

CITY OF FRANKLIN

Franklin, New Hampshire

FINANCIAL STATEMENTS

With Schedule of Expenditures of Federal Awards

June 30, 2020

and

Independent Auditor's Report

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Schedule of Findings and Questioned Costs

CITY OF FRANKLIN, NEW HAMPSHIRE

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INDEPENDENT AUDITOR'S REPORT

ROBERGE AND COMPANY, P.C.

Certified Public Accountants

Member – American Institute of CPA's (AICPA)
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Franklin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020, 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, schedules of proportionate share and contributions of the net pension liability, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2021, on our consideration of the City of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Franklin's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin's internal control over financial reporting and compliance.

Roberge and Co., P.C.

ROBERGE & COMPANY, P.C.

Franklin, New Hampshire
June 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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, 2020. 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 \$13,568,076 (net position). This is a decrease of \$414,076 from the prior year.
- As of the close of the current fiscal year, the total net position for governmental activities was \$171,242 (-\$18,636,700 unrestricted) and total net position for business like activities was \$13,396,834 (\$-1,965,587 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 \$8,840,603, a decrease of \$301,122 from the prior year. Of the combined ending fund balances, \$3,578,271, an increase of \$373,815 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 \$3,633,200, or 13.46 percent of total general fund expenditures.
- At the close of the current fiscal year, total long-term bonds & notes outstanding was \$9,898,331, an increase of \$2,584,498 from the prior year.

Overview of the Financial Statements

This discussion and analysis is 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, 2020

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 which 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.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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, if applicable.

- ***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.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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 as of June 30 for the current and prior two fiscal years:

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

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Current and other assets	19,812	19,617	17,307	2,285	2,257	2,258	22,097	21,874	19,565
Capital assets	20,596	20,086	18,320	20,996	19,525	19,339	41,592	39,611	37,659
Total assets	40,408	39,703	35,627	23,281	21,782	21,597	63,689	61,485	57,224
Deferred outflow of resources	5,601	4,809	4,237	260	166	187	5,861	4,975	4,424
Total assets and deferred outflow of resources	46,009	44,512	39,864	23,541	21,948	21,784	69,550	66,460	61,648
Current liabilities	2,841	3,461	2,955	2,261	1,754	1,855	5,102	5,215	4,810
Long term liabilities outstanding	32,679	30,804	26,221	6,952	6,670	7,232	39,631	37,474	33,453
Total liabilities	35,520	34,265	29,176	9,213	8,424	9,087	44,733	42,689	38,263
Deferred inflow of resources	10,318	9,541	9,219	931	77	30	11,249	9,618	9,249
Total liabilities and deferred inflow of resources	45,838	43,806	38,395	10,144	8,501	9,117	55,982	52,307	47,512
Net Position:									
Invested in capital assets, net of related debt	15,555	14,821	14,537	15,362	13,335	13,149	30,917	28,156	27,686
Restricted	3,253	3,675	2,906	0	0	0	3,253	3,675	2,906
Unrestricted	(18,637)	(17,791)	(15,974)	(1,966)	113	(481)	(20,603)	(17,678)	(16,455)
Total net position	171	705	1,469	13,396	13,448	12,668	13,567	14,153	14,137

The City of Franklin, assets and deferred outflows exceeded liabilities and deferred inflows by \$13.6 million, \$14.2 million and \$14.1 million at the close of fiscal years 2020, 2019 and 2018, respectively. Governmental activities assets exceeded liabilities by \$0.17 million, \$0.70 million and \$1.47 million at the close of fiscal years 2020, 2019 and 2018, 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 \$30,916,997, an increase of \$2,760,410 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, \$3,293,366 or 24.27%, represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position of* \$(20,642,287). 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
Fiscal Year Ended June 30, 2020

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)

	Governmental Activities			Business-Type Activities		
	2020	2019	2018	2020	2019	2018
<u>Revenues</u>						
Program Revenue:						
Charges for Services	1,423	1,435	1,662	3,093	3,181	2,978
Operating Grants and Contributions	13,873	13,160	13,808	126	341	11
General Revenues:						
Property Taxes	12,078	12,107	11,561	-	-	-
Other Taxes	-	-	-	-	-	-
Licenses and Permits	1,364	1,648	1,281	-	-	-
Grants and Contributions not restricted to specific programs	22	172	-	-	-	-
Interest Earnings	51	56	27	-	3	2
Miscellaneous	1,526	900	907	-	59	59
Total Revenues	30,337	29,478	29,246	3,219	3,584	3,050
<u>Expenses</u>						
Functional Expenditures:						
General Government	1,847	1,809	1,562	-	-	-
Public Safety	5,321	5,398	5,312	-	-	-
Highway and Streets	2,095	1,707	1,449	-	-	-
Sanitation	941	877	877	-	-	-
Health	187	164	191	-	-	-
Welfare	50	63	67	-	-	-
Culture and Recreation	962	1,126	1,203	-	-	-
Conservation	1	7	1	-	-	-
Economic Development	260	95	81	-	-	-
School	16,293	15,798	15,717	-	-	-
Debt Service	215	95	95	-	-	-
Capital Outlay	199	115	(34)	-	-	-
Other Financing Uses GASB 68/OPEB	1,196	1,128	2,001	-	-	-
Depreciation	1,448	-	-	-	-	-
Proprietary Activities	-	-	-	2,955	2,941	3,171
Total Expenses	31,015	28,382	28,522	2,955	2,941	3,171
Change in net position before transfers	(678)	1,096	724	264	643	(121)
Transfers	-	6	6	-	-	-
Increase (Decrease) in net position	(678)	1,102	730	264	643	(121)
Net Position, beginning, as restated	850	(391)	4,330	13,133	12,804	12,789
Net Position, ending	172	711	5,060	13,397	13,447	12,668

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Governmental activities. Governmental activities decreased the City of Franklin's net position by \$678,327. This is largely due to increases in 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 \$264,251. The Water Fund increased the net position by \$76,084 while the Sewer Fund increased the net position by \$188,167.

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 \$8,840,603, a decrease of \$301,122 from the prior year. Of the combined ending fund balances, \$3,578,271 is available for spending at the government's discretion (unassigned fund balance). The remainder of fund balance is *non-spendable, 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 (\$1,264,227), 2) committed for miscellaneous purposes (\$1,226,986), 3) legally restricted for permanent funds and other restricted purposes (\$512,305), 4) non-spendable permanent fund principal and prepaids (\$2,258,814).

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 \$3,633,200, while total fund balance reached \$5,809,750. 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 13.46 percent of total general fund expenditures, while total fund balance represents 21.53 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 14% 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 a negative \$-1,965,587. The total net position increased over the prior year by \$264,251.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$654,694 which represents the following:

- Prior year encumbrances/carryovers totaling \$654,694.

The difference between the final amended budget and actual results is a positive variance of \$4,864,392. Revenues and budgetary fund balance exceeding budgeted amounts by \$4,836,704, budgetary fund balance exceeding budgeted amount by \$4,615,875 and total of other revenues coming in above estimated amounts by \$220,829. Expenditures were less than the estimated budget by \$27,688. Significant budget variances include:

- Positive variance of \$4,615,875 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 \$205,728 in licenses, permits & fees largely represents motor vehicle registration revenues coming in higher than estimated.
- Negative variance of \$884,420 in other local revenues estimated by the school.
- Positive variance of \$437,756 in federal grant sources.
- Positive variance of \$81,681 in charges for services.
- Positive variance of \$296,735 in miscellaneous revenues.
- Positive variance in debt proceeds of \$552,554.
- Positive variance of \$38,019 in general government expenses.
- Positive variance of \$163,553 in public safety expenses
- Negative variance of \$356,152 in highways, streets and bridges.
- Positive variance of \$93,172 in welfare due to the director coordinating with other resources available for the needs of the clients.
- Positive variance of \$680,901 in school expenses.
- Negative variance of \$199,498 in capital outlay expenses.
- Negative variance of \$246,193 in transfers to other funds.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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, 2020, amounts to \$31,716,349 (net of accumulated depreciation), an increase of \$1,912,880 over 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)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Land	1,727	1,727	1,228	65	65	65	1,792	1,792	1,293
Monuments	61	61	61	-	-	-	61	61	61
Construction in Progress	404	1,547	57	1,875	420	468	2,279	1,967	525
Land Improvements	134	143	152	-	-	-	134	143	152
Buildings and Improvements	11,630	10,347	10,472	355	373	392	11,985	10,720	10,864
Machinery, Vehicles and Equipment	3,426	2,870	2,947	429	442	457	3,855	3,312	3,404
Infrastructure	3,213	3,390	2,796	18,270	18,225	17,958	21,483	21,615	20,754
Total	20,595	20,085	17,713	20,994	19,525	19,340	41,589	39,610	37,053

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

- Machinery and Equipment
- Construction in Progress

Long-term debt. At the end of the current fiscal year, the City of Franklin had total bonded debt and notes outstanding of \$11,704,448. Of this amount, 100% comprises debt backed by the full faith and credit of the government; however, \$7,025,422 bonds & notes are attributable to the Water and Sewer proprietary funds. Of the \$7,025,422 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 \$2,775,280 of the total \$11,704,448 of bonded/note debt. Further information regarding the School District's indebtedness may be found in their separately issued financial statements.

City of Franklin, New Hampshire
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Fiscal Year Ended June 30, 2020

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

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Primary Government</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Obligation Debt	4,680	4,856	2,950	7,025	6,136	6,496	11,705	10,992	9,446
Accrued Landfill Postclosure	146	152	158	-	-	-	146	152	158
Compensated Absences	362	327	307	17	17	24	379	344	331
Capital Leases	362	408	233	28	54	80	390	462	313
Net Pension Liability	20,358	20,013	19,646	867	808	986	21,225	20,821	20,632
Other Post Employment Benefits	7,309	5,762	3,583	435	286	55	7,744	6,048	3,638
Total	<u>33,217</u>	<u>31,518</u>	<u>26,877</u>	<u>8,372</u>	<u>7,301</u>	<u>7,641</u>	<u>41,589</u>	<u>38,819</u>	<u>34,518</u>

During the current fiscal year, the City of Franklin's total debt increased by \$2,767,485 (7 percent). Key factors in the net increase are:

- Reductions in outstanding bond/note debt principal in the amount of \$1,130,663.
- Reductions in outstanding capital lease principal in the amount of \$124,212.
- Reduction in landfill post-closure obligation in the amount of \$6,613.
- Net increase in compensated absences payable of \$35,547.
- Increase in Other post-employment benefits obligations of \$1,695,603.
- Bonds and Notes issued in the amount of \$1,842,292.
- Capital Leases entered into in the amount of \$51,199.
- Increase in net pension liability of \$404,332.

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 2019, Franklin's valuation was \$725,341,149 with an equalization ratio of 95.5%, yielding an estimated equalized base valuation of \$727,398,400. 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)	\$	21,821,952
School Debt (7% of the base valuation per RSA 33:4-a)	\$	50,917,888
City (Municipal and School District combined debt limitation of 9.75% per RSA 33:4b)	\$	69,102,848
Water (10% of the base valuation per RSA 33:5-a)	\$	72,739,840
Sewer		Exempt

Borrowing Capacity (As of June 30, 2019)

	<u>Maximum</u>	<u>Outstanding</u>	<u>Available</u>
General Debt	\$ 21,821,952	\$ 1,618,546	\$ 20,203,406
School Debt	\$ 50,917,888	\$ 3,238,478	\$ 47,679,410
Water	\$ 69,102,848	\$ 5,759,174	\$ 63,343,674

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

City of Franklin, New Hampshire
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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 27th 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:

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

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.

Fiscal Year	Total Taxes	Percentage Change
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%

The City's net valuation, or the taxable assessment on both land and buildings used to establish the tax rate, was \$683,192,155 in fiscal year 2020. The city has experienced a \$1.8 million decrease 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 attractions 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 having 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 by focusing on bringing in outside dollars to support community businesses/services, while also focusing 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 rivers and landscape but this time with an eye toward preserving and protecting our environment. The City's downtown economic development coordinator, funded through two USDA Rural Technical Assistance grants beginning in FY2016, has been responsible for the receipt of over \$2.9 million in funding through grants, loans and tax credits supporting the economic development efforts. 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. The benefits will far exceed the borders of Franklin, and will extend throughout 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 to the businesses in the downtown corridor. This has sparked interest in the city from restaurateurs, prominent mill developers, residential 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 park. 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 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. Over this period, the City was granted \$500k from Community Development Finance Authority in tax credits to utilize in the construction of the feature in the river.

People are learning more about the important benefits of this new recreational venue. Investors are taking notice. The Buell Block, a formerly dilapidated brick building in the heart of downtown, completed its transformation into a showpiece historic building with the opening of Vulgar Brewery, a new microbrewery, in this fiscal year.

Chinburg Properties, who in FY18, purchased the Stevens Mill [which is the largest former Mill property on the river at 182,000 square feet] continues 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

City of Franklin, New Hampshire
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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 (TIF) 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. During this period, the City Council supported an additional \$400k in TIF, which is new value above the current tax base, to construct features in the river for the white-water park. Mr. Chinburg has guaranteed the payment of the entire \$1.4m TIF bond through a developer's agreement.

The City sought and received a technical assistance grant, totaling \$30,000 through the United States Department of Agriculture to assist us in deploying our newest economic development tool, Opportunity Zones, announced by Governor Sununu in May of 2018 right here in Franklin. 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. During this period the Community Development Finance Authority through the Capital Regional Development Council contributed an addition \$20,000 to augment the USDA grant. The City economic development steering committee is utilizing these Opportunity Zone grants 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, Economic Revitalization Zone, RSA 79E and tax increment finance districts, investors are starting to look at Franklin for investments opportunities throughout the city. In addition to the projects occurring downtown, projects, such as the solar projects on Mark & Duffy Streets, commercial spaces on Cross Mill Road, Range Road, Central Street and Tannery Street, were completed or substantially completed during this period and have converted underutilized properties to higher and better uses. Many other projects are in the approval stage for the upcoming fiscal year as well.

The world-wide COVID-19 pandemic, hit Franklin in mid-March of the current year and changed the way we interact with each other by essentially halting all community events including our beloved Community Day and Winni River Day. However, the Franklin community still came through and showed community pride which had previously been waning. Groups continue to come forward to clean up trails and sidewalks and weed out gardens throughout the City. All of this pride has inspired a group in the downtown to work on rebranding the downtown as Franklin Falls as it was in our history. These efforts continue to grow organically which is an indication of sustainability. Franklin, like

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

most, will likely have to do business, hold events and interact with our community a little differently as a result of the COVID-19 pandemic but is in no way deterred from our community pride.

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 replacement of the Acme 2 water well and started the major water main replacement project 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.

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. During the current fiscal year, the city has started a project that will identify the amount and location of inflow and infiltration into the city owned sanitary sewer system so that we may take measures to eliminate unnecessary groundwater from the stream that goes to the WRBP.

The above projects were previous included in the water and sewer rates; therefore, there is no increase in water or sewer rates over FY20 rates for the 2021 fiscal year.

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, 2020

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,849,960	\$ -	\$ 11,849,960
Investments	2,878,665	-	2,878,665
Receivables, net	2,614,460	1,565,477	4,179,937
Due from other governments	2,424,055	-	2,424,055
Internal balances due to/from other funds	(613,459)	612,459	(1,000)
Inventories	33,929	104,793	138,722
Prepaid	88,952	2,000	90,952
Other noncurrent assets	535,496	-	535,496
Capital assets:			
Land, improvements, and construction in progress	2,028,686	1,940,130	3,968,816
Other capital assets, net of accumulated depreciation	18,566,992	19,055,401	37,622,393
Total assets	40,407,736	23,280,260	63,687,996
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	3,703,055	132,710	3,835,765
Deferred outflows of resources related to other post employment benefits	1,898,364	127,353	2,025,717
Total deferred outflows of resources	5,601,419	260,063	5,861,482
LIABILITIES			
Accounts payable	902,108	578,602	1,480,710
Accrued expenses	350,340	128,521	478,861
Due to other governments	1,051,927	-	1,051,927
Contracts payable	-	131,108	131,108
Internal balances due to/from other funds	(1,079)	2,880	1,801
Current portion of long-term liabilities	537,466	1,419,811	1,957,277
Bonds payable	4,265,221	5,633,110	9,898,331
Compensated absences	338,764	17,135	355,899
Capital lease obligations	262,133	-	262,133
Landfill Closure	145,557	-	145,557
Other postemployment benefit obligations	7,309,152	434,328	7,743,480
Net pension liability	20,358,171	867,120	21,225,291
Total liabilities	35,519,760	9,212,615	44,732,375
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - unearned revenues	7,876,146	853,857	8,730,003
Deferred inflows - uncollected property taxes	327,445	-	327,445
Deferred inflows - pensions	1,023,611	47,406	1,071,017
Deferred inflows - other post employment benefits	1,090,951	29,611	1,120,562
Total deferred inflows of resources	10,318,153	930,874	11,249,027
NET POSITION			
Net investment in capital assets	15,554,576	15,362,421	30,916,997
Restricted for:			
Other purposes	3,293,366	-	3,293,366
Unrestricted	(18,676,700)	(1,965,587)	(20,642,287)
Total net position	\$ 171,242	\$ 13,396,834	\$ 13,568,076

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, 2020

					Net (Expense) Revenue and Changes in Net Position		
Functions / Programs	Expenses		Program Revenues		Primary Government		
	Expenses	Allocation	Charges for Services	Operating	Governmental Activities	Business-Type Activities	Total
				Grants and Contributions			
Governmental activities:							
General government							
Executive	\$ 500,210		\$ 78,960	\$ 1,573,079	\$ 1,151,829		\$ 1,151,829
Election and registration	230,932		-	-	(230,932)		(230,932)
Financial administration	388,694		-	-	(388,694)		(388,694)
Revaluation of property	773,358		-	-	(773,358)		(773,358)
Public safety							
Police	3,294,644		632,873	-	(2,661,771)		(2,661,771)
Fire	2,423,469		-	-	(2,423,469)		(2,423,469)
Highways and streets	1,050,674		-	-	(1,050,674)		(1,050,674)
Street lighting	117,644		-	-	(117,644)		(117,644)
Other highway	1,108,630		-	-	(1,108,630)		(1,108,630)
Sanitation	944,611		299,517	-	(645,094)		(645,094)
Health	187,499	-	-	-	(187,499)		(187,499)
Welfare	50,393	-	-	-	(50,393)		(50,393)
Culture and recreation	1,032,593	-	299,737	-	(732,856)		(732,856)
Conservation	375	-	-	-	(375)		(375)
Economic development	260,467		-	-	(260,467)		(260,467)
School district	17,041,943	-	112,103	12,299,729	(4,630,111)		(4,630,111)
Interest expense	214,984		-	-	(214,984)		(214,984)
Capital outlay	199,498		-	-	(199,498)		(199,498)
Other financing uses	1,195,160		-	-	(1,195,160)		(1,195,160)
Total governmental activities	31,015,778	-	1,423,190	13,872,808	(15,719,780)		(15,719,780)
Business Type Activities:							
Water Fund	1,764,736	-	1,723,503	117,317		\$ 76,084	76,084
Sewer Fund	1,190,080		1,369,885	8,362		188,167	188,167
Total Business Type Activities:	2,954,816	-	3,093,388	125,679		264,251	264,251
Total Primary Government	\$ 33,970,594	\$ -	\$ 4,516,578	\$ 13,998,487	\$ (15,719,780)	\$ 264,251	\$ (15,455,529)
General revenues:							
Taxes					\$ 12,077,876	\$ -	\$ 12,077,876
Grants and contributions not restricted to specific purposes:							
Licenses, permits and fees					1,364,380	-	1,364,380
State of NH sources					22,372	-	22,372
Investment Income					50,970	-	50,970
Charges for services					-	-	-
Miscellaneous revenues					1,525,172	-	1,525,172
Other financing sources					683	-	683
Total general revenues					15,041,453	-	15,041,453
Change in net position					(678,327)	264,251	(414,076)
Net position - beginning (as restated)					849,569	13,132,583	13,982,152
Net position - ending					\$ 171,242	\$ 13,396,834	\$ 13,568,076

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, 2020

	<u>General Fund</u>	<u>School District Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 11,216,184	\$ -	\$ 633,776	\$ 11,849,960
Investments	620,421	-	2,258,244	2,878,665
Property taxes receivable	1,506,490	-	-	1,506,490
Timber taxes receivable	5,194	-	-	5,194
Tax liens receivable	398,815	-	-	398,815
Welfare liens	36,289	-	-	36,289
Allowance for doubtful accounts	(102,159)	-	-	(102,159)
Receivables, net	764,131	-	2,787	766,918
Due from other governments	1,417,914	957,973	51,081	2,426,968
Due from other funds	681,382	-	233,961	915,343
Inventories	-	-	33,929	33,929
Prepays	88,952	-	-	88,952
Total assets	<u>\$ 16,633,613</u>	<u>\$ 957,973</u>	<u>\$ 3,213,778</u>	<u>\$ 20,805,364</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 751,588	\$ 129,596	\$ 20,924	\$ 902,108
Accrued expenses	269,784	646	8,982	279,412
Due to other governments	1,051,927	-	-	1,051,927
Due to other funds	674,562	704,698	148,463	1,527,723
Total liabilities	<u>2,747,861</u>	<u>834,940</u>	<u>178,369</u>	<u>3,761,170</u>
Deferred Inflows of Resources:				
Unearned revenue	7,748,557	123,033	4,556	7,876,146
Uncollected property taxes	327,445	-	-	327,445
Total deferred inflows of resources	<u>8,076,002</u>	<u>123,033</u>	<u>4,556</u>	<u>8,203,591</u>
Fund balances:				
Nonspendable	88,952	-	2,169,862	2,258,814
Restricted	-	-	512,305	512,305
Committed	945,358	-	281,628	1,226,986
Assigned	1,142,240	-	121,987	1,264,227
Unassigned	3,633,200	-	(54,929)	3,578,271
Total fund balance	<u>5,809,750</u>	<u>-</u>	<u>3,030,853</u>	<u>8,840,603</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,633,613</u>	<u>\$ 957,973</u>	<u>\$ 3,213,778</u>	<u>\$ 20,805,364</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, 2020

Total Fund Balances - Governmental Funds \$ 8,840,603

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	\$ 45,754,512	
Less accumulated depreciation	<u>(25,158,834)</u>	20,595,678

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	(4,679,026)	
Capital lease obligations	(362,076)	
Compensated absences	(362,482)	
Unamortized bond premium	(145,557)	
OPEB obligations	(7,309,152)	
Net pension liability	<u>(20,358,171)</u>	(33,216,464)

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	(2,114,562)	
Deferred outflows of resources	<u>5,601,419</u>	3,486,857

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. (70,928)

Tax Deeded Properties		<u>535,496</u>
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Total Net Position - Governmental Activities \$ 171,242

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, 2020

	General Fund	School District Grants	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 12,077,876	\$ -	\$ -	\$ 12,077,876
Licenses, permits and fees	1,455,128	-	-	1,455,128
Grant Revenues	938,826	2,072,596	464,626	3,476,048
State of NH sources	9,890,347	520,155	8,630	10,419,132
Charges for services	1,222,927	-	36,073	1,259,000
Miscellaneous revenues	1,037,794	30,383	427,127	1,495,304
Investment income	154,280	-	-	154,280
Total revenues	<u>26,777,178</u>	<u>2,623,134</u>	<u>936,456</u>	<u>30,336,768</u>
Expenditures				
General government	1,852,561	-	20,524	1,873,085
Public safety	5,675,864	-	52,401	5,728,265
Highways and streets	2,601,916	-	-	2,601,916
Sanitation	940,713	-	-	940,713
Health	187,499	-	-	187,499
Welfare	50,393	-	-	50,393
Culture and recreation	671,887	-	492,485	1,164,372
Conservation	-	-	375	375
Economic development	260,467	-	-	260,467
School district	13,541,462	2,722,896	683,297	16,947,655
Debt service:				
Principal	691,268	-	-	691,268
Interest	311,256	-	-	311,256
Capital outlay	<u>199,498</u>	<u>-</u>	<u>158,101</u>	<u>357,599</u>
Total expenditures	<u>26,984,784</u>	<u>2,722,896</u>	<u>1,407,183</u>	<u>31,114,863</u>
Excess (deficiency) of revenues over expenditures	(207,606)	(99,762)	(470,727)	(778,095)
Other Financing Sources (Uses)				
Transfers from general fund	-	99,762	314,469	414,231
Transfers from other funds	3,161	-	54,320	57,481
Loss on investments	-	-	(75,581)	(75,581)
Transfers out	(414,231)	-	(57,481)	(471,712)
Long-term debt proceeds	<u>552,554</u>	<u>-</u>	<u>-</u>	<u>552,554</u>
Total other financing sources (uses)	<u>141,484</u>	<u>99,762</u>	<u>235,727</u>	<u>476,973</u>
Net change in fund balances	(66,122)	-	(235,000)	(301,122)
Fund balances - beginning of year (as restated)	<u>5,875,872</u>	<u>-</u>	<u>3,265,853</u>	<u>9,141,725</u>
Fund balances - end of year	<u>\$ 5,809,750</u>	<u>\$ -</u>	<u>\$ 3,030,853</u>	<u>\$ 8,840,603</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, 2020

Total Net Change in Fund Balances - Governmental Funds \$ (301,122)

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	\$ 1,957,713	
Depreciation expense	<u>(1,448,486)</u>	509,227

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. (51,199)

Long-term debt proceeds provide current financial resources to (500,672)

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	678,670	
Principal on capital leases	<u>97,432</u>	776,102

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		4,825
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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	(36,088)	
Landfill closure (increase) decrease	6,613	
OPEB obligation (increase) decrease	(1,546,978)	
Net pension liability (increase) decrease	<u>(345,327)</u>	(1,921,780)

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	13,645	
Deferred outflows increase (decrease)	<u>792,647</u>	806,292

Change in Net Position of Governmental Activities \$ (678,327)

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, 2020

	Business Type Activities		Total
	Water Fund	Sewer Fund	Proprietary Funds
ASSETS			
Receivables, net	\$ 1,150,130	\$ 415,347	\$ 1,565,477
Internal Balances Due To/From Other Funds	-	612,459	612,459
Inventories	100,919	3,874	104,793
Prepays	1,000	1,000	2,000
Land, Improvements, and Constr. In Progress	1,608,620	331,510	1,940,130
Other capital assets, net of depreciation	16,401,463	2,653,938	19,055,401
Total Assets	19,262,132	4,018,128	23,280,260
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	97,771	34,939	132,710
Deferred outflows of resources related to other post employment benefits	93,825	33,528	127,353
Total deferred outflows of resources	191,596	68,467	260,063
LIABILITIES			
Accounts Payable	574,044	4,558	578,602
Accrued Expenses	115,448	13,073	128,521
Contracts Payable	131,108	-	131,108
Internal Balances Due to/from other Funds	2,880	-	2,880
Deferred Revenue	772,555	66,934	839,489
Current portion of long-term debt	1,349,081	70,730	1,419,811
Noncurrent Liabilities:			
Bonds and Notes Payable	5,341,547	291,563	5,633,110
Compensated absences	12,297	4,838	17,135
Net Pension Liability	638,833	228,287	867,120
Other Post Employment Liability	319,982	114,346	434,328
Total Liabilities	9,257,775	794,329	10,052,104
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	42,753	19,021	61,774
Deferred inflows of resources related to other post employment benefits	21,815	7,796	29,611
Total deferred inflows of resources	64,568	26,817	91,385
NET POSITION			
Investment in Capital Assets, net of related debt	11,319,455	2,693,885	14,013,340
Unrestricted (Deficit)	(1,188,070)	571,564	(616,506)
Total Net Position	\$ 10,131,385	\$ 3,265,449	\$ 13,396,834

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, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
State of NH sources	\$ 117,317	\$ 8,362	\$ 125,679
Charges for services	<u>1,723,503</u>	<u>1,369,885</u>	<u>3,093,388</u>
Total operating revenues	<u>1,840,820</u>	<u>1,378,247</u>	<u>3,219,067</u>
Operating expenses:			
Sanitation	-	1,105,563	1,105,563
Water distribution and treatment	1,206,559	-	1,206,559
Depreciation	<u>413,033</u>	<u>75,366</u>	<u>488,399</u>
Total operating expenses	<u>1,619,592</u>	<u>1,180,929</u>	<u>2,800,521</u>
Operating income (loss)	<u>221,228</u>	<u>197,318</u>	<u>418,546</u>
Non operating revenues (expenses)			
Other financing sources	-	-	-
Interest expense	<u>(145,144)</u>	<u>(9,151)</u>	<u>(154,295)</u>
Net non operating revenues (expenses)	<u>(145,144)</u>	<u>(9,151)</u>	<u>(154,295)</u>
Change in net position	76,084	188,167	264,251
Net position beginning of year (as restated)	<u>10,055,301</u>	<u>3,077,282</u>	<u>13,132,583</u>
Net position end of year	<u>\$ 10,131,385</u>	<u>\$ 3,265,449</u>	<u>\$ 13,396,834</u>

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

CITY OF FRANKLIN, NEW HAMPSHIRE

Statement of Cash Flows Proprietary Funds June 30, 2020

	Business Type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,608,355	\$ 1,159,617	\$ 2,767,972
Cash paid to suppliers	(65,899)	(952,966)	(1,018,865)
Cash paid to employees	(341,739)	(122,120)	(463,859)
Other intergovernmental cash receipts	117,317	8,362	125,679
Net cash provided by operating activities	<u>1,318,034</u>	<u>92,893</u>	<u>1,410,927</u>
Cash flows from noncapital financing activities:			
Intergovernmental revenue	-	-	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	1,026,233	-	1,026,233
Purchases of capital assets	(1,934,101)	(24,286)	(1,958,387)
Principal paid on capital debt	(410,166)	(41,827)	(451,993)
Principal paid on capital leases	-	(26,780)	(26,780)
Net cash provided (used) by capital and related financing activities	<u>(1,318,034)</u>	<u>(92,893)</u>	<u>(1,410,927)</u>
Cash flows from investing activities:			
Interest and dividends	-	-	-
Net provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 76,084	\$ 188,167	\$ 264,251
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	413,033	75,366	488,399
Changes in assets and liabilities:			
Receivables, net	115,148	14,017	129,165
Internal Balances Due To/From Other Funds	42,890	(199,983)	(157,093)
Inventories	5,020	152	5,172
Prepays	(1,000)	(1,000)	(2,000)
Deferred Outflows	(73,265)	(20,506)	(93,771)
Accounts Payable	614,514	12,026	626,540
Accrued Expenses	(3,812)	319	(3,493)
Deferred Revenue	(59,428)	(8,362)	(67,790)
Deferred Inflows	9,828	4,630	14,458
Compensated Absences	(1,449)	908	(541)
Net Pension Liability	63,791	(4,786)	59,005
Other post employment benefit liability	116,680	31,945	148,625
Net cash provided (used) by operating activities	<u>\$ 1,318,034</u>	<u>\$ 92,893</u>	<u>\$ 1,410,927</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 Fiduciary Funds June 30, 2020

	<u>Private Purpose Trusts</u>		<u>Agency Fund</u>	
	<u>Charity Fund</u>	<u>Scholarships Fund</u>	<u>Student Activities</u>	<u>Total Fiduciary Funds</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	294,107	1,194,330	-	1,488,437
Receivables, net	-	-	-	-
Due from other funds	1,000	-	9,801	10,801
Total assets	<u>\$ 295,107</u>	<u>\$ 1,194,330</u>	<u>\$ 9,801</u>	<u>\$ 1,499,238</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	8,000	-	8,000
Deferred Revenue	-	-	-	-
Due to others	-	-	9,801	9,801
Total liabilities	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 9,801</u>	<u>17,801</u>
Net Position				
Held in trust for private purposes	<u>\$ 295,107</u>	<u>\$ 1,186,330</u>		<u>\$ 1,481,437</u>
Total net position	<u>\$ 295,107</u>	<u>\$ 1,186,330</u>		<u>\$ 1,481,437</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, 2020

	Charity Fund	Scholarships Fund	Total Private Purpose Trust Funds
Additions:			
Licenses, permits and fees	\$ -	\$ -	\$ -
Miscellaneous revenues	8,367	36,011	44,378
Total additions	8,367	36,011	44,378
Deductions:			
School district	-	20,378	20,378
Total deductions	-	20,378	20,378
Operating income (loss)	8,367	15,633	24,000
Non operating additions (deductions):			
Loss on investments	(15,285)	(60,500)	(75,785)
Change in net assets	8,367	(44,867)	(36,500)
Net position beginning of year	302,025	1,231,197	1,533,222
Net position end of year	<u>\$ 310,392</u>	<u>\$ 1,186,330</u>	<u>\$ 1,496,722</u>

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, 2020

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/department a program revenue pertains, the determining factor for *charges for services* is which function/department *generates* the revenue. For *grants and contributions*, the determining factor is to which function/department the revenues are *restricted*.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2020

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 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
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2020

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, 2020

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. Unpaid taxes are assessed interest at a rate of 8% up to the "lien date" at which time the rate increase to 12%. The lien on these properties has priority over other liens. 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, expenditures are recorded when inventories are consumed rather than when purchased. Reported

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2020

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.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2020

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 yearend 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.

City of Franklin, New Hampshire
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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 line items, 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 2020, \$0 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>
City Manager	\$ 100,000
Election and Registration	16,707
Information Technology	21,120
Police	94,508
Fire	41,546
Municipal Services	614,272
Economic Development	4,500
Parks and Recreation	72,019
School District	177,568
Total Encumbrances	<u>\$ 1,142,240</u>

City of Franklin, New Hampshire
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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, 2020, and includes encumbrances and reserves as of June 30, 2019, as follows:

	<u>Amount</u>
2020 Original Adopted Budget - Appropriations	\$ 27,113,407
June 2019 Encumbrances Carried Forward	<u>654,694</u>
Total Appropriations Available	<u>\$ 27,768,101</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	\$ 26,777,178	\$ 26,984,784
Beginning Fund Balance	5,270,569	
Transfers To/From Capital Reserves	10,588	341,398
Transfers To/From Other Funds	3,161	414,231
Interest Earned on Capital Reserves	(9,245)	-
Proceed from Long-term Debt	<u>552,554</u>	<u>-</u>
Per Schedule A - Budgetary Comparison	<u>\$ 32,604,805</u>	<u>\$ 27,740,413</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 2020, 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 2020 recorded as an insurance expenditure totaled \$0. There were no unpaid contributions for the year ending June 30, 2020, and due in 2021. The City also paid \$158,628 for workers' compensation for the year ended June 30, 2020. 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.

City of Franklin, New Hampshire
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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. As of June 30, 2020, 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, 2020, the City’s debt totaled .7% 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, 2020, \$0 of the City’s bank balance of \$10,145,834 was exposed to custodial credit risk as uninsured or uncollateralized.

As of June 30, 2020, the City had the following investments:

Cash Held by Trustees/Investment Firm	\$	454,424
NHPDIP		639,333
Equities		671,315
Fixed Income Investments		176,078
Exchange Traded Products		<u>2,425,952</u>
Total	\$	<u><u>4,367,102</u></u>

Of the City’s \$4,367,102 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.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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3-A Cash and Investments, continued

Included in the City's cash equivalents as of June 30, 2020, 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.

As of June 30, 2020, the deposit balances under the insured cash sweep agreement totaled \$9,362,380 in various FDIC Insured Institutions.

Concentration of Credit Risk

The trustees of the trust fund policy on the concentration of credit risk is limited to 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, 2020:

Description	Amount	Fair Market Using:		
		Quoted prices in active markets for identical assets	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities	\$ 671,315	\$ 671,315	\$ -	\$ -
Exchange Traded Products	2,425,952	2,425,952	-	-
Fixed Income	176,078	176,078	-	-
Brokerage account cash	454,424	NA	NA	NA
NHPDIP	639,333	NA	NA	NA
Total	<u>\$ 4,367,102</u>	<u>\$ 3,273,345</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, 2019, upon which the 2019 (City FY2020) property tax levy was based is:

For the New Hampshire education tax	\$611,747,325
For all other taxes	\$683,192,155

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 8% 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 12% 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.

City of Franklin, New Hampshire
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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, 2020, were as follows:

<u>Entity</u>	<u>Per \$1000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal Portion	\$ 11.61	\$ 7,926,931
School Portion:		
Local Education Taxes	6.38	4,359,548
State Education Taxes	1.89	1,158,237
County Portion	2.59	1,771,581
	<u>\$ 22.47</u>	<u>\$ 15,216,297</u>

During the current fiscal year, the tax collector executed a lien in 2020 for all uncollected 2018/2019 property taxes, \$261,777.

Taxes receivable as of June 30, 2020, are as follows:

Property:	
Levy of 2020	\$ 1,506,490
Unredeemed (under tax lien)	398,815
Yield Tax	5,194
Welfare Liens	36,289
Less: Allowance for estimated uncollectible taxes	(39,478)
Less: Allowance for estimated uncollectible welfare liens	(36,289)
Net taxes receivable	<u>\$ 1,871,021</u>

The City recognizes property tax revenues in accordance with *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 reported deferred property tax revenues in the governmental funds in the amount of \$7,630,085 that were assessed for the fiscal year 2021, and \$327,445 of property taxes that were not collected within 60 days of year end in accordance with generally accepted governmental accounting standards.

City of Franklin, New Hampshire
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3-B-2 Tax Relief Incentives

The City grants tax relief incentives 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, 2020, the City provided tax relief under RSA 79-E totaling \$3,714.

3-C Other Receivables

Other receivables as June 30, 2020, 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 as of June 30, 2020, are as follows:

	Governmental Funds	Proprietary Funds	Total
Accounts Receivable	\$ 2,716,619	\$ 682,420	3,399,039
Allowance for Doubtful Accounts	(102,159)	(23,432)	(125,591)
Net Accounts Receivable	<u>2,614,460</u>	<u>658,988</u>	<u>3,273,448</u>
Intergovernmental Receivables	2,424,055	906,489	3,330,544
Allowance for Doubtful Accounts	-	-	-
Net Intergovernmental Receivables	<u>2,424,055</u>	<u>906,489</u>	<u>3,330,544</u>
	<u><u>\$ 5,038,515</u></u>	<u><u>\$ 1,565,477</u></u>	<u><u>\$ 6,603,992</u></u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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3-D Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities (at cost)				
Capital assets not being depreciated:				
Monuments	\$ 61,000	\$ -	\$ -	\$ 61,000
Land	1,726,790	-	-	1,726,790
Construction in progress	1,547,321	(1,142,862)	-	404,459
	<u>3,335,111</u>	<u>(1,142,862)</u>	<u>-</u>	<u>2,192,249</u>
Capital assets being depreciated:				
Land improvements	240,896	-	-	240,896
Buildings and improvements	25,545,346	2,047,685	-	27,593,031
Furniture, equipment and vehicles	9,969,658	1,052,890	279,692	10,742,856
Infrastructure	4,985,477	-	-	4,985,477
	<u>40,741,377</u>	<u>3,100,575</u>	<u>279,692</u>	<u>43,562,260</u>
Less accumulated depreciation:				
Land improvements	97,850	8,903	-	106,753
Buildings and improvements	15,197,867	765,132	-	15,962,999
Furniture, equipment and vehicles	7,099,539	497,538	279,692	7,317,385
Infrastructure	1,594,782	176,913	-	1,771,695
Accumulated depreciation	<u>23,990,038</u>	<u>1,448,486</u>	<u>279,692</u>	<u>25,158,832</u>
Capital assets being depreciated, net	<u>16,751,339</u>	<u>1,652,089</u>	<u>-</u>	<u>18,403,428</u>
Governmental activities capital assets, Net of accumulated depreciation	<u>\$ 20,086,450</u>	<u>\$ 509,227</u>	<u>\$ -</u>	<u>\$ 20,595,677</u>
Business-Type Activities (at cost)				
Capital assets not being depreciated:				
Land and improvements	\$ 65,148	\$ -	\$ -	\$ 65,148
Construction in progress	420,158	1,454,824	-	1,874,982
	<u>485,306</u>	<u>1,454,824</u>	<u>-</u>	<u>1,940,130</u>
Capital assets being depreciated:				
Buildings and improvements	557,351	-	-	557,351
Machinery, equipment and vehicles	1,038,632	43,371	-	1,082,003
Infrastructure	24,915,965	460,192	-	25,376,157
	<u>26,511,948</u>	<u>503,563</u>	<u>-</u>	<u>27,015,511</u>
Less accumulated depreciation:				
Buildings and improvements	183,539	18,217	-	201,756
Machinery, equipment and vehicles	596,833	55,894	-	652,727
Infrastructure	6,691,340	414,288	-	7,105,628
Accumulated depreciation	<u>7,471,712</u>	<u>488,399</u>	<u>-</u>	<u>7,960,111</u>
Capital assets being depreciated, net	<u>19,040,236</u>	<u>15,164</u>	<u>-</u>	<u>19,055,400</u>
Business-Type activities capital assets, Net of accumulated depreciation	<u>\$ 19,525,542</u>	<u>\$ 1,469,988</u>	<u>\$ -</u>	<u>\$ 20,995,530</u>

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

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

<u>Governmental Activities:</u>		
General Government	\$	46,100
Public Safety		397,396
Highways and Streets		173,803
Garage		8,362
Sanitation		3,898
Culture and Recreation		70,357
School District		748,570
Total Governmental Activities	\$	1,448,486
<u>Business-Type Activities:</u>		
Water Fund	\$	413,033
Sewer Fund		75,366
Total Business-Type Activities	\$	488,399

3-E Prepaid Items

Prepaid items as of June 30, 2020, totaling \$90,952, consisted of the following paid in the current period to benefit the following fiscal year governmental activities:

Description	Governmental Funds	Proprietary Funds
LRMFA - Dispatch Services	\$ 34,546	\$ -
Software Support	15,199	-
Insurance	11,893	-
LRPC Membership	13,230	-
NHMA Dues	3,424	-
Prepaid Postage	1,499	-
Other Miscellaneous Prepayments	9,161	2,000
	<u>\$ 88,952</u>	<u>\$ 2,000</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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3-F Interfund Balances and Transfers

Interfund balances as of June 30, 2020, consist of interfund loans, services provided, reimbursements or budgetary transfers. The composition of interfund balances as of June 30, 2020, is as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 681,382	\$ 674,562
School Grants fund	-	704,698
Nonmajor Special Revenue Funds:		
Franklin Public Library	12,550	-
School Food Service	-	117,210
MMRS Grant Fund	-	452
School Student Activities	-	9,801
Capital Project Fund	-	21,000
Expendable Trusts	6,295	-
Parks and Recreation	22,949	-
Outside Police Detail	51,641	-
School Local Programs	140,526	-
Proprietary Funds:		
Water Fund	-	2,880
Sewer Fund	612,459	-
Fiduciary Funds:		
Private purpose trust funds	1,000	8,000
Agency funds	9,801	-
	<u>\$ 1,538,603</u>	<u>\$ 1,538,603</u>

Interfund transfers during the year were comprised of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 3,161	\$ 414,231
School Grants fund	99,762	-
Nonmajor Funds:		
Franklin Public Library	314,237	-
Food service fund	53,402	-
Conservation Commission	400	-
DARE Fund	500	-
Heritage Commission	250	-
Odell Park Trust	-	3,161
Library Buswell Trust	-	43,414
Other Library Trusts	-	10,906
	<u>\$ 471,712</u>	<u>\$ 471,712</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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3-G Unearned Revenue

Governmental Funds - Unearned revenue of \$8,203,591 as of June 30, 2020, consists of property taxes levied but not due until the subsequent year (\$7,630,085) and property taxes not collected within 60 days (\$327,445). In addition, \$28,671 related to recreation program fees collected in advance; \$13,600 related to dispatch fees collected in advance; \$21,038 donations/grants collected in advance of expenditure; \$55,163 of miscellaneous receipts in advance; \$123,033 in school local grants received and not expended; and \$4,556 in student lunch credits.

Proprietary Funds – Unearned revenue in the Water department or Sewer department as of June 30, 2020, consisted of unearned debt forgiveness on revolving loans and deferred inflows related to net pension liability and other post employment benefits.

3-H Long-Term Liabilities

Changes in the City's long-term obligations during the year ended June 30, 2020, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>	(as restated)			
General Obligation Bonds/Notes	\$ 4,857,024	\$ 500,672	\$ 678,670	\$ 4,679,026
Capital Leases	408,309	51,199	97,432	362,076
Compensated Absences	326,394	36,088	-	362,482
Landfill Post Closure Care Costs	152,170	-	6,613	145,557
Other Post Employment Benefits	5,762,174	2,099,524	552,546	7,309,152
Net Pension Liability	20,012,844	345,327	-	20,358,171
Total Governmental Activities	<u>\$ 31,518,915</u>	<u>\$ 3,032,810</u>	<u>\$ 1,335,261</u>	<u>\$ 33,216,464</u>
<u>Business-Type Activities:</u>				
Bonds/Notes Payable	\$ 6,451,182	\$ 1,026,233	\$ 451,995	\$ 7,025,420
Capital Leases	54,281	-	26,780	27,501
Compensated Absences	17,676	908	1,449	17,135
Other Post Employment Benefits	285,703	148,625	-	434,328
Net Pension Liability	808,116	59,004	-	867,120
Total Business-Type Activities	<u>\$ 7,616,958</u>	<u>\$ 1,234,770</u>	<u>\$ 480,224</u>	<u>\$ 8,371,504</u>

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

Long-term liabilities payable is comprised of the following:

	Issue Year	Interest Rate	Maturity Date	Original Amount of Issue	Amount Outstanding 6/30/20	Current Portion
Governmental Activities:						
<u>General Obligation Bonds</u>						
Roads	2016	2.75%	2026	\$ 505,000	\$ 319,180	\$ 49,669
Streetlights	2016	3.00%	2022	165,200	58,351	28,745
Fire Truck	2017	2.49%	2027	650,000	471,880	62,426
Fiber Connectivity Project	2018	4.21%	2023	160,000	98,044	31,957
Mixed Use TIF	2019	2.75%	2020	502,670	502,670	502,670
Ambulance	2020	2.49%	2027	199,989	199,989	26,467
Grader	2020	2.49%	2027	300,683	253,632	-
City Subtotal					<u>1,903,746</u>	<u>701,934</u>
School Renovation	2006	4.29%	2026	2,700,000	846,373	142,105
School Improvements	2019	3.50%	2039	2,000,000	1,928,907	72,436
School Subtotal					<u>2,775,280</u>	<u>214,541</u>
Total General Obligation Debt					<u>4,679,026</u>	<u>916,475</u>
<u>Capital Lease Obligations</u>						
Energy Audit and Improvements Lease	2015	3.97%	2027	301,966	144,762	14,591
Ford Motor Credit - (2) Police Cruisers	2018	5.95%	2021	64,748	16,627	16,627
(2) 2017 Ford F550 Trucks and Sidewalk Plow	2018	3.13%	2023	274,199	139,103	44,928
2018 Ford Explorer	2019	4.31%	2022	47,748	23,902	11,697
2019 Ford Interceptor	2020	3.72%	2023	38,043	37,682	12,100
					<u>362,076</u>	<u>99,943</u>
<u>Other Long-Term Obligations</u>						
			<u>City</u>	<u>School</u>	<u>Total</u>	
Compensated absences			\$ 274,073	\$ 88,409	\$ 362,482	23,718
Landfill Post Closure Care Costs			145,557	-	145,557	-
Other post employment benefits			4,708,739	2,600,413	7,309,152	-
Net pension liability			<u>9,400,823</u>	<u>10,957,348</u>	<u>20,358,171</u>	-
			<u>14,529,192</u>	<u>13,646,170</u>	<u>28,175,362</u>	<u>23,718</u>
Total Governmental Activities:					<u>\$ 33,216,464</u>	<u>\$ 1,040,136</u>
Business-Type Activities:						
<u>Bonds/Notes Payable</u>						
USDA Bond	2012	2.25%	2040	\$ 3,645,000	\$ 2,603,560	\$ 130,180
Drinking Water State Revolving Fund	2012	1.10%	2034	3,226,055	2,439,669	145,235
Drinking Water State Revolving Fund	2015	1.00%	2027	677,395	391,630	53,924
Drinking Water State Revolving Fund	2020	1.00%	2029	350,000	264,150	28,122
Drinking Water State Revolving Fund	2020	2.70%	2021	991,620	991,620	991,620
Water Fund Subtotal					<u>6,690,629</u>	<u>1,349,081</u>
Revolving Loan	2006	3.35%	2027	784,061	334,791	43,229
Sewer Fund Subtotal					<u>334,791</u>	<u>43,229</u>
Total Business-Type Bonds/Notes					<u>7,025,420</u>	<u>1,392,310</u>
<u>Capital Lease Obligations</u>						
2016 Volvo Excavator	2017	2.72%	2017	105,756	27,501	27,501
					<u>27,501</u>	<u>27,501</u>
<u>Other Long-Term Obligations</u>						
			<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Compensated absences			\$ 13,746	\$ 3,930	\$ 17,135	-
Other post employment benefits			203,302	82,401	434,328	-
Net pension liability			<u>575,043</u>	<u>233,073</u>	<u>867,120</u>	-
			<u>792,091</u>	<u>319,404</u>	<u>1,318,583</u>	<u>-</u>
Total Business-Type Activities:					<u>\$ 8,371,504</u>	<u>\$ 1,419,811</u>

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, 2020, including interest payments, are as follows:

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

	City Principal	School Principal	City Interest	School Interest	Total Principal	Total Interest
2021	\$ 701,934	\$ 214,541	\$ 37,353	\$ 104,511	\$ 916,475	\$ 141,864
2022	238,062	217,331	31,388	95,625	455,393	127,013
2023	221,184	220,031	24,730	86,828	441,215	111,558
2024	192,632	222,828	19,118	77,934	415,460	97,052
2025	197,585	225,565	14,165	69,101	423,150	83,266
2026 to 2030	352,349	601,021	12,795	248,864	953,370	261,659
2031 to 2035	-	554,900	-	154,566	554,900	154,566
2036 to 2040	-	519,063	-	47,524	519,063	47,524
	<u>\$ 1,903,746</u>	<u>\$ 2,775,280</u>	<u>\$ 139,549</u>	<u>\$ 884,953</u>	<u>\$ 4,679,026</u>	<u>\$ 1,024,502</u>

Annual Requirements to Amortize Governmental Funds Leases Payable:

	City Principal	City Interest	Total Payments
2021	\$ 99,943	\$ 13,600	\$ 113,543
2022	86,894	9,644	96,538
2023	77,885	6,547	84,432
2024	18,359	3,865	22,224
2025	19,755	3,136	22,891
2026 to 2027	<u>59,240</u>	<u>3,861</u>	<u>63,101</u>
	<u>\$ 362,076</u>	<u>\$ 40,653</u>	<u>\$ 402,729</u>

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

	Water Fund Principal	Sewer Fund Principal	Water Fund Interest	Sewer Fund Interest	Total Principal	Total Interest
2021	\$ 1,349,081	\$ 43,229	\$ 92,392	\$ 7,874	\$ 1,392,310	\$ 100,266
2022	362,929	44,678	86,901	6,858	407,607	93,759
2023	368,549	46,176	81,346	5,807	414,725	87,153
2024	374,325	47,724	75,730	4,721	422,049	80,451
2025	380,260	49,323	70,050	3,598	429,583	73,648
2026 to 2030	1,787,010	103,661	264,819	3,677	1,890,671	268,496
2031 to 2035	1,417,614	-	134,022	-	1,417,614	134,022
2036 to 2040	<u>650,861</u>	<u>-</u>	<u>40,270</u>	<u>-</u>	<u>650,861</u>	<u>40,270</u>
	<u>\$ 6,690,629</u>	<u>\$ 334,791</u>	<u>\$ 845,530</u>	<u>\$ 32,535</u>	<u>\$ 7,025,420</u>	<u>\$ 878,065</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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3-H Long-Term Liabilities, continued

Annual Requirements to Amortize Proprietary Funds Leases Payable:

	Sewer Fund Principal	Sewer Fund Interest	Total Payments
2021	\$ 27,501	\$ 740	\$ 28,241
2022	-	-	-
2023	-	-	-
2024	-	-	-
After	-	-	-
	<u>\$ 27,501</u>	<u>\$ 740</u>	<u>\$ 28,241</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 amount in the form of state aid to water pollution projects:

<u>Bond Issue</u>	<u>Amount</u>
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. As of June 30, 2020, the City is due to receive the following annual amounts to offset debt payments:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 59,427
2022	59,427
2023	59,427
2024	59,427
2025	59,427
2026 to 2030	297,135
2031 to 2033	<u>178,281</u>
Total	<u>\$ 772,551</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:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventories	\$ -	\$ 33,929	\$ 33,929
Prepaid expenditures	88,952	-	88,952
Endowment principal	-	2,135,933	2,135,933
Restricted:			
Public Library	-	250,365	250,365
Conservation	-	7,136	7,136
Drug Forfeiture	-	10,088	10,088
DARE	-	8,040	8,040
Heritage Commission	-	11,775	11,775
Parks and Recreation	-	22,508	22,508
MMRS Grant Fund	-	454	454
Odell Park	-	24,115	24,115
Library Buswell Trust	-	305	305
Other General Trusts	-	33,840	33,840
Other Library Trusts	-	3,153	3,153
Local School Programs	-	140,526	140,526
Committed:			
Capital reserves	945,358	-	945,358
Expendable Trusts	-	217,925	217,925
Expendable School Trusts	-	9,334	9,334
Outside Police Detail	-	54,369	54,369
Assigned:			
School Student Activities	-	121,987	121,987
Encumbrances	1,142,240	-	1,142,240
Unassigned:	3,633,200	(54,929)	3,578,271
	<u>\$ 5,809,750</u>	<u>\$ 3,030,853</u>	<u>\$ 8,840,603</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
Notes to The Basic Financial Statements
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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, 2020, were 11.17%, 17.80%, 28.43% and 30.09% of covered payroll for employees, teachers, police and fire, respectively. The City's contributions to the System for the years ending June 30, 2020, 2019, and 2018 were \$2,096,954, \$1,497,918, and \$1,421,862, 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.

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:

Years of creditable service as of January 1, 2012	Minimum age	Minimum service	Benefit multiplier
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 is a component of total employer contributions presented in the System's financial statements for the corresponding period.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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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, 2018, rolled forward to June 30, 2019, 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, 2019, 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:

	1% Decrease	Current single rate assumption	1% Increase to
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Employer's proportionate share of the net pension liability:			
June 30, 2020 - City	\$ 13,749,199	\$ 10,267,943	\$ 7,390,712
June 30, 2020 - School District	\$ 14,672,340	\$ 10,957,348	\$ 7,886,936

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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June 30, 2020

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, 2020, the City reported a liability of \$10,267,943 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. As of June 30, 2020, the City's proportion was 0.21339734 percent.

For the year ended June 30, 2020, the City and School recognized pension expense of \$1,275,110 and \$1,572,883, respectively. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources		Total exclusive of Employer Contribution
	City	School	City	School	
Differences between expected and actual experience	\$ 56,773	\$ 60,585	\$ 220,790	\$ 235,614	\$ (339,046)
Changes of assumptions	368,410	393,145	-	-	761,555
Net differences between projected and actual earnings on OPEB plan investments	-	-	83,874	89,506	(173,380)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	269,188	787,222	256,692	184,541	615,177
Employer contributions subsequent to the measurement date	877,083	-	-	-	NA
Total	\$ 1,571,454	\$ 1,240,952	\$ 561,356	\$ 509,661	\$ 864,306

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 Outflows/(Inflows)
2021	\$ 758,409
2022	556,856
2023	(379,045)
2024	(71,914)
Total	\$ 864,306

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.

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, 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, 2019, the following employees were covered by the benefit terms:	City	School
Inactive employees or beneficiaries currently receiving benefit payments	11	1
Inactive employees entitled to but not yet receiving benefit payments	0	0
Active Employees	<u>75</u>	<u>147</u>
Total Participants covered by OPEB Plan	<u>86</u>	<u>148</u>

Total OPEB Liability

The City's total OPEB liability of \$4,080,748 and the School's liability of \$1,703,406 were measured as of July 1, 2019 and were 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	2.21%
Healthcare Cost Trend Rates:	
Current Trend	10.98%
Second Year Trend	9.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2030
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-2019 (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

	Fiscal Year Ending June 30, 2020		
	City	School	Total
OPEB Liability Beginning of Year	\$ 2,447,222	\$ 1,581,205	\$ 4,028,427
Changes for the year:			
Service Cost	251,817	101,891	353,708
Plan Change	-	-	-
Interest	84,225	34,853	119,078
Assumption Changes	1,626,082	506,090	2,132,172
Differences Between Actual and Expected Experience	(195,863)	(499,838)	(695,701)
Benefit payments	(132,735)	(20,795)	(153,530)
OPEB Liability End of Year	<u>\$ 4,080,748</u>	<u>\$ 1,703,406</u>	<u>\$ 5,784,154</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 2.21%, 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:

	Discount Rate		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability - City	\$ 4,953,547	\$ 4,080,748	\$ 3,474,404
Total OPEB Liability - School	\$ 1,844,309	\$ 1,703,406	\$ 1,564,883

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 10.98%, 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:

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability - City	\$ 3,356,625	\$ 4,080,748	\$ 5,102,569
Total OPEB Liability - School	\$ 1,581,134	\$ 1,823,704	\$ 2,106,155

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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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, 2020, the City and School recognized an OPEB expense of \$456,701 and (\$-49,649), respectively. As of June 30, 2020, the City reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>City</u>	<u>School</u>	<u>Total Outflows</u>	<u>City</u>	<u>School</u>	<u>Total Inflows</u>
Balance June 30, 2019	\$ 26,392	\$ 38,073	\$ 64,465	\$ 274,113	\$ 564,048	\$ 838,161
Assumption Changes	1,626,082	506,090	2,132,172	-	-	-
Experience Changes	-	-	-	195,863	499,838	695,701
Amortization	(243,039)	(130,632)	(373,671)	(122,379)	(296,532)	(418,911)
Balance June 30, 2020	<u>\$ 1,409,435</u>	<u>\$ 413,531</u>	<u>\$ 1,822,966</u>	<u>\$ 347,597</u>	<u>\$ 767,354</u>	<u>\$ 1,114,951</u>

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

<u>For the Year Ending June 30,</u>	<u>Inflows</u>	<u>Outflows</u>
2021	\$ 432,426	\$ 365,874
2022	406,083	356,658
2023	193,307	401,158
2024	28,182	233,969
2025	28,182	233,969
Thereafter	<u>26,771</u>	<u>231,338</u>
Total	<u>\$ 1,114,951</u>	<u>\$ 1,822,966</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2020

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.

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 and School's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$1,062,319 and \$897,007, respectively.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2020

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, 2020, the City and School recognized an OPEB expense of \$178,238 and \$28,596, respectively. At June 30, 2020, the City reported deferred inflows and outflows of resources related to the Net OPEB Liability from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources		Total exclusive of Employer Contribution
	City	School	City	School	
Differences between expected and actual experience	\$ -	\$ -	\$ 1,848	\$ 1,561	\$ (3,409)
Changes of assumptions	-	-	-	-	-
Net differences between projected and actual earnings on OPEB plan investments	-	-	1,194	1,008	(2,202)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	4,445	1,790	-	-	6,235
Employer contributions subsequent to the measurement date	94,164	102,352	-	-	NA
Total	<u>\$ 98,609</u>	<u>\$ 104,142</u>	<u>\$ 3,042</u>	<u>\$ 2,569</u>	<u>\$ 624</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)
2021	\$ 1,130
2022	(230)
2023	(230)
2024	(46)
Total	<u>\$ 624</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2020

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		
	1% Decrease	Baseline Rate	1%
			Increase
Total OPEB Liability - City	\$ 1,152,246	\$ 1,062,319	\$ 984,178
Total OPEB Liability - School	\$ 972,940	\$ 897,007	\$ 831,026

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, 2020.

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Total OPEB Expense
City OPEB Plan	\$ 4,080,748	\$ 1,409,435	\$ 347,597	\$ 456,701
School OPEB Plan	1,703,406	413,531	767,354	(49,649)
NHRS Medical Subsidy OPEB Plan - City	1,062,319	98,609	3,042	178,238
NHRS Medical Subsidy OPEB Plan - School	897,007	104,142	2,569	28,596
Total	<u>\$ 7,743,480</u>	<u>\$ 2,025,717</u>	<u>\$ 1,120,562</u>	<u>\$ 613,886</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2020

NOTE 5 - RESTATEMENT OF NET POSITION

Loan advances were reported as revenue in the prior year and were not reclassified to debt. The correction results in a change in net position of the Business Type Activities as follows:

	Business Type Activities
Net position as of July 1, 2019	\$ 13,447,970
Reclassify loan advances to debt	<u>(315,387)</u>
Net position as of July 1, 2019 - Restated	<u>\$ 13,132,583</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, NEW HAMPSHIRE

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance
Budgetary Fund Balance - Beginning	\$ -	\$ 654,694	\$ 5,270,569	\$ 4,615,875
Resources (inflows):				
Taxes				
Property taxes	15,067,272	15,067,272	14,980,999	(86,273)
Land use change taxes	4,000	4,000	43,670	39,670
Timber taxes	6,000	6,000	13,941	7,941
Payments in lieu of taxes	26,302	26,302	19,850	(6,452)
Other taxes	8,200	8,200	8,672	472
Interest and penalties on delinquent taxes	145,000	145,000	94,098	(50,902)
Excavation tax	-	-	195	195
Provision for overlay and abatements	(27,830)	(27,830)	(153,731)	(125,901)
School Assessment	(1,158,237)	(1,158,237)	(1,158,237)	-
County Assessment	(1,771,581)	(1,771,581)	(1,771,581)	-
Licenses, permits and fees				
Business licenses and permits	1,000	1,000	900	(100)
Motor vehicle permit fees	1,175,000	1,175,000	1,364,380	189,380
Building permits	27,000	27,000	38,661	11,661
Other licenses, permits and fees	46,400	46,400	51,187	4,787
Local school revenues	1,163,531	1,163,531	279,111	(884,420)
Grant Revenues				
Grant Revenues	427,812	427,812	865,568	437,756
School federal revenues	222,173	222,173	73,258	(148,915)
State of NH sources				
Meals and rental tax distribution	443,734	443,734	443,734	-
Highway block grant	215,556	215,556	215,533	(23)
State and federal forest land reimbursemen	77	77	83	6
Flood control reimbursement	17,761	17,761	17,761	-
School state revenues	9,186,862	9,186,862	9,190,864	4,002
Other state grants	-	-	22,372	22,372
Charges for services				
Income from departments	474,046	474,046	616,581	142,535
Ambulance and dispatch	667,200	667,200	606,346	(60,854)
Miscellaneous revenues				
Sale of municipal property	126,554	126,554	41,850	(84,704)
Interest on investments	113,000	113,000	132,885	19,885
Other miscellaneous sources	367,429	367,429	728,983	361,554
Interfund operating transfers in				
Transfers from special revenue funds	135,446	135,446	-	(135,446)
Transfers from capital reserves	3,700	3,700	10,588	6,888
Transfers from other funds	-	-	3,161	3,161
Other financing sources				
Long-term debt proceeds	-	-	552,554	552,554
Amounts available for appropriation	<u>\$ 27,113,407</u>	<u>\$ 27,768,101</u>	<u>\$ 32,604,805</u>	<u>\$ 4,836,704</u>

See the accompanying notes to the required supplementary information.

CITY OF FRANKLIN, NEW HAMPSHIRE

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance
Charges to appropriations (outflows):				
General government				
Executive	\$ 474,277	\$ 549,027	\$ 480,101	\$ 68,926
Election and registration	235,246	235,246	230,932	4,314
Financial administration	294,423	310,415	388,694	(78,279)
Revaluation of property	131,641	131,641	144,515	(12,874)
Legal expense	38,100	38,100	49,217	(11,117)
Planning and zoning	166,800	166,800	169,120	(2,320)
General government building	148,240	236,145	241,283	(5,138)
Insurance not otherwise allocated	119,800	119,800	120,709	(909)
Other general government	103,406	103,406	27,990	75,416
Public safety				
Police	3,320,061	3,364,448	3,117,049	247,399
Ambulance	148,990	148,990	174,622	(25,632)
Fire	2,303,873	2,322,373	2,368,868	(46,495)
Emergency management	2,606	2,606	15,325	(12,719)
Highways and streets				
Administration	123,657	123,657	103,995	19,662
Highways and streets	818,603	1,190,103	1,280,009	(89,906)
Street lighting	95,546	132,706	117,644	15,062
Other highway	799,298	799,298	1,100,268	(300,970)
Sanitation				
Solid waste collection	184,565	184,565	178,952	5,613
Solid waste disposal	711,927	711,927	761,761	(49,834)
Health				
Pest control	20,000	20,000	20,000	-
Health agencies and hospitals	172,362	172,362	167,499	4,863
Welfare				
Administration	134,565	134,565	45,895	88,670
Direct assistance	9,000	9,000	4,498	4,502
Culture and recreation				
Parks and recreation	727,233	727,233	659,047	68,186
Other culture and recreation	11,799	11,799	12,840	(1,041)
Economic development				
Other	105,000	109,500	260,467	(150,967)
School district				
Instruction	8,297,098	8,297,098	7,892,659	404,439
Support	2,235,157	2,235,157	2,023,570	211,587
Other	3,690,108	3,690,108	3,625,233	64,875
Debt service				
Principal on long term bonds and notes	663,521	663,521	691,268	(27,747)
Interest on long term bonds and notes	149,251	149,251	166,169	(16,918)
Other debt service charges	167,818	167,818	145,087	22,731
Capital outlay				
Machinery, vehicles and equipment	-	-	199,498	(199,498)
Operating transfers out				
Special revenue funds	409,436	409,436	414,231	(4,795)
Transfer to capital reserve	100,000	100,000	341,398	(241,398)
Total charges to appropriations	<u>\$ 27,113,407</u>	<u>\$ 27,768,101</u>	<u>\$ 27,740,413</u>	<u>\$ 27,688</u>
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,864,392</u>	<u>\$ 4,864,392</u>

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, 2020

	2018	2019	2020
Total OPEB Liability Beginning of Year	\$ 3,687,151	\$ 3,801,610	\$ 4,028,427
Changes for the Year:			
Service Cost	183,318	181,173	353,708
Plan Change	130,284	-	-
Interest	-	145,196	119,078
Assumption Changes	(103,300)	-	2,132,172
Difference Between Actual and Expected Experience	-	-	(695,701)
Benefit payments	<u>(95,843)</u>	<u>(99,552)</u>	<u>(153,530)</u>
Total OPEB Liability End of Year	<u>\$ 3,801,610</u>	<u>\$ 4,028,427</u>	<u>\$ 5,784,154</u>
City's covered-employee payroll	\$ 10,277,034	\$ 10,585,345	\$ 10,706,470
Total OPEB Liability as a percentage of covered payroll	36.99%	38.06%	54.02%

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, 2020

Schedule of Proportionate Share of Net OPEB Liability

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Net OPEB as a Percentage of Covered Payroll (AAL)	Plan Fiduciary
					Net Position as a Percentage of the Net OPEB Liability
City:					
6/30/2020	0.24231116%	\$ 1,062,319	\$ 4,868,096	22%	7.75%
6/30/2019	0.23317671%	\$ 1,067,590	\$ 4,698,401	23%	7.53%
6/30/2018	0.15974839%	\$ 730,424	\$ 4,628,936	16%	7.91%
School:					
6/30/2020	0.20460405%	\$ 897,007	\$ 6,696,648	13%	7.75%
6/30/2019	0.20092701%	\$ 919,936	\$ 6,411,463	14%	7.53%
6/30/2018	0.24727653%	\$ 1,130,632	\$ 5,792,930	20%	7.91%

Schedule of Medical Subsidy Contributions

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of
					Covered Employee Payroll
City:					
6/30/2020	\$ 110,581	\$ 110,581	\$ -	\$ 4,868,096	2.27%
6/30/2019	\$ 103,141	\$ 103,141	\$ -	\$ 4,698,401	2.20%
6/30/2018	\$ 94,683	\$ 94,683	\$ -	\$ 4,628,936	2.05%
School:					
6/30/2020	\$ 93,373	\$ 93,373	\$ -	\$ 6,696,648	1.39%
6/30/2019	\$ 89,188	\$ 88,876	\$ (312)	\$ 6,411,463	1.39%
6/30/2018	\$ 146,274	\$ 146,561	\$ 287	\$ 5,792,930	2.53%

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, 2020

Schedule of Proportionate Share of Net Pension Liability

New Hampshire Retirement System Net Pension Liability

Fiscal Year	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 as a Percentage of the Total Pension Liability
City:					
June 30, 2020	0.21339734%	\$ 10,267,943	\$ 4,868,096	210.92%	65.59%
June 30, 2019	0.20833975%	\$ 10,031,981	\$ 4,698,401	213.52%	64.73%
June 30, 2018	0.21782680%	\$ 10,712,706	\$ 4,628,936	231.43%	62.66%
June 30, 2017	0.21428368%	\$ 11,394,739	\$ 4,469,253	254.96%	58.30%
June 30, 2016	0.21162846%	\$ 8,383,719	\$ 4,374,065	191.67%	65.47%
June 30, 2015	0.21380978%	\$ 8,025,533	\$ 4,265,321	188.16%	66.32%
June 30, 2014	0.21197910%	\$ 9,123,214	\$ 4,155,904	219.52%	59.81%
School:					
June 30, 2020	0.22772515%	\$ 10,957,348	\$ 6,696,648	163.62%	65.59%
June 30, 2019	0.22406075%	\$ 10,788,979	\$ 6,411,463	168.28%	64.73%
June 30, 2018	0.20169631%	\$ 9,919,410	\$ 5,792,930	171.23%	62.66%
June 30, 2017	0.21226401%	\$ 11,287,341	\$ 6,138,957	183.86%	58.30%
June 30, 2016	0.20653651%	\$ 8,182,000	\$ 5,946,769	137.59%	65.47%
June 30, 2015	0.20190132%	\$ 7,578,539	\$ 5,633,965	134.52%	66.32%
June 30, 2014	0.20696690%	\$ 8,907,409	\$ 5,787,685	153.90%	59.81%

Schedule of Pension Contributions

New Hampshire Retirement System Pension Contributions

Fiscal Year	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
City:					
June 30, 2020	\$ 928,665	\$ 928,665	\$ -	\$ 4,868,096	19.08%
June 30, 2019	\$ 880,564	\$ 880,564	\$ -	\$ 4,698,401	18.74%
June 30, 2018	\$ 797,994	\$ 797,994	\$ -	\$ 4,628,936	17.24%
June 30, 2017	\$ 767,305	\$ 767,305	\$ -	\$ 4,469,253	17.17%
June 30, 2016	\$ 713,625	\$ 709,988	\$ (3,637)	\$ 4,374,065	16.31%
June 30, 2015	\$ 693,648	\$ 693,648	\$ -	\$ 4,265,321	16.26%
June 30, 2014	\$ 527,094	\$ 527,094	\$ -	\$ 4,155,904	12.68%
School:					
June 30, 2020	\$ 991,018	\$ 991,018	\$ -	\$ 6,696,648	14.8%
June 30, 2019	\$ 946,642	\$ 947,010	\$ 368	\$ 6,411,463	14.76%
June 30, 2018	\$ 739,194	\$ 738,901	\$ (293)	\$ 5,792,930	12.76%
June 30, 2017	\$ 760,073	\$ 760,073	\$ -	\$ 6,138,957	12.38%
June 30, 2016	\$ 692,906	\$ 692,906	\$ -	\$ 5,946,769	11.65%
June 30, 2015	\$ 655,974	\$ 655,015	\$ (959)	\$ 5,633,965	11.64%
June 30, 2014	\$ 514,631	\$ 514,631	\$ -	\$ 5,787,685	8.89%

See the accompanying notes to the required supplementary information.

City of Franklin, New Hampshire
Notes to Required Supplementary Information
As of and for the Fiscal Year Ended
June 30, 2020

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>
Sources / Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 32,604,805
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund (balance) deficit	(5,270,569)
Transfers from other funds	(13,749)
Debt proceeds	(552,554)
Revenues for financial reporting that are not inflows for budgetary purposes	
Earnings on capital reserve investments	<u>9,245</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 26,777,178</u></u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 27,740,413
Differences - Budget to GAAP:	
Expenditures for financial reporting purposes that are not budgetary outflows	
Transfer to capital reserves	(341,398)
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	<u>(414,231)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 26,984,784</u></u>

City of Franklin, New Hampshire
Notes to Required Supplementary Information
As of and for the Fiscal Year Ended
June 30, 2020

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**

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

The information presented in the *Schedule of Medical Subsidy Contributions* is determined as of the Plan’s most recent available fiscal year-end financial statements (prior fiscal year).

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 Plan’s most recent available fiscal year-end financial statements (prior fiscal year).

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, 2020**

	Special Revenue Funds													Capital	Permanent Trust Funds				Total Nonmajor
	Franklin Public Library	School Food Service Fund	MMRS Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts City	Parks and Recreation	Outside Detail	School Local Programs	Expendable Trusts School	School Student Activities	Capital Project Fund	Odell Park	Other General Funds	Library Buswell Trust	Other Library Trusts	Governmental Funds
Assets																			
Cash and cash equivalents	\$ 244,300	\$ 60,486	\$ -	\$ -	\$ 10,188	\$ 8,040	\$ -	\$ 109,284	\$ -	\$ -	\$ -	\$ -	\$ 131,785	\$ -	\$ -	\$ 69,693	\$ -	\$ -	\$ 633,776
Investments	-	-	-	7,136	-	-	11,775	102,346	-	-	-	9,334	-	-	200,804	711,901	857,711	357,237	2,258,244
Receivables, net	-	-	-	-	-	-	-	-	-	2,728	-	-	59	-	-	-	-	-	2,787
Due from other governments	-	49,816	1,265	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,081
Due from other funds	12,550	-	-	-	-	-	-	6,295	22,949	51,641	140,526	-	-	-	-	-	-	-	233,961
Inventories	-	33,929	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,929
Total assets	<u>\$ 256,850</u>	<u>\$ 144,231</u>	<u>\$ 1,265</u>	<u>\$ 7,136</u>	<u>\$ 10,188</u>	<u>\$ 8,040</u>	<u>\$ 11,775</u>	<u>\$ 217,925</u>	<u>\$ 22,949</u>	<u>\$ 54,369</u>	<u>\$ 140,526</u>	<u>\$ 9,334</u>	<u>\$ 131,844</u>	<u>\$ -</u>	<u>\$ 200,804</u>	<u>\$ 781,594</u>	<u>\$ 857,711</u>	<u>\$ 357,237</u>	<u>\$ 3,213,778</u>
Liabilities and Fund Balances																			
Liabilities:																			
Accounts payable	\$ 2,581	\$ 17,387	\$ 359	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ 441	\$ -	\$ -	\$ -	\$ 56	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,924
Accrued expenses	3,904	5,078	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,982
Due to other funds	-	117,210	452	-	-	-	-	-	-	-	-	-	9,801	21,000	-	-	-	-	148,463
Deferred revenue	-	4,556	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,556
Total liabilities	<u>6,485</u>	<u>144,231</u>	<u>811</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,857</u>	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,925</u>
Fund balances:																			
Nonspendable	-	33,929	-	-	-	-	-	-	-	-	-	-	-	-	176,689	747,754	857,406	354,084	2,169,862
Restricted	250,365	-	454	7,136	10,088	8,040	11,775	-	22,508	-	140,526	-	-	-	24,115	33,840	305	3,153	512,305
Committed	-	-	-	-	-	-	-	217,925	-	54,369	-	9,334	-	-	-	-	-	-	281,628
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	121,987	-	-	-	-	-	121,987
Unassigned	-	(33,929)	-	-	-	-	-	-	-	-	-	-	-	(21,000)	-	-	-	-	(54,929)
Total fund balances	<u>250,365</u>	<u>-</u>	<u>454</u>	<u>7,136</u>	<u>10,088</u>	<u>8,040</u>	<u>11,775</u>	<u>217,925</u>	<u>22,508</u>	<u>54,369</u>	<u>140,526</u>	<u>9,334</u>	<u>121,987</u>	<u>(21,000)</u>	<u>200,804</u>	<u>781,594</u>	<u>857,711</u>	<u>357,237</u>	<u>3,030,853</u>
Total liabilities and fund balances	<u>\$ 256,850</u>	<u>\$ 144,231</u>	<u>\$ 1,265</u>	<u>\$ 7,136</u>	<u>\$ 10,188</u>	<u>\$ 8,040</u>	<u>\$ 11,775</u>	<u>\$ 217,925</u>	<u>\$ 22,949</u>	<u>\$ 54,369</u>	<u>\$ 140,526</u>	<u>\$ 9,334</u>	<u>\$ 131,844</u>	<u>\$ -</u>	<u>\$ 200,804</u>	<u>\$ 781,594</u>	<u>\$ 857,711</u>	<u>\$ 357,237</u>	<u>\$ 3,213,778</u>

CITY OF FRANKLIN, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue Funds												Capital Project Funds		Permanent Trust Funds					
	Franklin Public Library	School Food Service Fund	MMRS Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts City	Parks and Recreation	Outside Detail	School Local Programs	Expendabl e Trusts School	School Student Activities	School Improvements Project	Capital Project Fund	Odell Park	Other General Funds	Library Buswell Trust	Other Library Trusts	Total Nonmajor Governmental Funds
Revenues																				
Grant Revenues	\$ -	\$ 434,226	\$ 30,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464,626
State of NH sources	-	8,630	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,630
Charges for services	-	94,948	-	-	-	-	-	-	18,718	17,355	-	-	-	-	-	-	-	-	-	131,021
Miscellaneous revenues	188,001	-	-	109	887	5	175	3,525	-	-	17,961	1,523	52,976	-	-	5,755	21,092	29,599	10,571	332,179
Interfund operating transfers in	314,237	53,402	-	400	-	500	250	-	-	-	-	-	-	-	-	-	-	-	-	368,789
Total revenues and other financing sources	502,238	591,206	30,400	509	887	505	425	3,525	18,718	17,355	17,961	1,523	52,976	-	-	5,755	21,092	29,599	10,571	1,305,245
Expenditures																				
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,524	-	-	20,524
Public safety	-	-	30,400	-	6,319	-	-	-	-	15,682	-	-	-	-	-	-	-	-	-	52,401
Culture and recreation	450,820	-	-	-	-	-	-	-	26,615	-	-	-	-	-	-	-	-	15,050	-	492,485
Conservation	-	-	-	375	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375
School district	-	591,206	-	-	-	-	-	-	-	-	17,081	-	75,010	-	-	-	-	-	-	683,297
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	158,101	-	-	-	-	-	158,101
Operating transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,161	-	43,414	10,906	57,481
Other financing uses	-	-	-	-	-	-	-	5,369	-	-	-	1,336	-	-	-	10,467	39,551	-	18,858	75,581
Total expenditures and other financing sources	450,820	591,206	30,400	375	6,319	-	-	5,369	26,615	15,682	17,081	1,336	75,010	158,101	-	13,628	60,075	58,464	29,764	1,540,245
Excess revenue and other financing sources over (under) expenditures and other financing uses																				
	51,418	-	-	134	(5,432)	505	425	(1,844)	(7,897)	1,673	880	187	(22,034)	(158,101)	-	(7,873)	(38,983)	(28,865)	(19,193)	(235,000)
Fund balances - beginning of year	198,947	-	454	7,002	15,520	7,535	11,350	219,769	30,405	52,696	-	9,147	144,021	158,101	(21,000)	208,677	820,577	886,576	376,430	3,126,207
Fund balances - end of year	\$ 250,365	\$ -	\$ 454	\$ 7,136	\$ 10,088	\$ 8,040	\$ 11,775	\$ 217,925	\$ 22,508	\$ 54,369	\$ 880	\$ 9,334	\$ 121,987	\$ -	\$ (21,000)	\$ 200,804	\$ 781,594	\$ 857,711	\$ 357,237	\$ 2,891,207

FEDERAL SUPPLEMENTARY INFORMATION

ROBERGE AND COMPANY, P.C.

Certified Public Accountants

Member – American Institute of CPA's (AICPA)
Member – AICPA Government Audit Quality Center (GAQC)
Member – AICPA Private Company Practice Section (PCPS)
Member – New Hampshire Society of CPA's

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Franklin, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Franklin's basic financial statements, and have issued our report thereon dated June 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Franklin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Franklin's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Franklin's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Franklin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roberge and Co. , P. C.

ROBERGE & COMPANY, P.C.

Franklin, New Hampshire
June 22, 2021

ROBERGE AND COMPANY, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited City of Franklin's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Franklin's major federal programs for the year ended June 30, 2020. The City of Franklin's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Franklin's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Franklin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Franklin's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Franklin, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City of Franklin is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Franklin's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Franklin's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Roberge and Co. , P.C.

ROBERGE & COMPANY, P.C.

Franklin, New Hampshire
June 22, 2021

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF FRANKLIN, NEW HAMPSHIRE

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Trough ID #	Expenditures of Federal Awards	Expenditures to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Direct				
Rural Business Development Grant	10.351	34007-026000292	\$ 10,800	\$ -
Community Facilities Loans and Grants	10.766	34-007	48,600	-
Community Facilities Loans and Grants	10.766	34-007	1,400	-
			50,000	-
Passed through the NH Department of Natural & Cultural Resources				
State & Private Forestry Cooperative Fire Assistance	10.698	VFA08072020	2,000	-
U.S. DEPARTMENT OF AGRICULTURE TOTAL			62,800	-
U.S. DEPARTMENT OF THE INTERIOR				
Passed through the NH Department of Natural & Cultural Resources				
Outdoor Recreation Acquisition, Development and Planning	15.916	33-00716	90,138	-
U.S. DEPARTMENT OF INTERIOR TOTAL			90,138	-
U.S. DEPARTMENT OF JUSTICE				
Passed through the NH Department of Justice				
Violence Against Women Formula Grants	16.588	2018WFA0017	5,524	-
Violence Against Women Formula Grants	16.588	2019WFA0015	15,000	-
			20,524	-
U.S. DEPARTMENT OF JUSTICE TOTAL			20,524	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through the NH Dept of Safety, Office of Highway Safety				
State and Community Highway Safety	20.600	3Q19063	953	-
State and Community Highway Safety	20.600	20063	128	-
State and Community Highway Safety	20.600	20063	13,825	-
			14,906	-
U.S. DEPARTMENT OF TRANSPORTATION TOTAL			14,906	-
U.S. DEPARTMENT OF THE TREASURY				
Direct				
COVID-19 - Coronavirus Relief Fund	21.019		107,252	-
TOTAL U.S. DEPARTMENT OF THE TREASURY			107,252	-
U.S. ENVIRONMENTAL PROTECTION AGENCY				
DRINKING WATER STATE REVOLVING FUND CLUSTER				
Passed through the NH Department of Environmental Services				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0851010-06	1,412,364	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	AM-101	12,000	-
			1,424,364	-
DRINKING WATER STATE REVOLVING FUND CLUSTER TOTAL			1,424,364	-
U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL			1,424,364	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct				
Emergency Management Performance Grants	97.042	EMB-2018-00007-A03	16,872	-
Passed through the NH Department of Safety, Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disa	97.036		27,842	-
Homeland Security Grant Program	97.067	EMW2016SS00070S01	29,135	-
Homeland Security Grant Program	97.067	EMW2017SS00023S01	1,265	-
Homeland Security Grant Program	97.067	EMW2018SS00055	2,326	-
			32,726	-
U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL			77,440	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct				
Drug-Free Communities Support Program Grants	93.276	2H79SP017024-06	120,120	-
COVID-19 - Provider Relief Fund	93.498		14,944	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL			135,064	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,932,488	\$ -

The accompanying notes are an integral part of this schedule.

1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of the City of Franklin under programs of the federal government for the year ended June 30, 2020. The City of Franklin's reporting entity is defined in Note 1 to the City's basic financial statements. The information in the Schedule of Expenditures of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of the City of Franklin and is not intended to and does not present the financial position or changes in net position of the City of Franklin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting within the governmental funds (general and special revenue) of the City. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds' present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The expenditures reported in the Schedule of Expenditures of Federal Awards are recognized following the applicable cost principles of OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225), or Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and include, but are not limited to, expenditure transactions associated with grants, and cost reimbursement grants and contracts.

The City of Franklin has elected to use the ten percent (10%) de minimis indirect cost rate allowed under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

3. RELATIONSHIP AND RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The total expenditures of federal awards per the accompanying schedule of expenditures of federal awards reconciles to the Statement of Revenues, Expenditures and Changes in Fund Balances – Major and Other Governmental Funds as follows:

Schedule of Expenditures of Federal Awards	\$ 1,932,488
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Major Fund	
General Fund	
Project Code 123	\$ 27,842
Project Code 124	107,252
Project Code 403	20,524
Project Code 404	120,120
Project Code 429	30,400
Project Code 436	1,081
Project Code 440	90,138
Project Code 443	12,000
Project Code 444	1,412,364
Project Code 447	10,800
Project Code 448	16,872
Project Code 35095	14,944
Project Code 40599	4,326
Project Code 40740	13,825
Project Code 40760	50,000
	\$ 1,932,488

CITY OF FRANKLIN

Schedule of Findings and Questioned Costs 1 - Summary of Auditor's Results June 30, 2020

Financial Statements

The type of auditor's report issued – Unmodified – All Reporting Units

Internal control over financial reporting:

- Material weaknesses identified – No.
- Significant deficiencies identified – None Reported.
- Noncompliance material to financial statements noted? – No.

Federal Awards

Internal control over major programs:

- Material weaknesses identified – No.
- Significant deficiencies identified – None Reported.

Type of auditor's report issued on compliance for major programs – Unmodified.

Are there any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings – No.

Identification of major programs:

- DRINKING WATER STATE REVOLVING FUND CLUSTER

CFDA # 66.468 – Capitalization Grants for Drinking Water State Revolving Funds

Dollar Threshold used to distinguish between type A and type B Programs - \$750,000.

Auditee qualified as a low-risk auditee – No.

**Schedule of Findings and Questioned Costs
2 - Financial Statement Findings
June 30, 2020**

There were no findings relating to the financial statements required to be reported by standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Schedule of Findings and Questioned Costs **3 – Federal Award Findings and Questioned Costs** **June 30, 2020**

There were no findings or questioned costs required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings.