a whole. The negative Unrestricted Net Position

City of Franklin, New Hampshire  
Management's Discussion and Analysis  
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category is a result of the implementation of the Governmental Accounting Standards Board's Statements; GASB 68 Accounting and Financial Reporting for Pensions which requires the City to record its proportionate share of the unfunded liability of the New Hampshire Retirement System, a multiple employer cost sharing defined benefit plan, and GASB Statement 75 - *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The City's governmental activities will continue to report a deficit until the funding mechanisms and asset returns improve in the state system. Please refer to financial statement note 4-A for additional information on the pension liability and financial statement note 4-B for additional information on the other post-employment benefits (OPEB) liability.

**Financial Results.** The following is a summary of condensed government-wide financial data of changes in net position for the current and prior two fiscal years:

**City of Franklin, New Hampshire Changes in Net Position (in Thousands)**

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<u>Revenues</u>						
Program Revenue:						
Charges for Services	1,435	1,662	1,184	3,181	2,978	2,806
Operating Grants and Contributions	13,160	13,808	11,022	341	11	8
Capital Grants and Contributions	-	-	-	-	-	59
General Revenues:						
Property Taxes	12,107	11,561	10,607	-	-	-
Other Taxes	-	-	224	-	-	-
Licenses and Permits	1,648	1,281	1,367	-	-	-
Grants and Contributions not restricted to specific programs	172	-	-	-	-	-
Interest Earnings	56	27	165	3	2	-
Miscellaneous	900	907	683	59	59	-
Total Revenues	29,478	29,246	25,252	3,584	3,050	2,873
<u>Expenses</u>						
Functional Expenditures:						
General Government	1,809	1,562	1,874	-	-	-
Public Safety	5,398	5,312	5,178	-	-	-
Highway and Streets	1,707	1,449	1,832	-	-	-
Sanitation	877	877	779	-	-	-
Health	164	191	164	-	-	-
Welfare	63	67	81	-	-	-
Culture and Recreation	1,126	1,203	723	-	-	-
Conservation	7	1	1	-	-	-
Economic Development	95	81	45	-	-	-
School	15,798	15,717	14,678	-	-	-
Debt Service	95	95	147	-	-	-
Capital Outlay	115	(34)	7	-	-	-
Other Financing Uses GASB 68/OPEB	1,128	2,001	1,290	-	-	-
Proprietary Activities	-	-	-	2,941	3,171	2,871
Total Expenses	28,382	28,522	26,799	2,941	3,171	2,871
Change in net position before transfers	1,096	724	(1,547)	643	(121)	2
Transfers	-	6	6	-	-	-
Increase (Decrease) in net position	1,096	730	(1,541)	643	(121)	2
Net Position, beginning, as restated	(391)	4,330	4,330	12,804	12,789	12,787
Net Position, ending	705	5,060	2,789	13,447	12,668	12,789

City of Franklin, New Hampshire  
Management's Discussion and Analysis  
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**Governmental activities.** Governmental activities increased the City of Franklin's net position by \$1,096,727. This is largely due to decreased liabilities for OPEB obligations and recording of the City's portion of the retirement system's net pension liability.

**Business-type activities.** Business-type activities increased the City of Franklin's net position by \$644,295. The Water Fund increased the net position by \$391,295 while the Sewer Fund increased the net position by \$252,370.

### **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the City of Franklin'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 of Franklin'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 close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of \$8,997,704, an increase of \$368,691 over the prior year. Of the combined ending fund balances, \$4,220,400 is available for spending at the government's discretion (unassigned fund balance). The remainder of fund balance is *nonspendable, restricted, committed or assigned* to indicate that it is not available for new spending because it has already been obligated 1) to liquidate contracts and purchase orders of the prior period (\$863,273), 2) committed for miscellaneous purposes (\$11,350), 3) legally restricted for permanent funds and other restricted purposes (\$1,532,331), 4) non-spendable permanent fund principal and prepaids (\$2,370,350).

The general fund is the chief operating fund of the City of Franklin. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,269,105, while total fund balance reached \$5,875,872. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16.64 percent of total general fund expenditures, while total fund balance represents 22.90 percent of that same amount.

In June 2011, the City Council adopted a revision to the fund balance policy to come into compliance with GASB Statement No. 54. In addition, the Council moved the target unassigned fund balance from 5% to 15% of general fund expenditures. Since 2011, the City has increased its fund balance from 6% to 16% of appropriated expenditures.

**Proprietary funds.** The City of Franklin's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary fund financial statements use the accrual basis of accounting, like the government-wide financial statements. Therefore, there is no reconciliation needed between the government-wide financial statements for business type activities and the proprietary fund financial statements.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$112,501. The total net position increased over the prior year by \$644,295.

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**General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was \$826,834 which represents the following:

- Prior year encumbrances/carryovers totaling \$826,834

The difference between the final amended budget and actual results is a positive variance of \$5,322,321. Revenues and budgetary fund balance exceeding budgeted amounts by \$3,713,494, budgetary fund balance exceeding budgeted amount by \$3,822,270 and total of other revenues coming in under estimates by \$108,776. Expenditures were less than the estimated budget by \$1,608,827. Significant budget variances include:

- Positive variance of \$3,822,270 in beginning budgetary fund balance represents the prior year fund balance not appropriated to support the current year budget but held for unanticipated and/or emergency expenditures
- Positive variance of \$136,153 in licenses, permits & fees largely represents motor vehicle registration revenues coming in higher than estimated
- Negative variance of \$297,526 in other local revenues estimated by the school
- Positive variance of \$237,631 in federal grant sources
- Positive variance of \$87,339 in charges for services
- Positive variance of \$299,908 in miscellaneous revenues
- Positive variance of \$146,092 in general government expenses
- Positive variance of \$176,356 in public safety expenses
- Negative variance of \$226,615 in highways, streets and bridges
- Positive variance of \$77,996 in welfare due to the director coordinating with other resources available for the needs of the clients
- Positive variance of \$973,418 in school expenses
- Negative variance of \$319,116 in capital outlay expenses

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**Capital Asset and Debt Administration**

**Capital Assets.** The City of Franklin's total investment in capital assets for its governmental and business type activities as of June 30, 2019, amounts to \$39,611,994 (net of accumulated depreciation), an increase of \$2,559,527 from the prior year. This investment in capital assets includes monuments, land, land improvements, buildings, infrastructure and utility systems, improvements, machinery and equipment, park facilities, roads, highways, bridges, and construction in progress.

**City of Franklin, New Hampshire Capital Assets Net of Depreciation (in Thousands)**

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>			<b>Total Primary Government</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Land</b>	1,727	1,228	1,229	65	65	65	1,792	1,293	1,294
<b>Monuments</b>	61	61	61	-	-	-	61	61	61
<b>Construction in Progress</b>	1,547	57	89	420	468	98	1,967	525	187
<b>Land Improvements</b>	143	152	144	-	-	-	143	152	144
<b>Buildings and Improvements</b>	10,347	10,472	11,113	373	392	410	10,720	10,864	11,523
<b>Machinery, Vehicles and Equipment</b>	2,870	2,947	2,909	442	457	499	3,312	3,404	3,408
<b>Infrastructure</b>	3,390	2,796	2,496	18,225	17,958	18,342	21,615	20,754	20,838
<b>Total</b>	<u>20,085</u>	<u>17,713</u>	<u>18,041</u>	<u>19,525</u>	<u>19,340</u>	<u>19,414</u>	<u>39,610</u>	<u>37,053</u>	<u>37,455</u>

Major capital asset additions during the current fiscal year included the following:

- Land purchases
- Road improvements
- Construction in Progress (school district)

**Long-term debt.** At the end of the current fiscal year, the City of Franklin had total bonded debt and notes outstanding of \$9,774,709. Of this amount, 100% comprises debt backed by the full faith and credit of the government; however, \$6,135,795 bonds & notes are attributable to the Water and Sewer proprietary funds. Of the \$6,135,795 proprietary note debt, the State of New Hampshire has agreed to offset \$831,983 in the form of a revolving loan. The City of Franklin is also financially liable for general obligation debt outstanding for its component unit, Franklin School District, which amounts to approximately \$3,238,478 of the total \$9,774,709 of bonded/note debt. Further information regarding the School District's indebtedness may be found in their annual audit report.

City of Franklin, New Hampshire  
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**City of Franklin, New Hampshire Long Term Debt (in Thousands)**

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>			<b>Total Primary Government</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>General Obligation Debt</b>	4,856	2,950	3,445	6,136	6,496	6,978	10,992	9,446	10,423
<b>Accrued Landfill Postclosure</b>	152	158	167	-	-	-	152	158	167
<b>Compensated Absences</b>	327	307	350	17	24	26	344	331	376
<b>Capital Leases</b>	408	233	239	54	80	106	462	313	345
<b>Net Pension Liability</b>	20,013	19,646	21,966	808	986	715	20,821	20,632	22,681
<b>Other Post Employment Benefits</b>	5,762	3,583	2,202	286	55	-	6,048	3,638	2,202
<b>Total</b>	<b>31,518</b>	<b>26,877</b>	<b>28,369</b>	<b>7,301</b>	<b>7,641</b>	<b>7,825</b>	<b>38,819</b>	<b>34,518</b>	<b>36,194</b>

During the current fiscal year, the City of Franklin's total debt increased by \$2,053,903 (6 percent). Key factors in the net increase are:

- Reductions in outstanding bond/note debt principal in the amount of \$955,426
- Reductions in outstanding capital lease principal in the amount of \$123,123
- Reduction in landfill post-closure obligation in the amount of \$5,631
- Net increase in compensated absences payable of \$13,610
- Increase in Other post-employment benefits obligations of \$385,211
- Bonds and Notes issued in the amount of \$2,502,670
- Capital Leases entered into in the amount of \$47,748
- Increase in net pension liability of \$188,844

New Hampshire Municipal Finance Act, Chapter 33 of the State Statutes limit the amount of general obligation debt a local governmental entity may issue to a percentage of its total equalized assessed valuation as computed by the Department of Revenue Administration. State statute allows certain debts (betterment of water and sewer systems, energy production projects, small scale power facilities, etc) to be excluded from the debt capacity computation.

As of October 2018, Franklin's valuation was \$666,361,890 with an equalization ratio of 100.4%, yielding an estimated equalized base valuation of \$670,157,902. Per NH Statute, the City is required to maintain debt ratios with maximums as follows:

**Debt Limits**

Municipal Debt (3% of the base valuation per RSA 33:4-a)	\$	20,104,737
School Debt (7% of the base valuation per RSA 33:4-a)	\$	46,911,053
City (Municipal and School District combined debt limitation of 9.75% per RSA 33:4b)	\$	63,665,001
Water (10% of the base valuation per RSA 33:5-a)	\$	67,015,790
Sewer		Exempt

**Borrowing Capacity (As of June 30, 2019)**

	<u>Maximum</u>	<u>Outstanding</u>	<u>Available</u>
General Debt	\$ 20,104,737	\$ 1,618,546	\$ 18,486,191
School Debt	\$ 46,911,053	\$ 3,238,478	\$ 43,672,575
Water	\$ 63,665,001	\$ 5,759,174	\$ 57,905,827

Additional information on the City of Franklin's long-term debt can be found in the notes to financial statements, later in this document.

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**Economic Factors and Next Year's Budgets and Rates**

**Taxation Cap.** Pursuant to Franklin City Charter, the city manager is responsible for preparing an annual budget and submitting the budget to the Franklin City Council one month prior to the start of the new fiscal year. The annual budget is to be presented to the city council for action no later than the 27<sup>th</sup> day of the first month of the fiscal year (July). If the city council does not take action within 30 days, the manager's budget shall automatically become effective.

In November 1989 the voters of the City of Franklin amended the budget procedures outlined under the city's charter §C-32 limiting the amount of taxes that can be raised to support annual operations. The formula limits the amount to be raised by the prior calendar year's Consumer Price Index (national average). The charter amendment provides cap exceptions with a 2/3 vote of the city council. Exceptions from the tax cap include school or city debt service or any capital expenditures deemed necessary by the council.

In October 2002, the Charter was amended again, and the tax cap was modified to include a calculation to include newly assessed property value from the prior year (April 1). The calculation includes all new value from April 1 of the prior tax year multiplied by the prior calendar year's tax rate.

The amended tax cap formula is as follows:

	<b>Total Amount of Property Taxes Assessed in the Prior Year As Calculated by Department of Revenue Administration (DRA)</b>
<b>X</b>	<b>National Consumer Price Index Average</b>
<b>+</b>	<b>Pick-Ups for new construction (as of April 1)</b>
<b>X</b>	<b>Prior Year's Tax Rate approved by DRA</b>
<b>=</b>	<b>Additional Revenues Allowed to be Raised with Property Taxes</b>

The city's tax rate is set by the New Hampshire Department of Revenue Administration. The total tax rate is comprised of a statewide education property tax assessment, Merrimack County tax assessment and the local municipal and school rates. The Franklin City Council has authority over the school and municipal rate, but not the statewide property tax rate or the county tax rate.

The total city tax commitment as opposed to the city's gross budget reflects how much taxes were raised as a result of changes in the gross budget and property assessment.

<b>Fiscal Year</b>	<b>Total Taxes</b>	<b>Percentage Change</b>
2009	\$ 11,018,539	-0.2%
2010	\$ 11,391,420	3.4%
2011	\$ 11,735,093	3.0%
2012	\$ 11,955,968	1.9%
2013	\$ 12,356,447	3.3%
2014	\$ 12,442,736	0.7%
2015	\$ 12,722,153	2.2%
2016	\$ 12,914,504	1.5%
2017	\$ 13,334,594	3.3%
2018	\$ 14,188,268	6.4%
2019	\$ 14,760,391	4.0%



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The City's net valuation, or the taxable assessment on both land and buildings used to establish the tax rate, was \$684,990,430 in fiscal year 2019. The City has experienced a \$120.29 million increase in assessed valuation from the previous year.

### **Economics**

As New Hampshire growth trends from south to north, Franklin has become more attractive to retirees and commuters seeking affordable homes within convenient driving distances to southern tier employers. Franklin's historic housing stock, proximity to Interstate 93, and other Lakes Region recreational destinations has generated renewed interest in the community and drawn attention to revitalizing its main street corridor. The community promotes a stable tax rate, access to various recreational amenities, its historic downtown and a wide variety of City services which similar sized communities don't offer.

The City of Franklin is situated at the confluence of the Pemigewasset and Winnepesaukee Rivers, forming the headwaters for the Merrimack River. In its prime, Franklin was a thriving mill city with numerous factories. With the last of the large mills closed in the 1970's, the community, similar to other New England mill communities, is striving to reinvent itself. To this end, Franklin continues to move forward with economic development efforts. Franklin has continued to embrace two branding concepts: outdoor recreation destination and Franklin for a lifetime. This 2-pronged approach to economic development is key to changing Franklin's image: one focusing on bringing in outside dollars supporting community businesses/services and the other focuses on services to retain and support Franklin residents of all ages.

To bring in outside dollars, the City is focusing on capitalizing, again, on our beautiful natural resources but this time with an eye toward preserving and protecting our environment. The City's downtown economic development coordinator, funded through 2 USDA Rural Technical Assistance grants beginning in FY2016, has been responsible for the receipt of over \$2 million in funding through grants, loans and tax credits supporting the economic development efforts so far. The economic development steering committee, consisting of the downtown coordinator, City officials, and FBIDC (the City's economic arm), have embraced the idea of the first white water park in New England. With the support of the City Council and working with the nonprofit group Mill City Park, this public private partnership will clean up and revitalize the Winnepesaukee River, which flows through the downtown corridor while bringing a new outdoor recreation industry to the City with benefits far exceeding the borders of Franklin to the greater Lakes Region and State of New Hampshire.

According to a study by the New Hampshire Office of Business and Economic Affairs, the white-water park will bring \$6.8 million of outside dollars into the community, especially the businesses in the downtown corridor. This has sparked interest in the City from restaurateurs, prominent mill developers and other stakeholders. In addition, the white-water park will attract not only white-water enthusiasts but outdoor enthusiasts who will support Franklin's other recreation gems: Northern Rail Trail, Winnepesaukee River Trail, Veteran's Memorial Ski Area, Webster Lake, Franklin Falls Dam (disc golf and walking/biking trails), and many more. The City utilized funding from a federal grant award from the Economic Development Agency to fund engineers for both the design work and permitting of in water features for the white-water paddling enthusiast. The design engineer, Mike Harvey of Recreation Engineering and Planning, has designed 80% of the over 300 white water parks in North America. When asked about the fit of the

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Winnepesaukee River for a white-water park, he gave the river 5 out of 5 stars. This is very encouraging to City leaders and investors as well.

Through events such as the 2nd annual Winni River Days [kayaking, rafting, and more] in June, and the Boat Bash Snow Crash in March where kayakers navigate the ski hill at Franklin's Veteran's Memorial Ski Area, people are learning more about the important benefits of this new recreational venue. Investors are taking notice.

The Buell Block, in the heart of the downtown, was purchased and renovations are substantially complete for Vulgar Brewery, a new microbrewery. The brewery is expected to open at the end of the summer.

Chinburg Properties, who in FY18, purchased the Stevens Mill [which is the largest former Mill property on the river at 182,000 square feet] is now working towards putting a redevelopment package together for the renovation and rehabilitation of the mill into market rate residential units with some light commercial and industrial spaces as well. Chinburg, who is experienced in mill renovations as evidenced in Newmarket and Dover, New Hampshire, is currently focusing on funding that will likely include New Market and Historical tax credits. In order to entice Chinburg properties the City utilized 79E tax credits and the Franklin Falls Mixed Use Tax Increment Financing district, authorizing \$1m project within the district to raze some delapidated buildings making room for a parking/green space project to benefit all of downtown. This project is expected to run in conjunction with the renovation of Stevens Mill.

Perhaps the largest new economic development tool, Opportunity Zones, was announced by governor Sununu in Franklin in May of 2018. Opportunity Zones is a federal economic development stimulus program aimed at investors with "patient capital", specifically the significant reduction or elimination of capital gains tax over a 10-year investment period. Governors in each State had to identify "tracts" within their States eligible for opportunity zone investment. New Hampshire has a total of 27 tracts of which 2 are within Franklin making the entire City eligible for opportunity zone investments. The City economic development steering committee applied and received a USDA technical assistance grant to implement a website, market strategic properties in the downtown and hire attorneys & tax accountants to assist with setting up a fund for Franklin properties. The hope is to attract social investors in downtown that will bring in businesses to enhance the community and commit to building renovations to do so.

As a result of revitalization efforts and economic development tools such as the opportunity zone, revitalization zone, RSA 79E and tax increment finance districts, investors are starting to look at Franklin for investments opportunities throughout the City. Many of these projects, such as the approved plans for solar projects on Mark & Duffy Streets and the City property at the end of River Street, commercial spaces on Cross Mill Road, Range Road, Central Street and Tannery Street, are cleaning up once vibrant but now dilapidated and/or underutilized properties and putting them to use.

Franklin is one of 3 communities in which the Small Business Administration holds weekly office hours due to the potential of growth in the downtown. There is a notable increase in community pride. The City Manager received several entries in her community pride contest which resulted in a 20+ foot statue made of whitewater kayaks at the foot of downtown and at the opening of the site of Mill City Park. The statue is aptly named "Kayak Man". Groups have come forward to clean up trails and sidewalks and weed out gardens throughout the City. All of this pride has

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inspired a group in the downtown to work on rebranding the downtown as Franklin Falls as it was in our history. All of these examples and more show positive signs of Franklin embracing the revitalization efforts underway.

The City Council and management team recognize that sustainable economic development that expands the tax base is the mechanism in which the City obtains more revenues to solve problems. To that end, the City is open for business.

#### Water and Sewer Rates

The City has continued efforts to improve the quality and delivery of water.

The water distribution system completed the upgrade of the pressure reducing vault on Pleasant Street during FY2019. The City had secured drinking water state revolving fund monies for this project. The next project is the replacement of water mains on New Hampton Road which connects the City to the Sanbornton Well site for redundancy purposes. The City has secured drinking water state revolving fund monies for this project as well. The Acme 2 well was refurbished in FY2019.

The City sanitary sewer collection system is piped to the Winnepesaukee River Basin Program (WRBP) interceptor which then flows to a state owned and operated waste water treatment plant located at the end of River Street in Franklin. WRBP was created by special legislation by the State of New Hampshire and was constructed in the early 1980's. WRBP is a regional wastewater collection system operated by the State serving 10 municipalities each paying a proportional assessment for the operation, maintenance, capital and debt service for the program. The WRBP is approximately 59% of the City's current sewer budget. Although some capital improvement expenditures have been passed on to the City by the WRBP, several large capital improvements are expected from WRBP in the coming years that will pass to the City and impact the rate payer. As part of the WRBP, each member community has an appointed advisory board member who works with New Hampshire Department of Environmental Services (NHDES). The role of the advisory board has become more involved in the operation of the program, funding and implementation of capital projects as well as other operational issues in the current fiscal period providing better oversight and management of expenses.

All of the above factors were considered in preparing the City of Franklin's water and sewer budgets for the 2020 fiscal year. Water rates increased \$.12 per 100 cubic feet (1.8%) for fiscal 2020 budget year. This increase represents increased costs in payroll and payroll liabilities as well as capital infrastructure costs. Sewer rates increased by \$.04 per 100 cubic feet (0.5%) for the fiscal 2020 budget year. This increase is a result of increased costs in payroll and payroll liabilities.

#### Requests for Information

This financial report is designed to provide a general overview of the City of Franklin's finances for all 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: Esaundra Gaudete, Finance Director, City of Franklin Finance Office, 316 Central Street Franklin, NH 03235.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Statement of Net Position June 30, 2019

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,217,839	\$ -	\$ 11,217,839
Investments	2,919,317	-	2,919,317
Receivables, net	2,903,713	1,694,642	4,598,355
Due from other governments	1,902,950		1,902,950
Internal balances due to/from other funds	-	452,486	452,486
Inventories	27,705	109,965	137,670
Prepaid	110,151	-	110,151
Other noncurrent assets	535,496	-	535,496
Capital assets:			
Land, improvements, and construction in progress	2,028,686	485,307	2,513,993
Other capital assets, net of accumulated depreciation	18,057,765	19,040,236	37,098,001
Total assets	39,703,622	21,782,636	61,486,258
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	4,474,524	148,997	4,623,521
Deferred outflows of resources related to other post employment benefits	334,248	17,295	351,543
Total deferred outflows of resources	4,808,772	166,292	4,975,064
<b>LIABILITIES</b>			
Accounts payable	804,736	83,170	887,906
Accrued expenses	289,519	132,014	421,533
Due to other governments	1,067,933	-	1,067,933
Internal balances due to/from other funds	452,486	-	452,486
Deferred revenue	125,689	907,279	1,032,968
Current portion of long-term liabilities	1,217,221	410,598	1,627,819
Other liabilities	6,493	-	6,493
Bonds payable	3,723,718	5,769,651	9,493,369
Compensated absences	326,394	-	326,394
Capital lease obligations	324,394	27,501	351,895
Landfill Closure	152,170	-	152,170
Net pension liability	20,012,844	808,115	20,820,959
Other postemployment benefit obligations	5,762,174	285,703	6,047,877
Total liabilities	34,265,771	8,424,031	42,689,802
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to property taxes	7,412,868	-	7,412,868
Deferred inflows of resources related to pensions	1,260,980	54,574	1,315,554
Deferred inflows of resources related to other post employment benefits	867,227	22,353	889,580
Total deferred inflows of resources	9,541,075	76,927	9,618,002
<b>NET POSITION</b>			
Net investment in capital assets	14,821,118	13,335,469	28,156,587
Restricted for:			
Capital reserves	553,551	-	553,551
Other nonmajor purposes	3,121,832	-	3,121,832
Unrestricted	(17,790,953)	112,501	(17,678,452)
Total net position	\$ 705,548	\$ 13,447,970	\$ 14,153,518

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Statement of Activities Year Ended June 30, 2019

Functions / Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government						
Executive	\$ 450,596	\$ 61,969	\$ 1,347,864	\$ 959,237		\$ 959,237
Election and registration	226,872	-	-	(226,872)		(226,872)
Financial administration	516,013	-	-	(516,013)		(516,013)
Revaluation of property	615,201	-	-	(615,201)		(615,201)
Public safety						
Police	2,861,199	23,231	-	(2,837,968)		(2,837,968)
Ambulance	2,537,068	597,214	-	(1,939,854)		(1,939,854)
Highways and streets	1,706,691	6,148	-	(1,700,543)		(1,700,543)
Sanitation	876,900	292,724	-	(584,176)		(584,176)
Health	164,294	-	-	(164,294)		(164,294)
Welfare	63,406	-	-	(63,406)		(63,406)
Culture and recreation	1,125,557	292,379	-	(833,178)		(833,178)
Conservation	7,183	-	-	(7,183)		(7,183)
Economic development	94,790	-	8,633	(86,157)		(86,157)
School district	15,797,527	161,775	11,803,930	(3,831,822)		(3,831,822)
Interest expense	94,769	-	-	(94,769)		(94,769)
Capital outlay	115,158	-	-	(115,158)		(115,158)
Other financing uses	(271,390)	-	-	271,390		271,390
Depreciation (unallocated)	1,399,546	-	-	(1,399,546)		(1,399,546)
Total governmental activities	28,381,380	1,435,440	13,160,427	(13,785,513)		(13,785,513)
Business Type Activities:						
Water Fund	1,714,541	1,711,576	332,887		\$ 329,922	329,922
Sewer Fund	1,226,144	1,469,516	8,091		251,463	251,463
Total Business Type Activities:	2,940,685	3,181,092	340,978		581,385	581,385
Total Primary Government	\$ 31,322,065	\$ 4,616,532	\$ 13,501,405	\$ (13,785,513)	\$ 581,385	\$ (13,204,128)
General revenues:						
Taxes				\$ 12,106,824	\$ -	\$ 12,106,824
Grants and contributions not restricted to specific purposes:						
Licenses, permits and fees				1,647,875	-	1,647,875
Federal sources				83,800	-	83,800
State of NH sources				87,787	-	87,787
Investment Income				56,311	3,483	59,794
Charges for services				33,258	-	33,258
Miscellaneous revenues				866,385	59,427	925,812
Total general revenues				14,882,240	62,910	14,945,150
Change in net position				1,096,727	644,295	1,741,022
Net position - beginning (as restated)				(391,179)	12,803,675	12,412,496
Net position - ending				\$ 705,548	\$ 13,447,970	\$ 14,153,518

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Balance Sheet Governmental Funds June 30, 2019

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 10,475,408	\$ 745,344	\$ 11,220,752
Investments	608,596	2,310,721	2,919,317
Property taxes receivable	1,921,983	-	1,921,983
Timber taxes receivable	6,621	-	6,621
Tax liens receivable	415,472	-	415,472
Welfare liens	38,548	-	38,548
Allowance for doubtful accounts	(100,854)	-	(100,854)
Receivables, net	609,572	9,458	619,030
Due from other governments	1,286,037	616,913	1,902,950
Due from other funds	346,415	242,307	588,722
Inventories	-	27,705	27,705
Prepays	110,151	-	110,151
Total assets	<u>\$ 15,717,949</u>	<u>\$ 3,952,448</u>	<u>\$ 19,670,397</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 703,365	\$ 101,371	\$ 804,736
Accrued expenses	205,382	8,384	213,766
Due to other governments	1,067,933	-	1,067,933
Due to other funds	331,534	709,674	1,041,208
Deferred revenue	7,527,370	11,187	7,538,557
Other liabilities	6,493	-	6,493
Total liabilities	<u>9,842,077</u>	<u>830,616</u>	<u>10,672,693</u>
Fund balances:			
Nonspendable	110,151	2,260,199	2,370,350
Restricted	633,343	898,988	1,532,331
Committed	-	11,350	11,350
Assigned	863,273	-	863,273
Unassigned	4,269,105	(48,705)	4,220,400
Total fund balance	<u>5,875,872</u>	<u>3,121,832</u>	<u>8,997,704</u>
Total liabilities and fund balances	<u>\$ 15,717,949</u>	<u>\$ 3,952,448</u>	<u>\$ 19,670,397</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

**Total Fund Balances - Governmental Funds** \$ 8,997,704

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

Capital assets used in the governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 44,076,491	
Less accumulated depreciation	<u>(23,990,040)</u>	20,086,451

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(4,857,024)	
Capital lease obligations	(408,309)	
Compensated absences	(326,394)	
Unamortized bond premium	(152,170)	
OPEB obligations	(5,762,174)	
Net pension liability	<u>(20,012,844)</u>	(31,518,915)

Deferred inflows and outflows of resources are not current financial sources and uses and therefore are not reported in the governmental funds.

Deferred inflows of resources	(2,128,207)	
Deferred outflows of resources	<u>4,808,772</u>	2,680,565

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due. (75,753)

Tax Deeded Properties		<u>535,496</u>
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**Total Net Position - Governmental Activities** \$ 705,548

The accompanying notes to the basic financial statements are an integral part of this statement.



# CITY OF FRANKLIN, NEW HAMPSHIRE

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 12,178,304	\$ -	\$ 12,178,304
Licenses, permits and fees	1,744,702	155,006	1,899,708
Federal sources	1,021,178	2,504,553	3,525,731
State of NH sources	9,394,189	412,094	9,806,283
Charges for services	1,206,258	46,558	1,252,816
Miscellaneous revenues	616,592	101,884	718,476
Investment income	168,175	94	168,269
Total revenues	<u>26,329,398</u>	<u>3,220,189</u>	<u>29,549,587</u>
<b>Expenditures</b>			
General government	1,749,377	59,305	1,808,682
Public safety	5,639,029	31,621	5,670,650
Highways and streets	2,162,845	-	2,162,845
Sanitation	876,900	-	876,900
Health	164,294	-	164,294
Welfare	63,406	-	63,406
Culture and recreation	787,731	481,672	1,269,403
Conservation	6,748	435	7,183
Economic development	94,790	-	94,790
School district	12,893,137	4,979,425	17,872,562
Debt service:			
Principal	607,810	-	607,810
Interest	244,080	-	244,080
Capital outlay	366,864	531,849	898,713
Total expenditures	<u>25,657,011</u>	<u>6,084,307</u>	<u>31,741,318</u>
Excess (deficiency) of revenues over expenditures	672,387	(2,864,118)	(2,191,731)
<b>Other Financing Sources (Uses)</b>			
Transfers from general fund	-	334,123	334,123
Transfers from special revenue funds	12,870	-	12,870
Transfers from other funds	6,593	40,323	46,916
Loss on investments	-	(11,287)	(11,287)
Transfers out	(333,323)	(39,295)	(372,618)
Long-term debt proceeds	-	2,502,670	2,502,670
Capital lease financing	47,748	-	47,748
	<u>(266,112)</u>	<u>2,826,534</u>	<u>2,560,422</u>
Net change in fund balances	406,275	(37,584)	368,691
Fund balances - beginning of year	<u>5,469,597</u>	<u>3,159,416</u>	<u>8,629,013</u>
Fund balances - end of year	<u>\$ 5,875,872</u>	<u>\$ 3,121,832</u>	<u>\$ 8,997,704</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2019

<b>Total Net Change in Fund Balances - Governmental Funds</b>		\$	368,691
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital outlays	\$	3,772,821	
Depreciation expense		<u>(1,399,546)</u>	2,373,275
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.			
			(47,748)
Long-term debt proceeds provide current financial resources to			(2,502,670)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Principal on bonds		595,527	
Principal on capital leases		<u>97,044</u>	692,571
Interest on long-term liabilities in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.			
Accrued interest (increase) decrease			(44,601)
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.			
Compensated absences (increase) decrease		(19,683)	
Landfill closure (increase) decrease		5,631	
OPEB obligation (increase) decrease		(384,878)	
Net pension liability (increase) decrease		<u>(366,848)</u>	(765,778)
The change in deferred inflows and outflows related to long-term obligations are reported against other financing uses in the governmental activities.			
Deferred inflows (increase) decrease		(22,096)	
Deferred outflows increase (decrease)		<u>390,686</u>	368,590
Reclassify permanent fund liability to non-spendable principal fund balance.			725,877
Change in Tax Deeded Property			<u>(71,480)</u>
<b>Change in Net Position of Governmental Activities</b>		\$	<u>1,096,727</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Statement of Net Position Proprietary Funds June 30, 2019

	<b>Business Type Activities</b>		<b>Total</b>
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Proprietary Funds</u></b>
<b>ASSETS</b>			
Receivables, net	\$ 1,265,278	\$ 429,364	\$ 1,694,642
Internal Balances Due To/From Other Funds	40,010	412,476	452,486
Inventories	105,939	4,026	109,965
Capital assets:			
Land, Improvements, and Constr. In Progress	178,083	307,224	485,307
Other capital assets, net of depreciation	<u>16,310,932</u>	<u>2,729,304</u>	<u>19,040,236</u>
Total Assets	<u>17,900,242</u>	<u>3,882,394</u>	<u>21,782,636</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	106,024	42,973	148,997
Deferred outflows of resources related to other post employment benefits	<u>12,307</u>	<u>4,988</u>	<u>17,295</u>
Total deferred outflows of resources	<u>118,331</u>	<u>47,961</u>	<u>166,292</u>
<b>LIABILITIES</b>			
Accounts Payable	90,638	(7,468)	83,170
Accrued Expenses	119,260	12,754	132,014
Deferred Revenue	831,983	75,296	907,279
Current portion of long-term debt	559,391	72,537	631,928
Bonds and Notes Payable	5,213,529	334,792	5,548,321
Capital Lease Obligations	-	27,501	27,501
Net Pension Liability	575,042	233,073	808,115
Other Post Employment Liability	<u>203,302</u>	<u>82,401</u>	<u>285,703</u>
Total Liabilities	<u>7,593,145</u>	<u>830,886</u>	<u>8,424,031</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	38,834	15,740	54,574
Deferred inflows of resources related to other post employment benefits	<u>15,906</u>	<u>6,447</u>	<u>22,353</u>
Total deferred inflows of resources	<u>54,740</u>	<u>22,187</u>	<u>76,927</u>
<b>NET POSITION</b>			
Investment in Capital Assets, net of related debt	10,729,841	2,605,628	13,335,469
Unrestricted (Deficit)	<u>(359,153)</u>	<u>471,654</u>	<u>112,501</u>
Total Net Position	<u>\$ 10,370,688</u>	<u>\$ 3,077,282</u>	<u>\$ 13,447,970</u>

See accompanying notes to the basic financial statements.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Statement of Revenues, Expenditures, and Changes in Net Position Proprietary Funds Year Ended June 30, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<b>Operating revenues:</b>			
State of NH sources	\$ 332,887	\$ 8,091	\$ 340,978
Charges for services	<u>1,711,576</u>	<u>1,469,516</u>	<u>3,181,092</u>
Total operating revenues	<u>2,044,463</u>	<u>1,477,607</u>	<u>3,522,070</u>
<b>Operating expenses:</b>			
Sanitation	-	1,140,717	1,140,717
Water distribution and treatment	1,159,861	-	1,159,861
Depreciation	<u>406,196</u>	<u>75,160</u>	<u>481,356</u>
Total operating expenses	<u>1,566,057</u>	<u>1,215,877</u>	<u>2,781,934</u>
Operating income (loss)	<u>478,406</u>	<u>261,730</u>	<u>740,136</u>
<b>Non operating revenues (expenses)</b>			
Other financing sources	59,427	-	59,427
Interest earned	2,576	907	3,483
Interest expense	<u>(148,484)</u>	<u>(10,267)</u>	<u>(158,751)</u>
Net non operating revenues (expenses)	<u>(86,481)</u>	<u>(9,360)</u>	<u>(95,841)</u>
Change in net position	391,925	252,370	644,295
Net position beginning of year	<u>9,978,763</u>	<u>2,824,912</u>	<u>12,803,675</u>
Net position end of year	<u>\$ 10,370,688</u>	<u>\$ 3,077,282</u>	<u>\$ 13,447,970</u>

See accompanying notes to the basic financial statements.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Statement of Cash Flows Proprietary Funds June 30, 2019

	<b>Business Type Activities</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,711,576	\$ 1,453,151	\$ 3,164,727
Cash paid to suppliers	(845,972)	(1,247,978)	(2,093,950)
Cash paid to employees	(310,961)	(126,037)	(436,998)
Other operating cash receipts	332,887	8,091	340,978
Other intergovernmental cash receipts	59,427	15,920	75,347
Net cash provided by operating activities	<u>946,957</u>	<u>103,147</u>	<u>1,050,104</u>
<b>Cash flows from noncapital financing activities:</b>			
Intergovernmental revenue	-	-	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	(630,104)	(37,504)	(667,608)
Principal paid on capital debt	(319,429)	(40,471)	(359,900)
Principal paid on capital leases	-	(26,079)	(26,079)
Net cash provided (used) by capital and related financing activities	<u>(949,533)</u>	<u>(104,054)</u>	<u>(1,053,587)</u>
<b>Cash flows from investing activities:</b>			
Interest and dividends	2,576	907	3,483
Net provided (used) by investing activities	<u>2,576</u>	<u>907</u>	<u>3,483</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	-	-	-
<b>Cash and cash equivalents at beginning of year</b>	-	-	-
<b>Cash and cash equivalents at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 391,925	\$ 252,370	\$ 644,295
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>			
Depreciation expense	406,196	75,160	481,356
Interest earned	(2,576)	(907)	(3,483)
<b>Changes in assets and liabilities:</b>			
Receivables, net	(15,803)	(16,365)	(32,168)
Internal Balances Due To/From Other Funds	97,368	(80,876)	16,492
Inventories	4,418	1,443	5,861
Deferred Outflows	25,153	6,664	31,817
Accounts Payable	9,552	(110,595)	(101,043)
Accrued Expenses	(2,051)	(1,858)	(3,909)
Deferred Revenue	(59,427)	(15,920)	(75,347)
Deferred Inflows	35,997	10,933	46,930
Compensated Absences	(8,412)	(4,544)	(12,956)
Net Pension Liability	(103,686)	(74,318)	(178,004)
Other post employment benefit liability	168,303	61,960	230,263
Net cash provided (used) by operating activities	<u>\$ 946,957</u>	<u>\$ 103,147</u>	<u>\$ 1,050,104</u>

See accompanying notes to the basic financial statements.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Statement of Net Position Fiduciary Funds June 30, 2019

	<u>Private Purpose Trusts</u>		<u>Agency Fund</u>	<u>Total</u>
	<u>Charity</u>	<u>Scholarships</u>	<u>Student</u>	<u>Fiduciary</u>
	<u>Fund</u>	<u>Fund</u>	<u>Activities</u>	<u>Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 153,269	\$ 153,269
Investments	301,025	1,232,197	-	1,533,222
Due from other funds	1,000	-	-	1,000
Total assets	<u>\$ 302,025</u>	<u>\$ 1,232,197</u>	<u>\$ 153,269</u>	<u>\$ 1,687,491</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 1,000	\$ -	\$ 1,000
Due to others	-	-	153,269	153,269
Total liabilities	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 153,269</u>	<u>154,269</u>
<b>Net Position</b>				
Held in trust for private purposes	<u>\$ 302,025</u>	<u>\$ 1,231,197</u>		<u>\$ 1,533,222</u>
Total net position	<u>\$ 302,025</u>	<u>\$ 1,231,197</u>		<u>\$ 1,533,222</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds Year Ended June 30, 2019

	<b>Charity Fund</b>	<b>Scholarships Fund</b>	<b>Total Private Purpose Trust Funds</b>
<b>Additions:</b>			
Licenses, permits and fees	\$ -	\$ -	\$ -
Miscellaneous revenues	13,725	77,791	91,516
Total additions	13,725	77,791	91,516
<b>Deductions:</b>			
General government	1,158	30,992	32,150
Total deductions	1,158	30,992	32,150
Operating income (loss)	12,567	46,799	59,366
Net position beginning of year	289,458	1,184,398	1,473,856
Net position end of year	\$ 302,025	\$ 1,231,197	\$ 1,533,222

The accompanying notes to the basic financial statements are an integral part of this statement.

## **NOTES TO BASIC FINANCIAL STATEMENTS**



**City of Franklin, New Hampshire**  
**Notes to The Basic Financial Statements**  
**As of And for The Fiscal Year Ended**  
**June 30, 2019**

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

The financial statements of the City of Franklin, New Hampshire (the City) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**1-A Reporting Entity**

The City of Franklin is a municipal corporation governed by an elected City Council, comprised of a Mayor and (9) Councilors, and City Manager. The reporting entity is comprised of the primary government and any other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board, and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is defined by GASB as the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget, (b) levy taxes or set rates or charges without approval by another government, and (c) issue bonded debt without approval by another government. Based on the foregoing criteria, the City of Franklin's dependent school district is included in the City's financial reporting entity as a blended component unit.

**1-B Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities; and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements** - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed at this reporting level as all individual funds are consolidated as governmental or business-type activities. Fiduciary activities are not included at the government-wide reporting level.

The statement of net position presents the financial position of the governmental and business-type activities of the City at year-end. This statement includes all of the City's assets, liabilities and net position.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with the function, and therefore, clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include 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) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which functions *generate* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

**City of Franklin, New Hampshire**  
**Notes to The Basic Financial Statements**  
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**June 30, 2019**

**1-B Basis of Presentation, continued**

**Fund Financial Statements** - During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

**Fund Accounting** - The City uses funds to maintain its financial records during the year. The City uses three categories of funds: governmental, proprietary, and fiduciary.

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

**General Fund** - The general fund is the primary operating fund of the City. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

The City also reports 16 non-major special revenue, capital project and permanent funds as other governmental funds.

**Proprietary Funds** - Proprietary funds are those which account for activities of the government that are similar to activities that may be performed by a commercial enterprise. These funds cover those activities that generally charge a fee in order to recover operational costs. The City reports the difference between proprietary fund assets and liabilities as net position. The following are the City's two major proprietary funds:

**Enterprise Funds** - Enterprise funds are used to report activities for which a fee is charged to external users for goods or services. The City reports water and sewer funds, which account for all the activity related to the provision of water and sewage disposal services, as major funds.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net position. The City's fiduciary funds consist of two types of funds, agency and private purpose trust funds. The engineering escrow and student activities agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations. The charity and scholarship private purpose trust funds account for assets held by the trustees of trust funds for the benefit of other governments, organizations or individuals.

**1-C Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues, expenses and changes in net position.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing

**City of Franklin, New Hampshire**  
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***1-C Measurement Focus, continued***

sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

All proprietary funds are accounted for using the accrual basis of accounting. Using this basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are increased (flow of economic resources measurement focus).

Fiduciary funds use an economic resources measurement focus. These funds report all assets and liabilities on the statement of fiduciary net position. The statement of changes in fiduciary net position reports additions and deductions to net position of the private purpose trust funds.

***1-D Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, and proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some unearned revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, generally within sixty days of year-end.

***Revenues - Nonexchange Transactions*** - Nonexchange transactions, in which the City receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

***Unearned Revenue*** - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as unearned revenue (i.e., they are measurable, but not available) rather than as revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as Unearned revenue in the governmental funds and on the government-wide financial statements.

***Expenses/Expenditures*** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**City of Franklin, New Hampshire**  
**Notes to The Basic Financial Statements**  
**As of And for The Fiscal Year Ended**  
**June 30, 2019**

**1-E Assets, Liabilities and Net Position or Fund Equity**

**1-E-1 Cash, Cash Equivalents and Investments**

**Cash and Cash Equivalents** - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

New Hampshire statutes require that the City treasurer have custody of all moneys belonging to the City and pay out the same only upon orders of the City Manager. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

**Investments** - Whenever the treasurer has in custody an excess of funds, which is not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the City Manager, invest the excess funds.

New Hampshire law authorizes the City to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the City. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices, in accordance with GASB Statement #31.

**1-E-2 Receivables**

Tax revenue is recorded when a warrant for collection is committed to the tax collector. Taxes receivable are reported net of an allowance established for tax amounts considered uncollectible by City management.

As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax deeded to the City, and may be subsequently sold at public sale. Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible amounts.

**1-E-3 Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated on the statement of net position. Balances between governmental and proprietary funds are eliminated on the line called internal balances.

**1-E-4 Inventory and Prepaid Items**

Inventory is valued at cost using the first-in, first-out method. The consumption method is used to account for inventory. Under the consumption method, inventory is recorded when expenditures are consumed rather than when purchased. Reported

**City of Franklin, New Hampshire**  
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**1-E-4 Inventory and Prepaid Items, continued**

inventory in the governmental funds is equally offset by nonspendable fund balance reserve which indicates that the assets are not available for appropriation even though they are a component of reported assets.

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method, by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**1-E-5 Capital Assets**

Capital assets include property and equipment which the City owns. These assets are reported in the applicable columns of the government-wide financial statements. The proprietary funds' capital assets are reported in both the government-wide and fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 and three or more years of estimated life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	50-75 years
Building and building improvements	20-120 years
Machinery, Equipment and Vehicles	3-50 years
Infrastructure	20-100 years

**1-E-6 Compensated Absences**

Vacation benefits are accrued as a liability, as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are not payable upon termination and therefore not accrued as a liability.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide and proprietary fund financial statements. Governmental funds report the compensated absence liability at the fund reporting level only when due.

**1-E-7 Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full, from current financial resources are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

In the government-wide financial statements and in proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

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**1-E-8 Pensions**

The City has adopted Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*. As a result, the City is required to report its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the New Hampshire Retirement System, (NHRS) a Cost-Sharing Multiple Employer Defined Benefit Pension Plan.

**1-E-9 Deferred Outflows/Inflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable future period.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the applicable future period.

**1-E-10 Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Equity for all other reporting is classified as net position. The City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established new fund balance classifications and reporting requirements outlined below.

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City's fund balance classification policies and procedures are as follows:

- 1) Non Spendable funds are funds not available for expenditure due to restrictions placed on the funds from external sources. The City does not expend these funds.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by City resolution adopted by the City Council and their use is specifically identified. Any change in the use of these funds would require revision of the initial development of the fund through further resolutions.
- 3) Committed funds are reported and expended as a result of resolutions adopted by the appropriate majority of the City Council.
- 4) Assigned funds are used for specific purposes as established by management and approved by the City Manager. These funds which include encumbrances have been assigned for specific goods and services ordered by the City prior to year end but not received or fulfilled by year end.
- 5) Unassigned funds are available to be spent in future periods within the restrictions as defined by the City's fund balance policy. The City's policy requires that it achieve and maintain a minimum unrestricted (which includes committed, assigned and unassigned fund balances) general fund balance of at least 15% of total general fund appropriations approved for that fiscal year, excluding any appropriation for capital projects or improvements funded by bond process, transfer or other financing sources.

The City does not have any stabilization arrangements at this time.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, unassigned.

**Net Position** - Net position represent the difference between assets and liabilities. Net investment in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.



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**1-E-10 Equity, continued**

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**1-E-11 Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement of repayment are reported as interfund transfers. At the fund reporting level, interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

At the government-wide financial reporting level, transfers between funds that would be reported in the individual funds are eliminated.

**1-E-12 Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A Budget**

Governmental revenues and expenditures are balanced and controlled by a formal integrated budgetary system which is substantively consistent with Generally Accepted Accounting Principles (GAAP); applicable State finance related laws and regulations which govern the City's operations as well as the City's adopted charter. The City's budget is approved by the City Council. During the budget year, appropriations may be transferred between lines but total expenditures may not exceed the total approved budget. Emergency items may be excepted under the City Charter and Municipal Budget Law under State RSA 32. At year end, all unencumbered annual appropriations lapse. Other appropriations, which have a longer than annual authority may carry over at year end if the governing body intends to continue or complete the special purpose for which the funds were established. State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2019, \$147,760 of beginning general fund unassigned fund balance was appropriated to reduce taxes.

**2-B Encumbrances**

Encumbrance accounting is utilized in the governmental funds to account for commitments relating to unperformed contracts for goods and services. Encumbrances outstanding at year-end are reported as assigned fund balance and do not constitute expenditures or liabilities of the governmental fund but are carried forward to supplement appropriations of the succeeding year. Encumbrances outstanding at year-end in the general fund are detailed by function as follows:

<u>Function</u>	<u>Amount</u>
Finance	\$ 5,125
City Manager	74,750
Information Technology	10,867
Police	44,387
Fire	18,500
Municipal Services	496,565
Economic Development	4,500
School District	208,579
Total Encumbrances	<u>\$ 863,273</u>

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**2-C Budgetary Basis**

The general fund appropriations appearing on the Budgetary Comparison Schedule represents the adopted budget plus adopted supplemental budget resolutions as of June 30, 2019 and includes encumbrances and reserves at June 30, 2018 as follows:

	<u>Amount</u>
2019 Original Adopted Budget - Appropriations	\$ 26,847,957
June 2018 Encumbrances Carried Forward	<u>826,834</u>
Total Appropriations Available	<u><u>\$ 27,674,791</u></u>

The actual amounts appearing on the Budgetary Comparison Schedule are shown on a budgetary basis which differs from generally accepted accounting principles (GAAP) as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Per Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 26,329,398	\$ 25,657,011
Beginning Fund Balance	5,056,864	
Transfers To/From Capital Reserves	-	75,630
Transfers To/From Other Funds	19,463	333,323
Interest Earned on Capital Reserves	<u>(17,440)</u>	<u>-</u>
Per Schedule A - Budgetary Comparison	<u><u>\$ 31,388,285</u></u>	<u><u>\$ 26,065,964</u></u>

**2-D Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2019, the City was a member of Primex for property liability coverage and for workers' compensation coverage. The school district was a member of Primex for property liability and worker's compensation coverage. Primex is considered a public entity risk pool, currently operating as a common risk management and insurance program for member towns and cities.

Primex is a trust organized to provide certain property and liability insurance coverages to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of Primex, the City shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. Primex policies cover property, auto physical damage, crime, general liability and public officials' liability subject to not more than a \$2,500 deductible.

Property/Liability contributions paid in 2019 recorded as an insurance expenditure totaled \$0. There were no unpaid contributions for the year ending June 30, 2019 and due in 2020. The City also paid \$146,336 for workers' compensation for the year ended June 30, 2019. The trust agreements permit the trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

Settled claims, if any, have not exceeded the City's coverage in any of the past five years.



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**2-E Contingent Liabilities**

Grants – Amounts received are subject to later year’s review and adjustment by grantor agencies, principally federal and state governments. At such time, any disallowed claims, including amounts already collected, may constitute a liability of the City and applicable funds. At June 30, 2019, the City believes that disallowed expenditures, if any, based on subsequent review will not have a material effect on any individual funds or the overall financial position of the City. Therefore, no provision for such contingencies has been recorded.

Litigation – The City is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the City believes that the outcome of these contingencies will not have a materially adverse effect on the financial statements and accordingly, no provision for loss has been recorded.

**2-F Legal Debt Limit**

Per state statute, the City may not incur debt at any one time in excess of 9.75% of its locally assessed valuation as last equalized by the Commissioner of the New Hampshire Department of Revenue Administration. For the year ended June 30, 2019, the City’s debt totaled .6% of locally assessed equalized valuation; therefore, the City had not exceeded its legal debt limit.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS**

**3-A Cash and Investments**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure of the counterparty, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another part.

Pursuant to New Hampshire State Statute, “the treasurer shall insure that prior to the acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the City.” The City does not have a deposit policy for custodial credit risk.

As of June 30, 2019, \$0 of the City’s bank balance of \$9,578,211 was exposed to custodial credit risk as uninsured or uncollateralized.

As of June 30, 2019, the City had the following investments:

Cash Held by Trustees/Investment Firm	\$	284,963
NHPDIP		626,949
Mutual/Bond Funds		1,294,543
Fixed Income Investments		183,171
EFT's		<u>2,062,913</u>
Total	\$	<u><u>4,452,539</u></u>

Of the City’s \$4,452,539 in investments, \$0 is subject to custodial credit risk because the securities are held by the counter party’s trust department or agent, not in the City’s name.

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***3-A Cash and Investments, continued***

Included in the City's cash equivalents at June 30, 2019, is a short-term investment in an insured cash sweep agreement issued by a local banking institution. Under this agreement, the bank will deposit excess funds over \$130,000 into a demand deposit account with destination institutions at which deposit accounts are insured by the Federal Deposit Insurance Corporation up to maximum deposit insurance amounts (currently \$250,000). The deposit accounts are held by BNY Mellon, not in the name of the City.

At June 30, 2019 the deposit balances under the insured cash sweep agreement totaled \$8,580,34 in various FDIC Insured Institutions.

**Concentration of Credit Risk**

The trustees of the trust fund policy on the concentration of credit risk is to limit the amount that may be invested in any one issue to \$10,000 or 10% of the value of the account whichever is greater. The City's investment policy limits the amount that may be invested in one issuer to \$1 million.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Foreign Credit Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City's policy limits investment to domestic securities.

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**3-A Cash and Investments, continued**

**Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Standards accounting Board Statement No. 72 Fair Value Measurement and Application (GASB 72). 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 City has the following fair value measurements as of June 30, 2019:

Description	Amount	Fair Market Using:		
		Quoted prices in active markets for identical assets	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds	\$ 1,294,543	\$ 1,294,543	\$ -	\$ -
Equities	-	-	-	-
ETFs	2,062,913	2,062,913	-	-
Fixed Income	183,171	183,171	-	-
Brokerage account cash	284,963	NA	NA	NA
NHPDIP	626,949	NA	NA	NA
Total	<u>\$ 4,452,539</u>	<u>\$ 3,540,627</u>	<u>\$ -</u>	<u>\$ -</u>

**3-B-1 Taxes Receivable**

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2018, upon which the 2018 (City FY2019) property tax levy was based is:

For the New Hampshire education tax	\$613,545,600
For all other taxes	\$684,990,430

The City subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the City's tax rate for the fiscal year. Unpaid property taxes may be subject to lien following statutory notification and procedural guidelines as soon as 30-days after the final bill or installment is due. Interest accrues at a rate of 18% on properties that have been through the tax lien process. Two years from the execution of the real estate tax lien the Tax Collector (with approval of City Council) may execute to the lienholder a "deed" of the property subject to the real estate tax lien and not redeemed/paid.

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**3-B-1 Taxes Receivable, continued**

In connection with the setting of the tax rate, City officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the City include taxes levied for the State of New Hampshire and Merrimack County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the City.

The tax rates and amounts assessed for the year ended June 30, 2019, were as follows:

<u>Entity</u>	<u>Per \$1000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal Portion	\$ 11.43	\$ 7,831,439
School Portion:		
Local Education Taxes	6.22	4,257,639
State Education Taxes	1.92	1,178,555
County Portion	2.39	1,637,583
	<u>\$ 21.96</u>	<u>\$ 14,905,216</u>

During the current fiscal year, the tax collector executed a lien on April 8, 2019 for all uncollected 2017/2018 property taxes, \$351,001.

Taxes receivable at June 30, 2019, are as follows:

Property:	
Levy of 2019	\$ 1,921,983
Unredeemed (under tax lien)	415,472
Yield Tax	6,621
Welfare Liens	38,548
Less: Allowance for estimated uncollectible taxes	(39,478)
Less: Allowance for estimated uncollectible welfare liens	(36,231)
Net taxes receivable	<u>\$ 2,306,915</u>

The City recognizes property tax revenues when they are levied. This is a GAAP departure from *GASB Statement #1* generally, and specifically *NCGA Interpretation -3 "Revenue Recognition – Property Taxes"*. Under GAAP, certain disclosures are required of property tax revenues that are not received during the period, or within 60 days thereafter, that are recognized as receivables without a corresponding reserve. The City believes that this application of GAAP to its property tax revenues would result in misleading financial statements since such GAAP application would reduce fund balance by the amount of uncollected property taxes; concurrent with a GAAP requirement to record an expenditure and payable for the amount due to the local education authority (such amount based solely on a share of the uncollected property taxes) and County. This GAAP departure as applied to New Hampshire municipalities was addressed by the GASB in 1984. The GASB, in responding to an inquiry on this matter, provided justification for the departure from the 60 day rule due to the unique legislation in the State of New Hampshire regarding the City's responsibility for (and expenditure recognition of) intergovernmental payments to the local education authority (school district) and County. This justification has been reviewed and accepted by the New Hampshire Department of Revenue Administration (which requires GAAP based regulatory reporting) and has been established as a widely prevalent practice followed by most New Hampshire municipalities.

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**3-B-2 Tax Abatements**

The City enters into property tax abatement agreements with local businesses in the downtown area under state statute 79-E. Under the state statute, the City Council may grant tax relief for approved improvements to qualifying structures in the core downtown area. The tax relief is granted for the added value to a property once improvements are completed for a period up to 5 years with an option of granting relief for additional years based on whether the structure creates new residential units, provides for affordable housing or is listed on the National Register of Historic Places. The City Council reviews applications for tax relief on a case by case basis and approvals are subject to covenants protecting the public benefits created through the improvements. The tax relief can be terminated for failure to adhere to the terms of the covenants.

For the year ended June 30, 2019, the City abated property taxes under RSA 79-E totaling \$33,043.

**3-C Other Receivables**

Other receivables at June 30, 2019, consisted of accounts (billings for water, sewer, police details, ambulance, transfer station, and other user charges), and intergovernmental amounts arising from grants and School District intergovernmental receivables.

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Amounts receivable at June 30, 2019 are as follows:

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Total</b>
Accounts Receivable	\$ 619,030	\$ 813,235	1,432,265
Allowance for Doubtful Accounts	(25,145)	(25,872)	(51,017)
Net Accounts Receivable	<u>593,885</u>	<u>787,363</u>	<u>1,381,248</u>
Intergovernmental Receivables	1,902,950	907,279	2,810,229
Allowance for Doubtful Accounts	-	-	-
Net Intergovernmental Receivables	<u>1,902,950</u>	<u>907,279</u>	<u>2,810,229</u>
	<u>\$ 2,496,835</u>	<u>\$ 1,694,642</u>	<u>\$ 4,191,477</u>

**City of Franklin, New Hampshire**  
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**3-D Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities (at cost)</b>				
<b>Capital assets not being depreciated:</b>				
Monuments	\$ 61,000	\$ -	\$ -	\$ 61,000
Land	1,228,504	498,286	-	1,726,790
Construction in progress	57,032	1,490,289	-	1,547,321
	<u>1,346,536</u>	<u>1,988,575</u>	<u>-</u>	<u>3,335,111</u>
<b>Capital assets being depreciated:</b>				
Land improvements	240,896	-	-	240,896
Buildings and improvements	24,999,025	546,321	-	25,545,346
Furniture, equipment and vehicles	9,515,702	471,956	18,000	9,969,658
Infrastructure	4,219,508	765,969	-	4,985,477
	<u>38,975,131</u>	<u>1,784,246</u>	<u>18,000</u>	<u>40,741,377</u>
Less accumulated depreciation:				
Land improvements	88,971	8,879	-	97,850
Buildings and improvements	14,527,486	670,381	-	15,197,867
Furniture, equipment and vehicles	6,568,771	548,768	18,000	7,099,539
Infrastructure	1,423,264	171,518	-	1,594,782
Accumulated depreciation	<u>22,608,492</u>	<u>1,399,546</u>	<u>18,000</u>	<u>23,990,038</u>
Capital assets being depreciated, net	<u>16,366,639</u>	<u>384,700</u>	<u>-</u>	<u>16,751,339</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u><u>\$ 17,713,175</u></u>	<u><u>\$ 2,373,275</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,086,450</u></u>
<b>Business-Type Activities (at cost)</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 65,148	\$ -	\$ -	\$ 65,148
Construction in progress	467,518	(47,360)	-	420,158
	<u>532,666</u>	<u>(47,360)</u>	<u>-</u>	<u>485,306</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	557,351	-	-	557,351
Machinery, equipment and vehicles	1,003,632	35,000	-	1,038,632
Infrastructure	24,235,998	679,967	-	24,915,965
	<u>25,796,981</u>	<u>714,967</u>	<u>-</u>	<u>26,511,948</u>
Less accumulated depreciation:				
Buildings and improvements	165,372	18,167	-	183,539
Machinery, equipment and vehicles	547,033	49,800	-	596,833
Infrastructure	6,277,952	413,388	-	6,691,340
Accumulated depreciation	<u>6,990,357</u>	<u>481,355</u>	<u>-</u>	<u>7,471,712</u>
Capital assets being depreciated, net	<u>18,806,624</u>	<u>233,612</u>	<u>-</u>	<u>19,040,236</u>
<b>Business-Type activities capital assets, Net of accumulated depreciation</b>	<u><u>\$ 19,339,290</u></u>	<u><u>\$ 186,252</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,525,542</u></u>

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**3-D Capital Assets, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

<b><u>Governmental Activities:</u></b>		
General Government	\$	443,618
Public Safety		43,259
Highways and Streets		168,416
Garage		8,599
Sanitation		5,318
Culture and Recreation		71,523
School District		658,813
<b>Total Governmental Activities</b>	<b>\$</b>	<b>1,399,546</b>
<b><u>Business-Type Activities:</u></b>		
Water Fund	\$	406,196
Sewer Fund		75,159
<b>Total Business-Type Activities</b>	<b>\$</b>	<b>481,355</b>

**3-E Prepaid Items**

Prepaid items at June 30, 2019, totaling \$110,151, consisted of the following paid in the current period to benefit the following fiscal year governmental activities:

<u>Description</u>	<u>Governmental Funds</u>
LRMFA - Dispatch Services	\$ 32,598
Software Support	19,013
Insurance	18,329
LRPC Membership	6,386
NHMA Dues	3,372
Prepaid Postage	1,646
Other Miscellaneous Prepayments	28,807
	<u>\$ 110,151</u>

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**3-F Interfund Balances and Transfers**

Interfund balances at June 30, 2019 consist of interfund loans, services provided, reimbursements or budgetary transfers. The composition of interfund balances as of June 30, 2019 is as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 346,415	\$ 331,534
Nonmajor Special Revenue Funds:		
Franklin Public Library	19,590	-
School Food Service	-	137,227
Drug Forfeiture	454	-
School Grants Fund	-	529,447
Expendable Trusts	6,295	43,000
Parks and Recreation	31,420	-
Outside Police Detail	44,890	-
School Local Programs	139,658	-
Proprietary Funds:		
Water Fund	40,010	-
Sewer Fund	412,476	-
	<u>\$ 1,041,208</u>	<u>\$ 1,041,208</u>

Interfund transfers during the year were comprised of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 19,463	\$ 333,323
Nonmajor Funds:		
Franklin Public Library	310,407	-
Food service fund	28,354	-
Conservation Commission	800	-
DARE Fund	500	-
Heritage Commission	800	-
Expendable Trusts	-	-
School Grants	33,585	-
Library Buswell Trust	-	29,866
Other Library Trusts	-	9,429
	<u>\$ 393,909</u>	<u>\$ 372,618</u>



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**3-G Unearned Revenue**

Governmental Funds - Unearned revenue of \$7,412,868 at June 30, 2019 consists of property taxes levied but not due until the subsequent year (\$7,412,868). In addition, \$43,123 related to recreation program fees collected in advance; \$13,600 related to dispatch fees collected in advance; \$25,212 donations/grants collected in advance of expenditure; \$16,472 of miscellaneous receipts in advance; \$6,071 in school local grants received and not expended; and \$5,116 in student lunch credits.

Proprietary Funds – There was no unearned revenue in the Water department or Sewer department at June 30, 2019.

**3-H Long-Term Liabilities**

Changes in the City's long-term obligations during the year ended June 30, 2019, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance
<b><u>Governmental Activities:</u></b>	(as restated)			
General Obligation Bonds/Notes	\$ 2,949,881	\$ 2,502,670	\$ 595,527	\$ 4,857,024
Capital Leases	457,605	47,748	97,044	408,309
Compensated Absences	306,711	44,797	25,114	326,394
Landfill Post Closure Care Costs	157,801	-	5,631	152,170
Other Post Employment Benefits	5,377,296	595,574	210,696	5,762,174
Net Pension Liability	19,645,996	869,569	502,721	20,012,844
<b>Total Governmental Activities</b>	<u>\$ 28,895,290</u>	<u>\$ 4,060,358</u>	<u>\$ 1,436,733</u>	<u>\$ 31,518,915</u>
<b><u>Business-Type Activities:</u></b>				
Bonds/Notes Payable	\$ 6,495,694	\$ -	\$ 359,899	\$ 6,135,795
Capital Leases	80,360	-	26,079	54,281
Compensated Absences	23,749	-	6,073	17,676
Other Post Employment Benefits	285,370	18,761	18,428	285,703
Net Pension Liability	986,120	-	178,004	808,116
<b>Total Business-Type Activities</b>	<u>\$ 7,871,293</u>	<u>\$ 18,761</u>	<u>\$ 588,483</u>	<u>\$ 7,301,571</u>

**City of Franklin, New Hampshire**  
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**3-H Long-Term Liabilities, continued**

Long-term liabilities payable are comprised of the following:

	<b>Issue Year</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Original Amount of Issue</b>	<b>Amount Outstanding 6/30/19</b>	<b>Current Portion</b>
<b>Governmental Activities:</b>						
<u>General Obligation Bonds</u>						
Roads	2016	2.75%	2026	\$ 505,000	\$ 367,519	\$ 48,339
Streetlights	2016	3.00%	2022	165,200	86,259	27,908
Fire Truck	2017	2.49%	2027	650,000	532,801	60,921
Fiber Connectivity Project	2018	4.21%	2023	160,000	129,297	31,253
Mixed Use TIF	2019	2.75%	2020	502,670	502,670	502,670
City Subtotal					1,618,546	671,091
School Renovation	2001	4.5-5.25%	2020	5,010,386	250,000	250,000
School Renovation	2006	4.29%	2026	2,700,000	988,478	142,105
School Improvements	2019	3.50%	2039	2,000,000	2,000,000	70,110
School Subtotal					3,238,478	462,215
Total General Obligation Debt					4,857,024	1,133,306
<u>Capital Lease Obligations</u>						
Energy Audit and Improvements Lease	2015	3.97%	2027	301,966	158,226	13,464
Ford Motor Credit - (2) Police Cruisers	2018	5.95%	2021	64,748	32,320	15,693
(2) 2017 Ford F550 Trucks and Sidewalk Plow	2018	3.13%	2023	274,199	182,651	43,548
2018 Ford Explorer	2019	4.31%	2022	47,748	35,112	11,210
					408,309	83,915
<u>Other Long-Term Obligations</u>						
			City	School	Total	
Compensated absences			\$ 240,507	\$ 85,887	\$ 326,394	-
Landfill Post Closure Care Costs			152,170	-	152,170	-
Other post employment benefits			3,261,033	2,501,141	5,762,174	-
Net pension liability			9,223,865	10,788,979	20,012,844	-
			12,877,575	13,376,007	26,253,582	-
<b>Total Governmental Activities:</b>					<b>\$ 31,518,915</b>	<b>\$ 1,217,221</b>
<b>Business-Type Activities:</b>						
<u>Bonds/Notes Payable</u>						
USDA Bond	2012	2.25%	2040	\$ 3,645,000	\$ 2,733,740	\$ 130,180
Drinking Water State Revolving Fund	2012	1.10%	2014	3,226,055	2,580,533	140,863
Drinking Water State Revolving Fund	2015	1.00%	2017	677,395	444,903	53,272
Water Fund Subtotal					5,759,176	324,315
Revolving Loan	2006	3.35%	2026	784,061	376,619	41,827
Sewer Fund Subtotal					376,619	41,827
Total Business-Type Bonds/Notes					6,135,795	366,142
<u>Capital Lease Obligations</u>						
2016 Volvo Excavator	2017	2.72%	2017	105,756	54,281	26,780
					54,281	26,780
<u>Other Long-Term Obligations</u>						
			Water	Sewer	Total	
Compensated absences			\$ 13,746	\$ 3,930	\$ 17,676	17,676
Other post employment benefits			203,302	82,401	285,703	-
Net pension liability			575,043	233,073	808,116	-
			792,091	319,404	1,111,495	17,676
<b>Total Business-Type Activities:</b>					<b>\$ 7,301,571</b>	<b>\$ 410,598</b>

**City of Franklin, New Hampshire**  
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**3-H Long-Term Liabilities, continued**

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2019, including interest payments, are as follows:

Annual Requirements to Amortize Governmental Funds General Obligation Bonds/Notes Payable:

	<u>City Principal</u>	<u>School Principal</u>	<u>City Interest</u>	<u>School Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2020	\$ 671,091	\$ 462,215	\$ 29,053	\$ 119,495	\$ 1,133,306	\$ 148,548
2021	172,797	214,541	24,678	104,511	387,338	129,189
2022	177,352	217,331	20,421	95,625	394,683	116,046
2023	151,500	220,031	15,479	86,828	371,531	102,307
2024	121,189	222,828	11,626	77,934	344,017	89,560
2025 to 2029	324,617	726,854	15,473	275,804	1,051,471	291,277
2030 to 2034	-	535,674	-	173,792	535,674	173,792
2035 to 2039	-	639,004	-	70,459	639,004	70,459
	<u>\$ 1,618,546</u>	<u>\$ 3,238,478</u>	<u>\$ 116,730</u>	<u>\$ 1,004,448</u>	<u>\$ 4,857,024</u>	<u>\$ 1,121,178</u>

Annual Requirements to Amortize Governmental Funds Leases Payable:

	<u>City Principal</u>	<u>City Interest</u>	<u>Total Payments</u>
2020	\$ 83,915	\$ 15,519	\$ 99,434
2021	87,843	12,183	100,026
2022	74,339	8,682	83,021
2023	64,858	6,057	70,915
2024	18,359	3,865	22,224
2025 to 2027	<u>78,995</u>	<u>6,997</u>	<u>85,992</u>
	<u>\$ 408,309</u>	<u>\$ 53,303</u>	<u>\$ 461,612</u>

Annual Requirements to Amortize Proprietary Funds General Obligation Bonds/Notes Payable:

	<u>Water Fund Principal</u>	<u>Sewer Fund Principal</u>	<u>Water Fund Interest</u>	<u>Sewer Fund Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2020	\$ 324,315	\$ 41,827	\$ 94,716	\$ 8,858	\$ 366,142	\$ 103,574
2021	329,339	43,229	89,579	7,874	372,568	97,453
2022	334,508	44,678	84,387	6,858	379,186	91,245
2023	339,825	46,176	79,135	5,807	386,001	84,942
2024	345,295	47,724	73,825	4,721	393,019	78,546
2025 to 2029	1,696,010	152,984	287,985	7,275	1,848,994	295,260
2030 to 2034	1,608,842	-	159,243	-	1,608,842	159,243
2035 to 2039	650,900	-	54,915	-	650,900	54,915
2030	<u>130,140</u>	<u>-</u>	<u>2,196</u>	<u>-</u>	<u>130,140</u>	<u>2,196</u>
	<u>\$ 5,759,174</u>	<u>\$ 376,618</u>	<u>\$ 925,981</u>	<u>\$ 41,393</u>	<u>\$ 6,135,792</u>	<u>\$ 967,374</u>

**City of Franklin, New Hampshire**  
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***3-H Long-Term Liabilities, continued***

Annual Requirements to Amortize Proprietary Funds Leases Payable:

	<b>Sewer Fund Principal</b>	<b>Sewer Fund Interest</b>	<b>Total Payments</b>
2020	\$ 26,780	\$ 1,460	\$ 28,240
2021	27,501	740	28,241
2022	-	-	-
2023	-	-	-
After	-	-	-
	<u>\$ 54,281</u>	<u>\$ 2,200</u>	<u>\$ 56,481</u>

All debt is general obligation debt of the City, which is backed by its full faith and credit. Proprietary fund debt will be funded through user fees. All other debt will be repaid from general governmental revenues.

***Accrued Landfill Post Closure Care Costs***

As required by state and federal laws and regulations, the City has constructed a final capping system on the River Street Landfill and completes annual ground water sampling and post closure reports. The Landfill stopped accepting waste in 1984 and the final capping system was completed in 1985. Remaining post closure care liability estimate of \$152,170 is reflected in the City's Government Wide Statement of Net position under governmental activities. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

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***3-I State Aid to Water Pollution Projects***

The City received from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

<u>Bond Issue</u>	<u>Amount</u>
Sewer Revolving Loan	\$600,584
Drinking Water State Revolving Fund	\$1,129,119

Under N.H. RSA Chapter 486, the City receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2019, the City is due to receive the following annual amounts to offset debt payments:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Amount</u>
2020	\$ 59,427
2021	59,427
2022	59,427
2023	59,427
2024	59,427
After	<u>534,843</u>
Total	<u>\$ 831,978</u>

***3-J Operating Leases***

The City has entered into operating leases for the use of photocopiers and shared postage machine. These leases are cancellable in the event of non- appropriation.

**City of Franklin, New Hampshire**  
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**3-K Fund Balance Components**

The City's governmental fund balance components under GASB 54 are comprised of the following:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:			
Inventories	\$ -	\$ 27,705	\$ 27,705
Prepaid expenditures	110,151	-	110,151
Endowment principal	-	2,232,494	2,232,494
Restricted:			
Tax Increment Financing (TIF)	79,792	-	79,792
Capital reserves	553,551	-	553,551
Public Library	-	198,947	198,947
Grant Fund	-	454	454
Conservation	-	7,002	7,002
Drug Forfeiture	-	15,520	15,520
DARE	-	7,535	7,535
Expendable Trusts	-	228,916	228,916
Parks and Recreation	-	30,405	30,405
Outside Police Detail	-	52,696	52,696
School Improvement Project	-	158,101	158,101
Odell Park	-	21,968	21,968
Library Buswell Trust	-	39	39
Other General Trusts	-	33,452	33,452
Other Library Trusts	-	4,307	4,307
Local School Programs	-	139,646	139,646
Committed:			
Heritage Commission	-	11,350	11,350
Assigned:			
Encumbrances	863,273	-	863,273
Unassigned:	4,269,105	(48,705)	4,220,400
	<u>\$ 5,875,872</u>	<u>\$ 3,121,832</u>	<u>\$ 8,997,704</u>

Other governmental funds are an aggregate of several non-major individual funds. Refer to supplemental schedules provided after the notes section for breakdown of non-major individual funds.

**NOTE 4 - OTHER MATTERS**

**4-A Pensions**

The City participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the City. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 7.0%

**City of Franklin, New Hampshire**  
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**4-A Pensions, continued**

(employees & teachers), 11.55% (certified police officer) and 11.8% (firefighter) of their covered salary. The City's contribution rates for the year ended June 30, 2019 were 11.38%, 17.36%, 29.43% and 31.89% of covered payroll for employees, teachers, police and fire, respectively. The City's contributions to the System for the years ending June 30, 2019, 2018, and 2017 were \$1,497,918, \$1,421,862, and \$1,322,900, respectively, equal to the required contributions for each year.

**4-B GASB 68, Accounting and Financial Reporting for Pensions**

The City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense information about the fiduciary net position of the New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS.

General Information about the Pension Plan

Plan description. The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan). For additional NHRS information, please refer to the fiscal 2018 Comprehensive Annual Financial Report, which can be found on the NHRS website at [www.nhrs.org](http://www.nhrs.org).

Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service OR age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

<b>Years of creditable service as of January 1, 2012</b>	<b>Minimum age</b>	<b>Minimum service</b>	<b>Benefit multiplier</b>
At least 8 but less than 10 years	46	21	2.40%
At least 6 but less than 8 years	47	22	2.30%
At least 4 but less than 6 years	48	23	2.20%
Less than 4 years	49	24	2.10%

Contributions. By Statute, the Board of Trustees of the System is responsible for the certification of employer contribution rates, which are determined through the preparation of biennial valuation of the System's assets by the System's actuary using the entry age normal cost method.

The employer contributions used in the schedules of employer allocations as of and for the year ended June 30, 2019 is a component of total employer contributions presented in the System's financial statements for the corresponding period.

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**4-B GASB 68, Accounting and Financial Reporting for Pensions, continued**

Actuarial assumptions. The collective pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using the following actuarial assumptions:

Inflation	2.50%	
Salary increases	5.60%	average, including inflation
Wage inflation	3.25%	
Investment rate of return	7.25%	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was selected from a best-estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefits payments to determine the collective total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease</b>	<b>Current single rate assumption</b>	<b>1% Increase to</b>
2019	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Employer's proportionate share of the net pension liability:			
June 30, 2019	\$ 12,890,412	\$ 10,031,981	\$ 7,661,365



**City of Franklin, New Hampshire**  
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**4-B GASB 68, Accounting and Financial Reporting for Pensions, continued**

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

As of June 30, 2019, the City reported a liability of \$10,031,981 for its proportionate share of the net pension liability. 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 members, actuarially determined. At June 30, 2019, the City's proportion was 0.20833975 percent.

For the year ended June 30, 2019, the City recognized pension expense of \$956,141. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total exclusive of Employer Contribution</b>
Differences between expected and actual experience	\$ 80,073	\$ 81,229	\$ (1,156)
Changes of assumptions	694,263	-	694,263
Net differences between projected and actual earnings on pension plan investments	-	232,149	(232,149)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	146,652	364,114	(217,462)
Employer contributions subsequent to the measurement date	928,666	-	NA
Total	<u>\$ 1,849,654</u>	<u>\$ 677,492</u>	<u>\$ 243,496</u>

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ending June 30,	Deferred <u>Outflows/(Inflows)</u>
2019	\$ 213,662
2020	156,880
2021	(106,786)
2022	(20,260)
Total	<u>\$ 243,496</u>

**City of Franklin, New Hampshire**  
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**4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions**

**A. CITY OPEB PLAN**

**Plan description**

GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

GASB No. 75 requires that employers recognize the expected claims of the retiree population less the expected contributions by those retirees. This is not necessarily the same determination as the expected cash payments of the employer for retiree health benefits. The difference is that many post-employment health plans (including the City's program) charge the same premium rates for all participants in a non-Medicare plan regardless of their age. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims costs. This subsidy is referred to as the "Implicit Rate Subsidy".

Another way of considering the Implicit Rate Subsidy is to assume the retirees were removed from a blended plan and, instead, separately rated. In this scenario, the premium rate for the remaining active population would be lower; therefore, the retirees' premium rate is being subsidized by the premiums for active employees. Since the employer generally pays a portion of the premiums for the active employees, this subsidy creates a liability for the employer.

By comparison, the cash costs are the actual dollars paid by the employer to cover a portion or all of the retirees' premium rates. This is sometimes referred to as the "Explicit Rate Subsidy". This is the benefit that is explicitly stated by the City that will be paid on behalf of retirees.

GASB 75 reports are required to value both the Implicit Rate Subsidy and the Explicit Rate Subsidy. The City values only the Implicit Rate Subsidy since retirees pay 100% of the premium, there is no explicit rate subsidy.

**Plan Description**

Benefits provided to retirees follow New Hampshire Statute 100-A:50 (Medical Insurance Coverage). Every political subdivision of the state that provides for its active employees any group medical insurance or group health care plan, including but not limited to hospitalization, hospital medical care, surgical care, dental care, or other group medical or health care plan, shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees. Present retirees not covered shall be permitted to rejoin the active employee health insurance or health care group. Persons retired prior to July 1, 1988, shall be given the opportunity to rejoin the group during a 2-year period, beginning on July 1, 1989, and ending on July 1, 1991. Such persons shall continue to participate in the same coverage as active employees without any benefit waiting period.

Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees or may require each retiree to pay any part or all of the cost of the retiree's participation. Such election may be made separately for retirees from different job classifications. Since the same premiums are charged to active employees and retirees, and the City is unable to obtain age-adjusted premium information for the retirees, GASB 75 requires that the City calculate age-adjusted premiums for the purpose of projecting future benefits for retirees. This report values the implicit rate subsidy, which is the amount by which the age-adjusted premium exceeds the actual premium.

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**4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, continued**

The implicit OPEB benefits valued in this plan end when the retiree and or the covered spouse reach age 65. Explicit benefits, if applicable, are generally for the lifetime of the retired employee.

**Employees covered by benefit terms**

As of July 1, 2017, the following employees were covered by the benefit terms:	
Inactive employees or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	<u>241</u>
Total Participants covered by OPEB Plan	<u>252</u>

**Total OPEB Liability**

The City's total OPEB liability of \$4,028,427 was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

**Actuarial assumptions and other inputs**

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.58%
Healthcare Cost Trend Rates:	
Current Trend	4.24%
Second Year Trend	9.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2028
Salary Increases	3.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of July 1, 2017.

Mortality rates were based on the RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006).

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**4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions - continued**

**Changes in the Total OPEB Liability**

	<u>Fiscal Year Ending</u> <u>June 30, 2018</u>
OPEB Liability Beginning of Year	\$ 3,801,610
Changes for the year:	
Service Cost	181,173
Interest	145,196
Changes of benefit terms	-
Assumption Changes and Differences Between Actual and Expected Experience	-
Change in Actuarial Cost Method	-
Benefit payments	<u>(99,552)</u>
OPEB Liability End of Year	<u>\$ 4,028,427</u>

**Sensitivity of the total OPEB liability to changes in the discount rate**

The following presents the total OPEB Liability, calculated using the discount rate of 3.87%, as well as what the total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 4,294,757	\$ 4,028,427	\$ 3,667,808

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate**

The following presents the total OPEB Liability, calculated using the trend rate of 9.50%, as well as what the total OPEB Liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,405,017	\$ 4,028,427	\$ 4,589,147

City of Franklin, New Hampshire  
Notes to The Basic Financial Statements  
As of And for The Fiscal Year Ended  
June 30, 2019

**4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions - continued**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the City recognized an OPEB expense of \$53,451. At June 30, 2019, the City reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance June 30, 2018	\$ 77,243	\$ 1,144,349
Changes in assumptions or other inputs	-	-
Amortization	(19,755)	(292,673)
Total	<u>\$ 57,488</u>	<u>\$ 851,676</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ending June 30,	Inflows	Outflows
2020	\$ 292,673	\$ 19,755
2021	292,673	19,755
2022	266,330	17,978
2023	-	-
2024	-	-
Thereafter	-	-
Total	<u>\$ 851,676</u>	<u>\$ 57,488</u>

**City of Franklin, New Hampshire**  
**Notes to The Basic Financial Statements**  
**As of And for The Fiscal Year Ended**  
**June 30, 2019**

***4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions - continued***

**B. NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY OPEB PLAN**

**Plan description**

In addition to the OPEB plan discussed in A. above, the City participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer defined benefit postemployment medical subsidy healthcare plan. For additional information, please refer to the system's website at [www.nhrs.org](http://www.nhrs.org).

**Benefits**

Benefit amounts and eligibility requirements are set by state law (RSA 100-A:52, RSA 100-A:52-a, and RSA 100-A:52-b) and members are designated in statute by type. The four membership types are Group I State Employees, Group I Political Subdivision Employees, Group I Teachers, and Group II Police and Firefighters. The Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants. Participating employers are required by GASB No. 75 to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense of the Plan. The employer allocation is the ratio of each employer's contribution to the OPEB Plan's total employer contributions during the measurement period.

**Contributions**

Funding for the Medical Subsidy comes from employer contributions. Employer contribution rates are set by the NHRS pursuant to RSA 100-A:16, and the biennial actuarial valuation.

**Actuarial assumptions and other inputs**

The Net OPEB liability in the actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	5.60%
Wage Inflation	3.25%
Investment rate of return	7.25%

Mortality rates were based on the RP-2017 Healthy annuitant and employee generational mortality tables for males and females with credit ability adjustments, adjusted for fully generational mortality improvements using scale MP-2015 base on the last experience study.

**Proportionate Share of NHRS Net OPEB Liability**

The City's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$1,067,590.

City of Franklin, New Hampshire  
Notes to The Basic Financial Statements  
As of And for The Fiscal Year Ended  
June 30, 2019

**4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions - continued**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the City recognized an OPEB expense of \$369,288. At June 30, 2019, the City reported deferred inflows and outflows of resources related to the Net OPEB Liability from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total exclusive of Employer Contribution</b>
Differences between expected and actual experience	\$ 6,267	\$ -	\$ 6,267
Changes of assumptions	-	-	-
Net differences between projected and actual earnings on OPEB plan investments	-	3,392	(3,392)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	71,457	-	71,457
Employer contributions subsequent to the measurement date	110,581	-	NA
Total	<u>\$ 188,305</u>	<u>\$ 3,392</u>	<u>\$ 74,332</u>

Deferred outflows of resources related to OPEB benefits resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liabilities will be recognized in pension expense as follows:

For the Year Ending June 30,	Deferred Outflows/(Inflows)
2020	\$ 134,686
2021	(27,368)
2022	(27,368)
2023	(5,618)
Total	<u>\$ 74,332</u>

**City of Franklin, New Hampshire**  
**Notes to The Basic Financial Statements**  
**As of And for The Fiscal Year Ended**  
**June 30, 2019**

**4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions - continued**

**Sensitivity of the NHRS Medical Subsidy Net OPEB liability to changes in the discount rate**

The following presents the Net OPEB Liability, calculated using the discount rate as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	<b>1% Decrease</b>	<b>Baseline Rate</b>	<b>1%</b>
			<b>Increase</b>
Total OPEB Liability	\$ 1,111,152	\$ 1,067,590	\$ 945,564

**C. CONSOLIDATED CITY and NHRS OPEB LIABILITIES**

The following consolidates the City's total OPEB liability and related deferred outflows/inflows of resources, and the City's proportionate share of the NHRS Medical Subsidy Net OPEB Liability and related deferred outflows/inflows of resources as of June 30, 2019.

	<b>OPEB Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total OPEB Expense</b>
District OPEB Plan	\$ 4,028,427	\$ 57,488	\$ 851,676	\$ 53,451
NHRS Medical Subsidy OPEB Plan	1,067,590	188,305	3,392	369,288
Total	<u>\$ 5,096,017</u>	<u>\$ 245,793</u>	<u>\$ 855,068</u>	<u>\$ 422,739</u>



**City of Franklin, New Hampshire**  
**Notes to The Basic Financial Statements**  
**As of And for The Fiscal Year Ended**  
**June 30, 2019**

**NOTE 5 - RESTATEMENT OF NET POSITION**

The reporting of the NHRS Medical Subsidy OPEB obligation along with the reporting of an existing capital lease obligation results in the restatement of the government-wide net position as follows:

	<b>Governmental Activities</b>
Net position as of July 1, 2018	\$ 404,103
Deferred outflows related to the NHRS Medical Subsidy OPEB	94,769
OPEB obligation related to the NHRS Medical Subsidy	(663,187)
Deferred inflows related to the NHRS Medical Subsidy OPEB	(2,003)
Capital lease obligation not reported in the prior year	(224,861)
Net position as of July 1, 2018 - Restated	<u>\$ (391,179)</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance
<b>Budgetary Fund Balance - Beginning</b>	\$ 407,760	\$ 1,234,594	\$ 5,056,864	\$ 3,822,270
Resources (inflows):				
Taxes				
Property taxes	19,374,331	19,374,331	19,594,871	220,540
Land use change taxes	4,000	4,000	-	(4,000)
Timber taxes	6,000	6,000	10,558	4,558
Payments in lieu of taxes	29,750	29,750	26,879	(2,871)
Other taxes	8,200	8,200	-	(8,200)
Interest and penalties on delinquent taxes	145,000	145,000	113,534	(31,466)
Excavation tax	-	-	97	97
Provision for overlay and abatements	(36,411)	(36,411)	(189,168)	(152,757)
Other	-	-	8,611	8,611
School Assessment	(5,436,194)	(5,436,194)	(5,749,495)	(313,301)
County Assessment	(1,637,583)	(1,637,583)	(1,637,583)	-
Licenses, permits and fees				
Business licenses and permits	-	-	1,100	1,100
Motor vehicle permit fees	1,175,000	1,175,000	1,300,195	125,195
Building permits	30,000	30,000	35,951	5,951
Other licenses, permits and fees	49,100	49,100	53,007	3,907
Local school revenues	622,241	622,241	324,715	(297,526)
MTIF	-	-	50,000	50,000
Federal sources				
City grant revenues	535,000	535,000	635,697	100,697
School federal revenues	248,547	248,547	385,481	136,934
State of NH sources				
Meals and rental tax distribution	445,021	445,021	445,021	-
Highway block grant	212,617	212,617	212,296	(321)
State and federal forest land reimbursemen	77	77	77	-
Flood control reimbursement	53,865	53,865	53,865	-
School state revenues	8,593,955	8,593,955	8,595,143	1,188
Other state grants	401,463	401,463	87,787	(313,676)
Charges for services				
Income from departments	1,118,919	1,118,919	1,206,258	87,339
Miscellaneous revenues				
Sale of municipal property	12,320	12,320	171,839	159,519
Interest on investments	45,000	45,000	130,469	85,469
Other miscellaneous sources	389,833	389,833	444,753	54,920
Interfund operating transfers in				
Transfers from special revenue funds	46,446	46,446	12,870	(33,576)
Transfers from capital reserves	3,700	3,700	-	(3,700)
Transfers from other funds	-	-	6,593	6,593
Amounts available for appropriation	<u>26,847,957</u>	<u>27,674,791</u>	<u>31,388,285</u>	<u>3,713,494</u>

See the accompanying notes to the required supplementary information.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance
Charges to appropriations (outflows):				
General government				
Executive	482,055	650,859	450,596	200,263
Election and registration	228,204	228,204	226,872	1,332
Financial administration	480,663	524,266	516,013	8,253
Legal expense	38,100	38,100	30,005	8,095
Planning and zoning	162,570	162,570	162,081	489
General government building	151,748	151,748	212,375	(60,627)
Insurance not otherwise allocated	115,127	115,127	123,125	(7,998)
Other general government	24,595	24,595	28,310	(3,715)
Public safety				
Police	3,214,931	3,299,874	3,133,582	166,292
Ambulance	146,391	146,391	-	146,391
Fire	2,352,188	2,365,953	2,505,447	(139,494)
Emergency management	3,167	3,167	-	3,167
Highways and streets				
Administration	115,627	115,627	-	115,627
Highways and streets	822,116	896,133	2,162,845	(1,266,712)
Street lighting	110,500	110,500	-	110,500
Other highway	372,268	813,970	-	813,970
Sanitation				
Solid waste collection	194,877	194,877	174,760	20,117
Solid waste disposal	628,966	628,966	702,140	(73,174)
Health				
Pest control	20,000	20,000	-	20,000
Health agencies and hospitals	174,462	174,462	164,294	10,168
Welfare				
Administration	132,402	132,402	52,930	79,472
Direct assistance	-	-	4,476	(4,476)
Vendor payments	9,000	9,000	6,000	3,000
Culture and recreation				
Parks and recreation	1,042,104	1,042,104	659,368	382,736
Other culture and recreation	10,500	10,500	128,363	(117,863)
Conservation				
Other conservation	-	-	6,748	(6,748)
Economic development				
Administration	105,000	105,000	94,790	10,210
School district				
Instruction	8,368,945	8,368,945	7,727,428	641,517
Support	5,497,610	5,497,610	5,165,709	331,901
Debt service				
Principal on long term bonds and notes	512,132	512,132	607,810	(95,678)
Interest on long term bonds and notes	97,194	97,194	100,801	(3,607)
Other debt service charges	99,297	99,297	143,279	(43,982)
Capital outlay				
Improvements other than buildings	-	-	319,116	(319,116)
Operating transfers out				
Special revenue funds	1,059,588	1,059,588	333,323	726,265
Transfer to capital reserve	75,630	75,630	75,630	-
Total charges to appropriations	26,847,957	27,674,791	26,065,964	1,608,827
<b>Budgetary Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,322,321</b>	<b>\$ 5,322,321</b>

See the accompanying notes to the required supplementary information.

## CITY OF FRANKLIN, NEW HAMPSHIRE

### Schedule of Changes in Total OPEB Liability Year Ended June 30, 2019

	<u>2018</u>	<u>2019</u>
Total OPEB Liability Beginning of Year	\$ 3,687,151	\$ 3,801,610
Changes for the Year:		
Service Cost	183,318	181,173
Interest	130,284	145,196
Changes in benefit terms	-	-
Assumption Changes and Difference Between Actual and Expected Experience	(103,300)	-
Change in Actuarial Cost Method	-	-
Benefit payments	<u>(95,843)</u>	<u>(99,552)</u>
Total OPEB Liability End of Year	<u>\$ 3,801,610</u>	<u>\$ 4,028,427</u>
City's covered-employee payroll	\$ 10,277,034	\$ 10,585,345
Total OPEB Liability as a percentage of covered payroll	36.99%	38.06%

See the accompanying notes to the required supplementary information.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Schedules of Proportionate Share and Contributions of the NHRS Net OPEB Liability Year Ended June 30, 2019

### Schedule of Proportionate Share of Net OPEB Liability

#### New Hampshire Retirement System Medical Subsidy

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Proportion of the Net OPEB Liability</b>	<b>Proportionate Share of the Net OPEB Liability</b>	<b>Covered Payroll</b>	<b>Net OPEB as a Percentage of Covered Payroll (AAL)</b>	<b>Plan Fiduciary Net Position of the Net OPEB Liability</b>
June 30, 2019	June 30, 2018	0.23317671%	\$ 1,067,590	\$ 4,868,096	22%	7.53%
June 30, 2018	June 30, 2017	0.15974839%	\$ 730,424	\$ 4,698,401	16%	7.91%

### Schedule of Medical Subsidy Contributions

#### New Hampshire Retirement System Medical Subsidy

<b>Fiscal Year</b>	<b>Valuation Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions Relative to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
June 30, 2019	June 30, 2018	\$ 110,581	NA	NA	\$ 4,868,096	2.27%
June 30, 2018	June 30, 2017	\$ 103,141	\$ 103,141	\$ -	\$ 4,698,401	2.20%

Schedules are required to show information for prior 10 years. Additional years will be reported as they become available.

See the accompanying notes to the required supplementary information.

# CITY OF FRANKLIN, NEW HAMPSHIRE

## Schedules of Proportionate Share and Contributions of the Net Pension Liability Year Ended June 30, 2019

### Schedule of Proportionate Share of Net Pension Liability

#### New Hampshire Retirement System Net Pension Liability

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Net Pension as a Percentage of Covered Payroll	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2019	June 30, 2018	0.20833975%	\$ 10,031,981	\$ 4,868,096	206.08%	64.73%
June 30, 2018	June 30, 2017	0.21782680%	\$ 10,712,706	\$ 4,698,401	228.01%	62.66%
June 30, 2017	June 30, 2016	0.21428368%	\$ 11,394,739	\$ 4,628,936	246.16%	58.30%
June 30, 2016	June 30, 2015	0.21162846%	\$ 8,383,719	\$ 4,469,253	187.59%	65.47%
June 30, 2015	June 30, 2014	0.21380978%	\$ 8,025,533	\$ 4,374,065	183.48%	66.32%
June 30, 2014	June 30, 2013	0.21197910%	\$ 9,123,214	\$ 4,265,321	213.89%	59.81%

### Schedule of Pension Contributions

#### New Hampshire Retirement System Pension Contributions

Fiscal Year	Measurement Date	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2019	June 30, 2018	\$ 928,665	NA	NA	\$ 4,868,096	19.08%
June 30, 2018	June 30, 2017	\$ 880,564	\$ 880,564	\$ -	\$ 4,698,401	18.74%
June 30, 2017	June 30, 2016	\$ 797,994	\$ 797,994	\$ -	\$ 4,628,936	17.24%
June 30, 2016	June 30, 2015	\$ 767,305	\$ 767,305	\$ -	\$ 4,469,253	17.17%
June 30, 2015	June 30, 2014	\$ 713,625	\$ 709,988	\$ (3,637)	\$ 4,374,065	16.31%
June 30, 2014	June 30, 2013	\$ 693,648	\$ 693,648	\$ -	\$ 4,265,321	16.26%

See the accompanying notes to the required supplementary information.

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**



**City of Franklin, New Hampshire**  
**Notes to Required Supplementary Information**  
**As of and for the Fiscal Year Ended**  
**June 30, 2019**

**NOTE 1 - EXPLANATION OF BUDGETARY TO GAAP DIFFERENCES**

**Basis and Timing Differences**

The basis of accounting or the timing of transactions used or applied by the funds in the basic financial statements (fund financial statements) differs from the basis of accounting or timing of transactions used or applied by the funds for budgetary purposes. The following is an explanation of the differences between budgetary inflows and outflows and GAAP revenues and expenditures.

<u>Budgetary Fund</u>	<u>General Fund</u>
<u>Financial Statement Major Fund</u>	<u>General Fund</u>
<b>Sources / Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 31,388,285
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund (balance) deficit	(5,056,864)
Transfers from other funds	(19,463)
Revenues for financial reporting that are not inflows for budgetary purposes	
Earnings on capital reserve investments	<u>17,440</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 26,329,398</u></u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 26,065,964
Differences - Budget to GAAP:	
Expenditures for financial reporting purposes that are not budgetary outflows	
Transfer to capital reserves	(75,630)
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	<u>(333,323)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 25,657,011</u></u>

**City of Franklin, New Hampshire**  
**Notes to Required Supplementary Information**  
**As of and for the Fiscal Year Ended**  
**June 30, 2019**

**NOTE 2 –REQUIRED OPEB SUPPLEMENTARY INFORMATION**

The city is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the district is required to disclose its obligations for post-employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees (City Plan) and medical subsidies to retirees paid by the NHRS (NHRS Medical Subsidy Plan). Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 75 - *“Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions”* (GASB No. 75). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

City OPEB Plan – The City plan as described in the notes to the basic financial statements is required to report as supplementary information a **Schedule of Changes in Total OPEB Liability**. This information is required to be disclosed for the 10 most recent years. Subsequent year’s information will be added as it becomes available.

NHRS Medical Subsidy OPEB Plan – The NHRS medical subsidy plan as described in the notes to the basic financial statements is required to report as supplementary information the following:

- **Schedule of Proportionate Share of Net OPEB Liability**
- **Schedule of Medical Subsidy Contributions**

This information is required to be disclosed for the 10 most recent years. Subsequent year’s information will be added as it becomes available.

**NOTE 3 – GASB 68 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**

In accordance with GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, the city is required to disclose historical data for each of the prior ten years within the following schedules:

- **Schedule of the Proportionate Share of Net Pension Liability**
- **Schedule of Pension Contributions**

The information presented in the *Schedule of the Proportionate Share of Net Pension Liability* is determined as of the measurement date of the collective net pension liability.

The information presented in the *Schedule of Pension Contributions* is determined as of the employer’s most recent fiscal year-end.

Subsequent year’s information will be added as it becomes available until the ten-year requirement is met.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF FRANKLIN, NEW HAMPSHIRE**

**Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2019**

	Special Revenue Funds											Capital Project Funds			Permanent Trust Funds					
	Franklin Public Library	School Food Service Fund	CDBG Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts City	Parks and Recreation	Outside Detail	School District Grants	School Local Programs	Expendabl e Trusts School	School Improvements Project	Capital Project Fund	Odell Park	Other General Funds	Library Buswell Trust	Other Library Trusts	Total Nonmajor Governmental Funds
Assets																				
Cash and cash equivalents	\$ 189,105	\$ 87,071	\$ -	\$ -	\$ 15,520	\$ 7,535	\$ -	\$ 109,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,601	\$ -	\$ -	\$ 156,448	\$ -	\$ -	\$ 745,344
Investments	-	-	-	7,002	-	-	11,350	104,410	-	-	-	-	52,147	-	-	208,677	664,129	886,576	376,430	2,310,721
Receivables	-	-	-	-	-	-	-	-	-	9,458	-	-	-	-	-	-	-	-	-	9,458
Due from other governments	-	31,224	-	-	-	-	-	-	-	-	585,689	-	-	-	-	-	-	-	-	616,913
Due from other funds	19,590	-	454	-	-	-	-	6,295	31,420	44,890	-	139,658	-	-	-	-	-	-	-	242,307
Inventories	-	27,705	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,705
Total assets	\$ 208,695	\$ 146,000	\$ 454	\$ 7,002	\$ 15,520	\$ 7,535	\$ 11,350	\$ 219,769	\$ 31,420	\$ 54,348	\$ 585,689	\$ 139,658	\$ 52,147	\$ 180,601	\$ -	\$ 208,677	\$ 820,577	\$ 886,576	\$ 376,430	\$ 3,952,448
Liabilities and Fund Balances																				
Liabilities:																				
Accounts payable	\$ 5,465	\$ 1,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,015	\$ -	\$ 50,171	\$ 12	\$ -	\$ 22,500	\$ 21,000	\$ -	\$ -	\$ -	\$ -	\$ 101,371
Accrued expenses	4,283	2,449	-	-	-	-	-	-	-	1,652	-	-	-	-	-	-	-	-	-	8,384
Due to other funds	-	137,227	-	-	-	-	-	-	-	-	529,447	-	43,000	-	-	-	-	-	-	709,674
Deferred revenue	-	5,116	-	-	-	-	-	-	-	-	6,071	-	-	-	-	-	-	-	-	11,187
Total liabilities	9,748	146,000	-	-	-	-	-	-	1,015	1,652	585,689	12	43,000	22,500	21,000	-	-	-	-	830,616
Fund balances:																				
Nonspendable	-	27,705	-	-	-	-	-	-	-	-	-	-	-	-	-	186,709	787,125	886,537	372,123	2,260,199
Restricted	198,947	-	454	7,002	15,520	7,535	-	219,769	30,405	52,696	-	139,646	9,147	158,101	-	21,968	33,452	39	4,307	898,988
Committed	-	-	-	-	-	-	11,350	-	-	-	-	-	-	-	-	-	-	-	-	11,350
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(27,705)	-	-	-	-	-	-	-	-	-	-	-	-	(21,000)	-	-	-	-	(48,705)
Total fund balances	198,947	-	454	7,002	15,520	7,535	11,350	219,769	30,405	52,696	-	139,646	9,147	158,101	(21,000)	208,677	820,577	886,576	376,430	3,121,832
Total liabilities and fund balances	\$ 208,695	\$ 146,000	\$ 454	\$ 7,002	\$ 15,520	\$ 7,535	\$ 11,350	\$ 219,769	\$ 31,420	\$ 54,348	\$ 585,689	\$ 139,658	\$ 52,147	\$ 180,601	\$ -	\$ 208,677	\$ 820,577	\$ 886,576	\$ 376,430	\$ 3,952,448

**CITY OF FRANKLIN, NEW HAMPSHIRE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2019**

	Special Revenue Funds										Capital Projects			Permanent Trust Funds				Total		
	Franklin Public Library	School Food Service Fund	CDBG Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts City	Parks and Recreation	Outside Detail	School District Grants	School Local Programs	Expendabl e Trusts School	School Improvement s Project	Capital Project Fund	Odell Park	Other General Funds	Library Buswell Trust	Other Library Trusts	Nonmajor Governmental Funds
Revenues																				
Federal sources	\$ -	\$ 382,571	\$ 9,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,112,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,504,553
State of NH sources	-	7,762	-	-	-	-	-	-	-	-	404,332	-	-	-	-	-	-	-	-	412,094
Charges for services	3,512	127,019	-	-	-	-	-	-	16,987	26,059	-	-	-	-	-	-	-	-	-	173,577
Miscellaneous revenues	6,072	94	-	155	5,599	5	242	5,301	-	-	8,903	19,084	2,453	-	-	5,763	16,866	42,058	17,370	129,965
Interfund operating transfers in	310,407	28,354	-	800	-	500	800	-	-	-	33,585	-	-	-	-	-	-	-	-	374,446
Other financing sources	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000,000	502,670	-	-	-	-	2,502,670
Total revenues and other financing sources	319,991	545,800	9,541	955	5,599	505	1,042	5,301	16,987	26,059	2,559,261	19,084	2,453	2,000,000	502,670	5,763	16,866	42,058	17,370	6,097,305
Expenditures																				
General government	-	-	908	-	-	-	-	416	-	-	-	-	43,201	-	-	-	314	14,466	-	59,305
Public safety	-	-	-	-	8,024	-	-	-	-	23,597	-	-	-	-	-	-	-	-	-	31,621
Culture and recreation	450,388	-	-	-	-	-	-	-	29,026	-	-	-	-	-	-	796	-	-	1,462	481,672
Conservation	-	-	-	435	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	435
School district	-	563,164	-	-	-	-	-	-	-	-	2,559,261	15,101	-	-	-	-	-	-	-	3,137,526
Capital outlay	-	-	8,179	-	-	-	-	-	-	-	-	-	-	1,841,899	523,670	-	-	-	-	2,373,748
Operating transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,866	9,429	39,295
Other financing uses	-	-	-	-	-	-	-	11,287	-	-	-	-	-	-	-	-	-	-	-	11,287
Total expenditures and other financing sources	450,388	563,164	9,087	435	8,024	-	-	11,703	29,026	23,597	2,559,261	15,101	43,201	1,841,899	523,670	796	314	44,332	10,891	6,134,889
Excess revenue and other financing sources over (under) expenditures and other financing uses	(130,397)	(17,364)	454	520	(2,425)	505	1,042	(6,402)	(12,039)	2,462	-	3,983	(40,748)	158,101	(21,000)	4,967	16,552	(2,274)	6,479	(37,584)
Fund balances - beginning of year	329,344	17,364	-	6,482	17,945	7,030	10,308	226,171	42,444	50,234	-	135,663	49,895	-	-	203,710	804,025	888,850	369,951	3,159,416
Fund balances - end of year	\$ 198,947	\$ -	\$ 454	\$ 7,002	\$ 15,520	\$ 7,535	\$ 11,350	\$ 219,769	\$ 30,405	\$ 52,696	\$ -	\$ 139,646	\$ 9,147	\$ 158,101	\$ (21,000)	\$ 208,677	\$ 820,577	\$ 886,576	\$ 376,430	\$ 3,121,832