

CITY OF FRANKLIN

Franklin, New Hampshire

FINANCIAL STATEMENTS

With Schedule of Expenditures of Federal Awards

June 30, 2021

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, 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.

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 primary government of the City of Franklin, as of June 30, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Franklin, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1-A, the financial statements referred to above include only the primary government of the City of Franklin, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City of Franklin's legal entity.

These primary government financial statements do not include financial data for the City of Franklin's component unit (the Franklin School District), which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City of Franklin's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Franklin, as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity (Franklin School District) of the City of Franklin, as of and for the year ended June 30, 2021, and our report thereon, dated January 20, 2022, expressed unmodified opinions on those financial statements.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Franklin's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 implicit rate subsidy 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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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 October 20, 2022, 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 solely 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
October 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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, 2021. 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 \$18,323,101 (net position). This is an increase of \$709,781 over the prior year.
- As of the close of the current fiscal year, the total net position for governmental activities was \$4,518,328, (\$-6,987,538 unrestricted), and total net position for business like activities was \$13,804,773 (\$363,231 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 \$8,157,440, an increase of \$1,218,864 over the prior year. Of the combined ending fund balances, \$3,535,040, a decrease of \$662,270 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 \$3,535,040, or 26.80 percent of total general fund expenditures.
- At the close of the current fiscal year, total long-term bonds and notes outstanding was \$10,848,019, an increase of \$1,918,851 over 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, 2021

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 do not include the legally separate dependent school district, Franklin School District, which the City of Franklin is financially accountable. Financial information for this *component unit* is not included in the financial information presented for the primary government. The City believes that the presentation of separate financial statements allows the users to better distinguish between the activity of the City and the School District. 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 a number of 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 *nonmajor 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.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

- **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. 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, 2021

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 fiscal years:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	20,996	17,026	2,539	2,285	23,535	19,311
Capital assets	11,233	10,721	22,434	20,996	33,667	31,717
Total assets	32,229	27,747	24,973	23,281	57,202	51,028
Deferred outflow of resources	4,382	2,819	372	260	4,754	3,079
Total assets and deferred outflow of resources	36,611	30,566	25,345	23,541	61,956	54,107
Current liabilities	4,425	1,088	687	2,261	5,112	3,349
Long term liabilities outstanding	18,592	16,496	9,992	6,952	28,584	23,448
Total liabilities	23,017	17,584	10,679	9,213	33,696	26,797
Deferred inflow of resources	9,075	8,881	861	931	9,936	9,812
Total liabilities and deferred inflow of resources	32,092	26,465	11,540	10,144	43,632	36,609
Net Position:						
Invested in capital assets, net of related debt	9,115	8,455	13,442	14,013	22,557	22,468
Restricted	2,391	2,768	0	0	2,391	2,768
Unrestricted	(6,988)	(7,123)	363	(617)	(6,625)	(7,740)
Total net position	4,518	4,100	13,805	13,396	18,323	17,496

The City of Franklin total primary government assets and deferred outflows exceeded liabilities and deferred inflows by \$18.3 million, \$17.4 million at the close of fiscal years 2021 and 2020, respectively. Governmental activities assets and deferred outflows exceeded liabilities and deferred inflows by \$4.52 million and \$4.10 million at the close of fiscal years 2021 and 2020, 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 \$22,556,253, an increase of \$87,916 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, \$2,391,155 or 13.05%, represents resources that are subject to external and legal restrictions on how they may be used. The remaining balance is *unrestricted net position* of \$(6,624,307). 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

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Net Position 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 fiscal year:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Revenues</u>				
Program Revenue:				
Charges for Services	1,563	1,293	3,305	3,093
Operating Grants and Contributions	1,277	1,297	119	126
General Revenues:				
Property Taxes	8,263	7,718	-	-
Licenses and Permits	1,487	1,364	-	-
Grants and Contributions not restricted to specific programs	744	273	-	-
Interest Earnings	71	39	-	-
Miscellaneous	1,183	1,218	86	-
Total Revenues	<u>14,588</u>	<u>13,202</u>	<u>3,510</u>	<u>3,219</u>
<u>Expenses</u>				
Functional Expenditures:				
General Government	1,853	1,847	-	-
Public Safety	5,990	5,362	-	-
Highway and Streets	1,870	2,054	-	-
Sanitation	1,085	941	-	-
Health	244	187	-	-
Welfare	65	50	-	-
Culture and Recreation	1,090	962	-	-
Conservation	1	1	-	-
Economic Development	154	260	-	-
Debt Service	102	103	-	-
Capital Outlay	56	199	-	-
Other Financing Uses	959	769	-	-
Depreciation	818	700	-	-
Proprietary Activities	-	-	3,103	2,955
Total Expenses	<u>14,287</u>	<u>13,435</u>	<u>3,103</u>	<u>2,955</u>
Increase (Decrease) in net position	301	(233)	407	264
Net Position, beginning, as restated	<u>4,216</u>	<u>4,334</u>	<u>13,397</u>	<u>12,804</u>
Net Position, ending	<u>4,517</u>	<u>4,101</u>	<u>13,804</u>	<u>13,068</u>

Governmental activities. Governmental activities increased the City of Franklin's net position by \$301,842. This is largely due to changes in liabilities for OPEB obligations and the retirement system's net pension liability.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Business-type activities. Business-type activities increased the City of Franklin's net position by \$407,939. The Water Fund increased the net position by \$322,863 while the Sewer Fund increased the net position by \$85,076.

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 \$8,157,440, an increase of \$1,218,864 over the prior year. Of the combined ending fund balances, \$3,535,040 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 (\$1,087,800), 2) committed for miscellaneous purposes (\$1,260,926), 3) legally restricted for permanent funds and other restricted purposes (\$453,760), 4) non-spendable permanent fund principal and prepaids (\$1,819,914).

The general fund is the operating fund of the City of Franklin. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,535,040, while total fund balance was \$5,766,285. 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 26.80 percent of total general fund expenditures, while total fund balance represents 43.71 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 26% 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 \$363,231. The total net position increased over the prior year by \$407,939.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$2,489,616 which represents the following:

- Prior year encumbrances/carryovers totaling \$2,489,616.

The difference between the final amended budget and actual results is a positive variance of \$5,095,378. Revenues and budgetary fund balance exceeding budgeted amounts by \$5,780,484, budgetary fund balance exceeding budgeted amount by \$4,284,288 and total of other revenues coming in above estimated amounts by \$1,496,196. Expenditures were more than the estimated budget by \$685,106. Significant budget variances include:

- Positive variance of \$1,794,672 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 \$234,051 in motor vehicle registration revenues coming in higher than estimated.
- Positive variance of \$179,379 in grant revenues.
- Positive variance of \$68,081 in charges for services.
- Negative variance of \$227,201 in miscellaneous revenues.
- Positive variance in debt proceeds of \$74,780.
- Positive variance of \$393,797 in general government expenses.
- Negative variance of \$14,499 in highways and streets.
- Positive variance of \$1,012,356 in economic development expenses.
- Positive variance of \$534,870 in capital outlay expenses.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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, 2021, amounts to \$33,582,427 (net of accumulated depreciation), an increase of \$1,342,408 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. The City also has legal title to the assets of its component unit, Franklin School District. Further information regarding the School District's assets may be found in their separately issued financial statements.

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

	Governmental		Business-Type		Total Primary	
	2021	2020	2021	2020	2021	2020
Land	1,858	1,727	65	65	1,923	1,792
Monuments	61	61	-	-	61	61
Construction in Progress	1,225	928	545	354	1,770	1,282
Land Improvements	128	135	-	-	128	135
Buildings and Improvements	1,985	2,099	337	355	2,322	2,454
Machinery, Vehicles and Equipment	2,697	3,081	387	429	3,084	3,510
Infrastructure	3,278	3,213	21,015	19,792	24,293	23,005
Total	11,232	11,244	22,349	20,995	33,581	32,239

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

- Infrastructure
- 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 \$10,848,019. Of this amount, 100% comprises debt backed by the full faith and credit of the government; however, \$8,992,147 bonds and notes are attributable to the Water and Sewer proprietary funds. Of the \$8,992,147 proprietary note debt, the State of New Hampshire has agreed to offset \$713,128 of future payments in the form of a revolving loan forgiveness. The City of Franklin is also financially liable for general obligation debt outstanding for its component unit, Franklin School District. Further information regarding the School District's indebtedness may be found in their separately issued financial statements.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Obligation Debt	1,856	1,904	8,992	7,025	10,848	8,929
Accrued Landfill Postclosure	136	146	-	-	136	146
Compensated Absences	267	274	14	17	281	291
Capital Leases	262	362	-	28	262	390
Net Pension Liability	11,640	9,401	988	867	12,628	10,268
Other Post Employment Benefits	4,774	4,709	405	435	5,179	5,144
Total	<u>18,935</u>	<u>16,796</u>	<u>10,399</u>	<u>8,372</u>	<u>29,334</u>	<u>25,168</u>

During the current fiscal year, the City of Franklin's total debt increased by \$4,167,992 (17 percent). Key factors in the net increase are:

- Net increase in outstanding bond/note debt principal in the amount of \$1,918,851.
- Reductions in outstanding capital lease principal in the amount of \$127,444.
- Reduction in landfill post-closure obligation in the amount of \$9,365.
- Net decrease in compensated absences payable of \$10,294.
- Net Increase in Other post-employment benefits obligations of \$36,036.
- Increase in net pension liability of \$2,360,208.

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 2020, Franklin's valuation was \$702,355,276 with an equalization ratio of 87.1%, yielding an estimated equalized base valuation of \$806,283,233. 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)	\$24,188,497
School Debt	(7% of the base valuation per RSA 33:4-a)	\$56,439,826
City (Municipal and School District combined debt limitation of 9.75% per RSA 33:4b)		\$78,612,615
Water	(10% of the base valuation per RSA 33:5-a)	\$80,628,323
Sewer		Exempt

Borrowing Capacity (as of July 1, 2021)

	<u>Maximum</u>	<u>Outstanding</u>	<u>Available</u>
General Debt	\$24,188,497	\$1,863,400	\$22,325,097
School Debt	\$56,439,826	\$2,567,981	\$53,871,845
Water	\$80,628,323	\$ 8,700,585	\$71,927,738

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

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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
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%
2020	\$ 15,524,327	5.2%

The City's net valuation, or the taxable assessment on both land and buildings used to establish the tax rate, was \$692,559,061 in fiscal year 2021. The city has experienced a \$9.4 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.

The City Manager's economic development steering committee, consisting of a downtown coordinator financial consultant, City Planning/Zoning Director, Mill City Park (nonprofit) Executive Director and Franklin Business & Industrial Development Corp (FBIDC, traditionally responsible for the city's industrial park, has been responsible for the receipt of over \$4.2 million in funding through grants, donations, loans and tax credits supporting the economic development efforts. The steering committee is focusing on capitalizing, again, on our beautiful rivers and landscape but this time with an eye toward preserving and protecting our environment by embracing 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. In FY2018 and FY2019, 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 \$800k Land & Water Conservation Funding from NH Department of Natural & Cultural Resources for the construction of the white-water kayak feature in the river. Construction is set to begin July 12, 2021!

People are learning more about the important benefits of this new recreational venue. Investors are taking notice. In addition to the continued success of the Buell Block (see management discussion & analysis economics section of the FY2020 financial statements), the City is seeing other projects come to fruition. Chinburg Properties, who in FY18, purchased the Stevens Mill [which is the largest former Mill property on the river at 182,000 square feet] closed on a redevelopment package during this period for the renovation and rehabilitation of the mill into market rate residential units with some light commercial and industrial spaces as well. Chinburg, who is experienced in mill renovations as evidenced in Newmarket and Dover, New Hampshire, is currently focusing on the commercial space

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

for a local brewer, Kettlehead, to construct a distribution center along with a tasting room/restaurant. Independence Financial Advisors purchased the Oddfellows building and has begun work on the conversion of the dilapidated upper floors into high end condominiums. Peabody Home has begun work on Peabody Place, a new model of independent and assisted living for seniors within the downtown corridor. In just a few years, Franklin will enjoy all types of new housing opportunities, low income, work force, market rate, elderly and high end in the downtown, creating a well-balanced community. Franklin for a Lifetime.

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, supported by the city council, investors are starting to look at Franklin for investments opportunities throughout the city. In addition to the projects occurring downtown, projects, such as the refurbishment of the former golf course, Mojalaki, club house into a premier event venue with a vineyard to come, the refurbishment of restaurant spaces on North Main and the approval of the new Cumberland Farms site with grocery store. Many other projects are in the approval stage for the upcoming fiscal year as well.

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 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, with 23% grant forgiveness, for this project. The city is actively pursuing American Rescue Plan Act federal grant monies for the next critical water and sewer infrastructure project on East/West Bow Street.

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 wastewater 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 54.4% 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 continued work on the project to 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 water enterprise fund will see a 3% increase (from \$7.32 to \$7.55 per cubic yard) in the water usage rate for FY2022. This is mostly due to critical capital costs that can no longer be deferred. The sewer enterprise fund is experiencing a reduction in revenues due to low usage; therefore, although the total sewer budget is down in FY2022 from FY2021, there is a small .4% increase (from \$7.00 to \$7.03 per cubic yard) in the sewer disposal rate for FY2022.

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 Gaudette, 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, 2021

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,596,515	\$ -	\$ 13,596,515
Investments	3,411,445	-	3,411,445
Receivables, net	2,710,917	1,427,897	4,138,814
Due from other governments	701,481	-	701,481
Internal balances due from other funds	-	1,012,312	1,012,312
Inventories	-	97,306	97,306
Prepaid	117,385	1,362	118,747
Noncurrent Assets:			
Long-term receivables	25,376	-	25,376
Other noncurrent assets	435,208	-	435,208
Capital assets:			
Land, improvements, and construction in progress	3,088,065	610,630	3,698,695
Other capital assets, net of accumulated depreciation	<u>8,144,651</u>	<u>21,823,060</u>	<u>29,967,711</u>
Total assets	<u>32,231,043</u>	<u>24,972,567</u>	<u>57,203,610</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	3,203,453	271,943	3,475,396
Deferred outflows of resources related to other post employment benefits	<u>1,178,976</u>	<u>100,082</u>	<u>1,279,058</u>
Total deferred outflows of resources	<u>4,382,429</u>	<u>372,025</u>	<u>4,754,454</u>
LIABILITIES			
Accounts payable	597,082	154,057	751,139
Accrued expenses	303,654	125,128	428,782
Due to other governments	1,435,976	-	1,435,976
Internal balances due to other funds	1,009,611	-	1,009,611
Current portion of long-term liabilities	343,097	407,607	750,704
Other liabilities	735,860	-	735,860
Noncurrent Liabilities:			
Bonds payable	1,599,669	8,584,541	10,184,210
Compensated absences	267,195	13,720	280,915
Capital lease obligations	175,239	-	175,239
Landfill Closure	136,192	-	136,192
Other postemployment benefit obligations	4,773,849	988,125	5,761,974
Net pension liability	<u>11,640,027</u>	<u>405,253</u>	<u>12,045,280</u>
Total liabilities	<u>23,017,451</u>	<u>10,678,431</u>	<u>33,695,882</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - unearned revenues	8,015,499	771,419	8,786,918
Deferred inflows - pensions	830,021	70,460	900,481
Deferred inflows - other post employment benefits	<u>229,806</u>	<u>19,509</u>	<u>249,315</u>
Total deferred inflows of resources	<u>9,075,326</u>	<u>861,388</u>	<u>9,936,714</u>
NET POSITION			
Net investment in capital assets	9,114,711	13,441,542	22,556,253
Restricted for:			
Other purposes	2,391,155	-	2,391,155
Unrestricted	<u>(6,987,538)</u>	<u>363,231</u>	<u>(6,624,307)</u>
Total net position	<u>\$ 4,518,328</u>	<u>\$ 13,804,773</u>	<u>\$ 18,323,101</u>

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, 2021

Functions / Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government						
Executive	\$ 438,361	\$ 250,040	\$ 1,277,218	\$ 1,088,897		\$ 1,088,897
Election and registration	217,677	-	-	(217,677)		(217,677)
Financial administration	544,808	-	-	(544,808)		(544,808)
Revaluation of property	652,321	-	-	(652,321)		(652,321)
Public safety						
Police	3,231,238	698,005	-	(2,533,233)		(2,533,233)
Fire and EMS	2,758,841	-	-	(2,758,841)		(2,758,841)
Highways and streets	955,756	4,769	-	(950,987)		(950,987)
Street lighting	50,127	-	-	(50,127)		(50,127)
Other highway	864,203	-	-	(864,203)		(864,203)
Sanitation	1,084,615	314,695	-	(769,920)		(769,920)
Health	244,258	-	-	(244,258)		(244,258)
Welfare	64,909	-	-	(64,909)		(64,909)
Culture and recreation	1,090,271	295,841	-	(794,430)		(794,430)
Conservation	375	-	-	(375)		(375)
Economic development	154,487	-	-	(154,487)		(154,487)
Interest expense	101,719	-	-	(101,719)		(101,719)
Capital outlay	55,971	-	-	(55,971)		(55,971)
Other financing uses	959,293	-	-	(959,293)		(959,293)
Depreciation (unallocated)	818,037	-	-	(818,037)		(818,037)
Total governmental activities	<u>14,287,267</u>	<u>1,563,350</u>	<u>1,277,218</u>	<u>(11,446,699)</u>		<u>(11,446,699)</u>
Business Type Activities:						
Water Fund	1,650,116	1,900,568	12,900		\$ 263,352	263,352
Sewer Fund	<u>1,452,745</u>	<u>1,404,633</u>	<u>105,658</u>		<u>57,546</u>	<u>57,546</u>
Total Business Type Activities:	<u>3,102,861</u>	<u>3,305,201</u>	<u>118,558</u>		<u>320,898</u>	<u>320,898</u>
Total Primary Government	<u>\$ 17,390,128</u>	<u>\$ 4,868,551</u>	<u>\$ 1,395,776</u>	<u>\$ (11,446,699)</u>	<u>\$ 320,898</u>	<u>\$ (11,125,801)</u>
General revenues:						
Taxes				\$ 8,263,355	\$ -	\$ 8,263,355
Grants and contributions not restricted to specific purposes:						
Licenses, permits and fees				1,487,461	-	1,487,461
State of NH sources				743,831	-	743,831
Investment Income				71,112	113	71,225
Miscellaneous revenues				891,846	86,928	978,774
Other financing sources				<u>290,936</u>	<u>-</u>	<u>290,936</u>
Total general revenues				<u>11,748,541</u>	<u>87,041</u>	<u>11,835,582</u>
Change in net position				301,842	407,939	709,781
Net position, beginning (as restated)				<u>4,947,991</u>	<u>13,396,834</u>	<u>18,344,825</u>
Net position, ending				<u>\$ 5,249,833</u>	<u>\$ 13,804,773</u>	<u>\$ 19,054,606</u>

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, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 13,080,293	\$ 516,222	\$ 13,596,515
Investments	900,571	2,510,874	3,411,445
Property taxes receivable	1,629,402	-	1,629,402
Tax liens receivable	325,940	-	325,940
Receivables, net	739,080	16,495	755,575
Due from other governments	695,117	6,364	701,481
Due from other funds	5,887	110,651	116,538
Prepays	116,203	1,182	117,385
Total assets	<u>\$ 17,492,493</u>	<u>\$ 3,161,788</u>	<u>\$ 20,654,281</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 584,486	\$ 12,596	\$ 597,082
Accrued expenses	274,418	5,760	280,178
Due to other governments	1,435,976	-	1,435,976
Due to other funds	1,123,714	4,802	1,128,516
Other liabilities	4,355	731,505	735,860
Total liabilities	<u>3,422,949</u>	<u>754,663</u>	<u>4,177,612</u>
Deferred Inflows of Resources:			
Unearned revenue	7,999,529	15,970	8,015,499
Uncollected property taxes	303,730	-	303,730
Total deferred inflows of resources	<u>8,303,259</u>	<u>15,970</u>	<u>8,319,229</u>
Fund balances:			
Nonspendable	116,203	1,703,711	1,819,914
Restricted	-	453,760	453,760
Committed	1,027,242	233,684	1,260,926
Assigned	1,087,800	-	1,087,800
Unassigned	3,535,040	-	3,535,040
Total fund balance	<u>5,766,285</u>	<u>2,391,155</u>	<u>8,157,440</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,492,493</u>	<u>\$ 3,161,788</u>	<u>\$ 20,654,281</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, 2021

Total Fund Balances - Governmental Funds \$ 8,157,440

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	\$ 22,627,005	
Less accumulated depreciation	<u>(11,394,289)</u>	11,232,716

Long-term liabilities 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	(1,855,872)	
Capital lease obligations	(262,133)	
Compensated absences	(267,195)	
Unamortized bond premium	(136,192)	
OPEB obligations	(4,773,849)	
Net pension liability	<u>(11,640,027)</u>	(18,935,268)

Revenues that are not current financial resources in the funds.

Unavailable revenue	303,730
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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	(1,059,827)	
Deferred outflows of resources	<u>4,382,429</u>	3,322,602

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. (23,476)

Long-term assets are not due in the current period and therefore are not reported as assets in the funds. Long-term assets at year-end consist of:

Tax Deeded Properties	435,207
Liens receivable	<u>25,377</u>

Total Net Position - Governmental Activities \$ 4,518,328

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, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 8,298,008	\$ -	\$ 8,298,008
Licenses, permits and fees	1,616,438	-	1,616,438
Grant Revenues	1,228,803	10,381	1,239,184
State of NH sources	965,160	-	965,160
Charges for services	1,295,020	27,170	1,322,190
Miscellaneous revenues	752,033	89,508	841,541
Investment income	13,497	11,432	24,929
Total revenues	<u>14,168,959</u>	<u>138,491</u>	<u>14,307,450</u>
Expenditures			
General government	1,828,804	24,363	1,853,167
Public safety	5,979,964	10,115	5,990,079
Highways and streets	2,147,760	-	2,147,760
Sanitation	1,084,615	-	1,084,615
Health	244,258	-	244,258
Welfare	64,909	-	64,909
Culture and recreation	842,587	247,684	1,090,271
Conservation	-	375	375
Economic development	472,347	-	472,347
Debt service:			
Principal	219,654	-	219,654
Interest	186,487	-	186,487
Capital outlay	<u>121,380</u>	<u>55,971</u>	<u>177,351</u>
Total expenditures	<u>13,192,765</u>	<u>338,508</u>	<u>13,531,273</u>
Excess (deficiency) of revenues over expenditures	976,194	(200,017)	776,177
Other Financing Sources (Uses)			
Transfers from general fund	-	200,262	200,262
Transfers from other funds	13,832	40,110	53,942
Transfers out	(200,262)	(53,942)	(254,204)
Long-term debt proceeds	74,780	76,971	151,751
Other financing sources	<u>-</u>	<u>290,936</u>	<u>290,936</u>
	<u>(111,650)</u>	<u>554,337</u>	<u>442,687</u>
Net change in fund balances	864,544	354,320	1,218,864
Fund balances - beginning of year (as restated)	<u>4,901,741</u>	<u>2,768,340</u>	<u>7,670,081</u>
Fund balances - end of year	<u>\$ 5,766,285</u>	<u>\$ 3,122,660</u>	<u>\$ 8,888,945</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, 2021

Total Net Change in Fund Balances - Governmental Funds		\$	1,218,864
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	\$	806,264	
Depreciation expense		<u>(818,037)</u>	(11,773)
Long-term debt proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets.			
			(151,751)
Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Principal on bonds		199,625	
Principal on capital leases		<u>99,943</u>	299,568
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			(4,511)
Revenues in the governmental activities that are not available financial resources in the governmental funds.			
Change in unavailable property taxes			(23,715)
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		6,878	
Landfill closure (increase) decrease		9,365	
OPEB obligation (increase) decrease		(65,110)	
Net pension liability (increase) decrease		<u>(2,239,204)</u>	(2,288,071)
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		(224,849)	
Deferred outflows increase (decrease)		<u>1,562,992</u>	1,338,143
Change in Long Term Liens receivable			25,376
Change in Tax Deeded Property			<u>(100,288)</u>
Change in Net Position of Governmental Activities		\$	<u>301,842</u>

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

CITY OF FRANKLIN, NEW HAMPSHIRE

Statement of Net Position Proprietary Funds June 30, 2021

	Business Type Activities		Total
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Proprietary Funds</u>
ASSETS			
Receivables, net	\$ 1,112,576	\$ 315,321	\$ 1,427,897
Internal Balances Due To/From Other Funds	178,890	833,422	1,012,312
Inventories	94,102	3,204	97,306
Prepays	681	681	1,362
Capital assets:			
Land, Improvements, and Constr. In Progress	272,245	338,385	610,630
Other capital assets, net of depreciation	<u>19,244,282</u>	<u>2,578,778</u>	<u>21,823,060</u>
Total Assets	<u>20,902,776</u>	<u>4,069,791</u>	<u>24,972,567</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	187,585	84,358	271,943
Deferred outflows of resources related to other post employment benefits	<u>69,036</u>	<u>31,046</u>	<u>100,082</u>
Total deferred outflows of resources	<u>256,621</u>	<u>115,404</u>	<u>372,025</u>
LIABILITIES			
Accounts Payable	149,531	4,526	154,057
Accrued Expenses	110,059	15,069	125,128
Current portion of long-term debt	362,929	44,678	407,607
Noncurrent Liabilities:			
Bonds and Notes Payable	8,337,656	246,885	8,584,541
Compensated absences	8,639	5,081	13,720
Other Post Employment Liability	279,542	125,711	405,253
Net Pension Liability	<u>681,605</u>	<u>306,520</u>	<u>988,125</u>
Total Liabilities	<u>9,929,961</u>	<u>748,470</u>	<u>10,678,431</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	713,128	58,291	771,419
Deferred inflows of resources, pensions	48,603	21,857	70,460
Deferred inflows of resources, OPEBs	<u>13,457</u>	<u>6,052</u>	<u>19,509</u>
Total deferred inflows of resources	<u>775,188</u>	<u>86,200</u>	<u>861,388</u>
NET POSITION			
Investment in Capital Assets, net of related debt	10,815,942	2,625,600	13,441,542
Unrestricted (Deficit)	<u>(361,694)</u>	<u>724,925</u>	<u>363,231</u>
Total Net Position	<u>\$ 10,454,248</u>	<u>\$ 3,350,525</u>	<u>\$ 13,804,773</u>

See accompanying notes to the basic financial statements.

CITY OF FRANKLIN, NEW HAMPSHIRE

Statement of Revenues, Expenditures, and Changes in Net Position Proprietary Funds Year Ended June 30, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
Grant Revenues	\$ 12,900	\$ -	\$ 12,900
State of NH sources	-	105,658	105,658
Charges for services	<u>1,900,568</u>	<u>1,404,633</u>	<u>3,305,201</u>
Total operating revenues	<u>1,913,468</u>	<u>1,510,291</u>	<u>3,423,759</u>
Operating expenses:			
Sanitation	-	1,369,587	1,369,587
Water distribution and treatment	1,073,505	-	1,073,505
Depreciation	<u>477,049</u>	<u>75,160</u>	<u>552,209</u>
Total operating expenses	<u>1,550,554</u>	<u>1,444,747</u>	<u>2,995,301</u>
Operating income (loss)	<u>362,914</u>	<u>65,544</u>	<u>428,458</u>
Non operating revenues (expenses)			
Other financing sources	59,427	27,501	86,928
Interest earned	84	29	113
Interest expense	<u>(99,562)</u>	<u>(7,998)</u>	<u>(107,560)</u>
Net non operating revenues (expenses)	<u>(40,051)</u>	<u>19,532</u>	<u>(20,519)</u>
Change in net position	322,863	85,076	407,939
Net position, beginning of year	<u>10,131,385</u>	<u>3,265,449</u>	<u>13,396,834</u>
Net position, end of year	<u>\$ 10,454,248</u>	<u>\$ 3,350,525</u>	<u>\$ 13,804,773</u>

See accompanying notes to the basic financial statements.

CITY OF FRANKLIN, NEW HAMPSHIRE

Statement of Cash Flows Proprietary Funds June 30, 2021

	Business Type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 787,992	\$ 1,321,939	\$ 2,109,931
Cash paid to suppliers	(814,456)	(1,349,992)	(2,164,448)
Other cash receipts(payments)	-	105,658	105,658
Net cash provided by operating activities	(26,464)	77,605	51,141
Cash flows from noncapital financing activities:			
Transfers	-	-	-
Net cash flows from noncapital financing activities	-	-	-
Cash flows from capital and related financing activities:			
Proceeds from capital debt	2,367,415	-	2,367,415
Purchases of capital assets	(1,983,493)	(6,875)	(1,990,368)
Principal paid on capital debt	(357,458)	(43,229)	(400,687)
Principal paid on capital leases	-	(27,501)	(27,501)
Net cash provided (used) by capital and related financing activities	26,464	(77,605)	(51,141)
Cash flows from investing activities:			
Interest and dividends	-	-	-
Net provided (used) by investing activities	-	-	-
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)	\$ 322,863	\$ 85,076	\$ 407,939
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	477,049	75,160	552,209
Changes in assets and liabilities:			
Receivables, net	37,554	100,026	137,580
Internal Balances Due To/From Other Funds	(181,770)	(220,963)	(402,733)
Inventories	6,817	670	7,487
Prepays	319	319	638
Deferred Outflows	(65,025)	(46,937)	(111,962)
Accounts Payable	(555,621)	(32)	(555,653)
Accrued Expenses	(5,389)	1,996	(3,393)
Deferred Revenue	(59,427)	(8,643)	(68,070)
Deferred Inflows	(2,508)	1,092	(1,416)
Compensated Absences	(3,658)	243	(3,415)
Net Pension Liability	42,772	78,233	121,005
Other post employment benefit liability	(40,440)	11,365	(29,075)
Net cash provided (used) by operating activities	<u>\$ (26,464)</u>	<u>\$ 77,605</u>	<u>\$ 51,141</u>

See accompanying notes to the basic financial statements.

CITY OF FRANKLIN, NEW HAMPSHIRE

Statement of Net Position Fiduciary Funds June 30, 2021

	Total Private Purpose Trusts	Total Custodial Funds	Total Fiduciary Funds
Assets			
Investments	\$ 1,593,838	\$ -	\$ 1,593,838
Due from other funds	1,000	1,400	2,400
Total assets	<u>\$ 1,594,838</u>	<u>\$ 1,400</u>	<u>\$ 1,596,238</u>
Liabilities			
Due to other funds	\$ 1,085	\$ -	\$ 1,085
Total liabilities	<u>1,085</u>	<u>\$ -</u>	<u>1,085</u>
Net Position			
Restricted:			
For private purposes and others	\$ 1,593,753	\$ 1,400	\$ 1,595,153
Total net position	<u>\$ 1,593,753</u>	<u>\$ 1,400</u>	<u>\$ 1,595,153</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 Net Position Fiduciary Funds Year Ended June 30, 2021

	Total Private Purpose Trusts	Total Custodial Funds	Total Fiduciary Funds
Additions:			
Miscellaneous revenues	\$ 80,358	\$ 1,400	\$ 81,758
Total additions	<u>80,358</u>	<u>1,400</u>	<u>81,758</u>
Deductions:			
General government	32,822	-	32,822
Total deductions	<u>32,822</u>	<u>-</u>	<u>32,822</u>
Operating income (loss)	<u>47,536</u>	<u>1,400</u>	<u>48,936</u>
Non operating additions (deductions):			
Other financing sources	64,780	-	64,780
Net non operating revenues (expenses)	<u>64,780</u>	<u>-</u>	<u>64,780</u>
Change in net assets	112,316	1,400	113,716
Net position beginning of year	<u>1,481,437</u>	<u>-</u>	<u>1,481,437</u>
Net position end of year	<u>\$ 1,593,753</u>	<u>\$ 1,400</u>	<u>\$ 1,595,153</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, 2021

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 required to be included in the City's financial reporting entity as a blended component unit. The City financial statements do not include the financial data of its component unit. The school district issues its own audited financial statements, and the City believes that the presentation of separate financial statements allows the users to better distinguish between the activity of the primary government and component unit. Audited financial statements of the component unit (Franklin School District) are available for review upon request.

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.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2021

1-B Basis of Presentation, continued

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*.

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.

Following are the City's 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, custodial and private purpose trust funds. The engineering escrow fund is custodial in nature. 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.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2021

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 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.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2021

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, 2021

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, 2021

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, 2021

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 amounts that can only be used solely for the specific purpose in which the fund was established because of enabling legislation or externally imposed constraints. 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 2021, \$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	\$ 42,978
Election and Registration	900
Finance	9,200
Information Technology	2,450
Police	75,213
Fire	76,785
Municipal Services	760,319
Parks and Recreation	40,555
Capital	39,950
Debt service	39,450
Total Encumbrances	<u>\$ 1,087,800</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, 2021, and includes encumbrances and reserves as of June 30, 2020, as follows:

	<u>Amount</u>
2021 Original Adopted Budget - Appropriations	\$ 12,957,617
Total Appropriations Available	<u>\$ 12,957,617</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	\$ 14,168,959	\$ 13,192,765
Beginning Fund Balance	4,284,288	
Transfers To/From Capital Reserves	250,000	249,696
Transfers To/From Other Funds	13,832	200,262
Contributions to Capital Reserves	(53,410)	-
Interest Earned on Capital Reserves	(348)	-
Proceeds from Long-term Debt	74,780	-
Per Schedule A - Budgetary Comparison	<u>\$ 18,738,101</u>	<u>\$ 13,642,723</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 2021, 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 2021 recorded as an insurance expenditure totaled \$0. There were no unpaid contributions for the year ending June 30, 2021, and due in 2022. The City also paid \$174,808 for workers' compensation for the year ended June 30, 2021. The trust agreements permit the trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

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

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2-E Contingent Liabilities

Grants – Amounts received are subject to later year’s review and adjustment by grantor agencies, principally federal and state governments. At such time, any disallowed claims, including amounts already collected, may constitute a liability of the City and applicable funds. As of June 30, 2021, 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, 2021, the City’s debt totaled 1.6% of locally assessed equalized valuation; therefore, the City had not exceeded its legal debt limit.

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

3-A Cash and Investments

Custodial Credit Risk

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

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

As of June 30, 2021, \$0 of the City’s bank balance of \$13,089,411 was exposed to custodial credit risk as uninsured or uncollateralized.

As of June 30, 2021, the City had the following investments:

Cash Held by Trustees/Investment Firm	\$	282,087
NHPDIP		923,417
Equities		893,780
Fixed Income Investments		203,051
Exchange Traded Products		2,431,253
Mutual Funds		271,695
Total	\$	<u>5,005,283</u>

Of the City’s \$5,005,283 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
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3-A Cash and Investments, continued

Included in the City's cash equivalents as of June 30, 2021, 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, 2021, the deposit balances under the insured cash sweep agreement totaled \$12,230,795 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.

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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, 2021:

Description	Amount	Fair Market Using:		
		Quoted prices in active markets for identical assets	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities	\$ 893,780	\$ 893,780	\$ -	\$ -
Exchange Traded Products	2,431,253	2,431,253	-	-
Fixed Income	203,051	203,051	-	-
Mutual Funds	271,695	271,695	-	-
Brokerage account cash	282,087	NA	NA	NA
NHPDIP	923,417	NA	NA	NA
Total	<u>\$ 5,005,283</u>	<u>\$ 3,799,779</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, 2020, upon which the 2020 (City FY2021) property tax levy was based is:

For the New Hampshire education tax	\$616,099,031
For all other taxes	\$692,559,061

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
Notes to The Basic Financial Statements
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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, 2021, were as follows:

<u>Entity</u>	<u>Per \$1000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal Portion	\$ 11.87	\$ 8,216,820
School Portion:		
Local Education Taxes	6.45	4,467,353
State Education Taxes	1.95	1,201,740
County Portion	2.57	1,783,039
	<u>\$ 22.84</u>	<u>\$ 15,668,952</u>

During the current fiscal year, the tax collector executed a lien in 2021 for all uncollected 2019/2020 property taxes, \$340,802.

Taxes receivable as of June 30, 2021, are as follows:

Property:	
Levy of 2021	\$ 1,629,402
Unredeemed (under tax lien)	355,981
Welfare Liens	36,889
Less: Allowance for estimated uncollectible taxes	(30,041)
Less: Allowance for estimated uncollectible welfare liens	(36,889)
Net taxes receivable	<u>\$ 1,955,342</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 \$7,832,452 that were assessed for the fiscal year 2022, and \$303,730 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, 2021, the City provided tax relief under RSA 79-E totaling \$0.

3-C Other Receivables

Other receivables as June 30, 2021, 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, 2021, are as follows:

	Governmental Funds	Proprietary Funds	Total
Accounts Receivable	\$ 769,193	\$ 629,199	1,398,392
Allowance for Doubtful Accounts	(30,113)	(21,164)	(51,277)
Net Accounts Receivable	<u>739,080</u>	<u>608,035</u>	<u>1,347,115</u>
Intergovernmental Receivables	695,117	819,862	1,514,979
Allowance for Doubtful Accounts	-	-	-
Net Intergovernmental Receivables	<u>695,117</u>	<u>819,862</u>	<u>1,514,979</u>
	<u>\$ 1,434,197</u>	<u>\$ 1,427,897</u>	<u>\$ 2,862,094</u>

City of Franklin, New Hampshire
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3-D Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities (at cost)				
Capital assets not being depreciated:				
Monuments	\$ 61,000	\$ -	\$ -	\$ 61,000
Land	1,726,790	131,250	-	1,858,040
Construction in progress	928,129	296,569	-	1,224,698
	<u>2,715,919</u>	<u>427,819</u>	<u>-</u>	<u>3,143,738</u>
Capital assets being depreciated:				
Land improvements	240,896	-	-	240,896
Buildings and improvements	5,229,096	-	-	5,229,096
Furniture, equipment and vehicles	8,649,353	100,771	-	8,750,124
Infrastructure	4,985,477	277,674	-	5,263,151
	<u>19,104,822</u>	<u>378,445</u>	<u>-</u>	<u>19,483,267</u>
Less accumulated depreciation:				
Land improvements	106,753	5,891	-	112,644
Buildings and improvements	3,129,807	114,131	-	3,243,938
Furniture, equipment and vehicles	5,567,997	485,138	-	6,053,135
Infrastructure	1,771,695	212,877	-	1,984,572
Accumulated depreciation	<u>10,576,252</u>	<u>818,037</u>	<u>-</u>	<u>11,394,289</u>
Capital assets being depreciated, net	<u>8,528,570</u>	<u>(439,592)</u>	<u>-</u>	<u>8,088,978</u>
Governmental activities capital assets, Net of accumulated depreciation	<u><u>\$ 11,244,489</u></u>	<u><u>\$ (11,773)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,232,716</u></u>
Business-Type Activities (at cost)				
Capital assets not being depreciated:				
Land and improvements	\$ 65,148	\$ -	\$ -	\$ 65,148
Construction in progress	353,960	191,522	-	545,482
	<u>419,108</u>	<u>191,522</u>	<u>-</u>	<u>610,630</u>
Capital assets being depreciated:				
Buildings and improvements	557,351	-	-	557,351
Machinery, equipment and vehicles	1,082,002	13,800	-	1,095,802
Infrastructure	26,897,180	1,785,048	-	28,682,228
	<u>28,536,533</u>	<u>1,798,848</u>	<u>-</u>	<u>30,335,381</u>
Less accumulated depreciation:				
Buildings and improvements	201,756	18,167	-	219,923
Machinery, equipment and vehicles	652,727	56,471	-	709,198
Infrastructure	7,105,628	477,572	-	7,583,200
Accumulated depreciation	<u>7,960,111</u>	<u>552,210</u>	<u>-</u>	<u>8,512,321</u>
Capital assets being depreciated, net	<u>20,576,422</u>	<u>1,246,638</u>	<u>-</u>	<u>21,823,060</u>
Business-Type activities capital assets, Net of accumulated depreciation	<u><u>\$ 20,995,530</u></u>	<u><u>\$ 1,438,160</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,433,690</u></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:

Governmental Activities:

General Government	\$	522,548
Public Safety		39,339
Highways and Streets		179,775
Garage		7,644
Sanitation		2,424
Culture and Recreation		66,307
Total Governmental Activities	\$	818,037

Business-Type Activities:

Water Fund	\$	477,049
Sewer Fund		75,160
Total Business-Type Activities	\$	552,209

3-E Prepaid Items

Prepaid items as of June 30, 2021, totaling \$118,747, 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	\$ 35,728	\$ -
Software Support	14,972	-
Insurance	57,704	-
NHMA Dues	3,423	-
Prepaid Postage	198	-
Other Miscellaneous Prepayments	5,360	1,362
	\$ 117,385	\$ 1,362

City of Franklin, New Hampshire
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3-F Interfund Balances and Transfers

Interfund balances as of June 30, 2021, consist of interfund loans, services provided, reimbursements or budgetary transfers. The composition of interfund balances as of June 30, 2021, is as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 5,887	\$ 1,123,714
Nonmajor Special Revenue Funds:		
Franklin Public Library	14,115	-
MMRS Grant Fund	-	1,102
DARE Fund	1,310	-
Expendable Trusts	6,295	-
Parks and Recreation	23,336	-
Outside Police Detail	53,425	-
Nonmajor Capital Project Funds:		
Capital Project Fund	12,170	-
Nonmajor Permanent Trust Funds:		
Odell Park Fund	-	3,700
Proprietary Funds:		
Water Fund	178,890	-
Sewer Fund	833,422	-
Fiduciary Funds:		
Private purpose trust funds	1,000	1,085
Custodial funds	1,400	-
	<u>\$ 1,131,250</u>	<u>\$ 1,129,601</u>

Interfund transfers during the year were comprised of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 13,832	\$ 200,262
Nonmajor Funds:		
Franklin Public Library	239,722	-
Conservation Commission	400	-
Heritage Commission	250	-
Expendable Trusts	-	10,132
Odell Park Trust	-	3,700
Library Buswell Trust	-	33,891
Other Library Trusts	-	6,219
	<u>\$ 254,204</u>	<u>\$ 254,204</u>

City of Franklin, New Hampshire
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3-G Unearned Revenue

Governmental Funds - Unearned revenue of \$8,303,259 as of June 30, 2021, consists of property taxes levied but not due until the subsequent year (\$7,832,452) and property taxes not collected within 60 days (\$303,730). In addition, \$56,996 related to recreation program fees collected in advance; \$85,429 donations/grants collected in advance of expenditure; and \$24,652 of property tax credits.

Proprietary Funds – Unearned revenue in the Water department or Sewer department as of June 30, 2021, 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, 2021, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
General Obligation Bonds/Notes	\$ 1,903,746	\$ 151,751	\$ 199,625	\$ 1,855,872
Capital Leases	362,076	-	99,943	262,133
Compensated Absences	274,073	-	6,878	267,195
Landfill Post Closure Care Costs	145,557	-	9,365	136,192
Other Post Employment Benefits	4,708,739	219,242	154,132	4,773,849
Net Pension Liability	9,400,823	2,239,204	-	11,640,027
Total Governmental Activities	\$ 16,795,014	\$ 2,610,197	\$ 469,943	\$ 18,935,268
<u>Business-Type Activities:</u>				
Bonds/Notes Payable	\$ 7,025,422	\$ 2,367,415	\$ 400,690	\$ 8,992,147
Capital Leases	27,501	-	27,501	-
Compensated Absences	17,135	-	3,416	13,719
Other Post Employment Benefits	434,328	-	29,075	405,253
Net Pension Liability	867,120	121,005	-	988,125
Total Business-Type Activities	\$ 8,371,506	\$ 2,488,420	\$ 460,682	\$ 10,399,244

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 6/30/21	Current Portion
Governmental Activities:						
<u>General Obligation Bonds</u>						
Roads	2016	2.75%	2026	\$ 505,000	\$ 269,414	\$ 51,035
Streetlights	2016	3.00%	2022	165,200	29,606	29,606
Fire Truck	2017	2.49%	2027	650,000	409,236	64,035
Fiber Connectivity Project	2018	4.21%	2023	160,000	66,055	32,686
Mixed Use TIF	2019	2.75%	2022	1,400,000	579,641	-
Ambulance	2020	2.49%	2027	199,989	173,508	27,185
Grader	2020	2.49%	2027	300,683	253,632	33,561
Police Vehicles	2021	2.15%	2026	74,780	74,780	18,095
Total General Obligation Debt					<u>1,855,872</u>	<u>256,203</u>
<u>Capital Lease Obligations</u>						
Energy Audit and Improvements Lease	2015	3.97%	2027	301,966	130,171	15,781
(2) 2017 Ford F550 Trucks and Sidewalk Plow	2018	3.13%	2023	274,199	94,175	46,353
2018 Ford Explorer	2019	4.31%	2022	47,748	12,205	12,205
2019 Ford Interceptor	2020	3.72%	2023	38,043	25,582	12,555
					<u>262,133</u>	<u>86,894</u>
<u>Other Long-Term Obligations</u>						
Compensated absences					\$ 267,195	-
Landfill Post Closure Care Costs					136,192	-
Implicit Rate Subsidy OPEB					3,955,374	-
NHRS Medical Subsidy OPEB					818,475	-
Net pension liability					<u>11,640,027</u>	-
					<u>16,817,263</u>	-
Total Governmental Activities:					<u>\$ 18,935,268</u>	<u>\$ 343,097</u>
Business-Type Activities:						
<u>Bonds/Notes Payable</u>						
USDA Bond	2012	2.25%	2040	\$ 3,645,000	\$ 2,473,381	\$ 130,180
Drinking Water State Revolving Fund	2012	1.10%	2034	3,226,055	2,294,435	149,743
Drinking Water State Revolving Fund	2015	1.00%	2027	677,395	337,707	54,585
Drinking Water State Revolving Fund	2020	1.00%	2029	350,000	236,027	28,421
Drinking Water State Revolving Fund	2020	2.70%	2022	3,605,230	3,359,035	-
Water Fund Subtotal					<u>8,700,585</u>	<u>362,929</u>
Revolving Loan	2006	3.35%	2027	784,061	291,562	44,678
Sewer Fund Subtotal					<u>291,562</u>	<u>44,678</u>
Total Business-Type Bonds/Notes					<u>8,992,147</u>	<u>407,607</u>
<u>Other Long-Term Obligations</u>						
				<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Compensated absences				\$ 8,639	\$ 5,081	\$ 13,720
Implicit Rate Subsidy OPEB				231,615	104,158	335,773
NHRS Medical Subsidy OPEB				47,927	21,553	69,480
Net pension liability				<u>681,605</u>	<u>306,520</u>	<u>988,125</u>
				<u>969,786</u>	<u>437,312</u>	<u>1,407,098</u>
Total Business-Type Activities:					<u>\$ 10,399,245</u>	<u>\$ 407,607</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, 2021, including interest payments, are as follows:

Annual Requirements to Amortize Governmental Funds General Obligation Debt

	Principal	Interest	Total Interest
2022	\$ 835,844	\$ 32,982	\$ 868,826
2023	239,631	25,966	265,597
2024	211,524	19,951	231,475
2025	216,889	14,587	231,476
2026	202,544	9,021	211,565
2027	<u>149,440</u>	<u>3,774</u>	<u>153,214</u>
	<u>\$ 1,855,872</u>	<u>\$ 106,281</u>	<u>\$ 1,962,153</u>

Annual Requirements to Amortize Governmental Funds Lease Obligations

	Principal	Interest	Total Interest
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	21,226	2,352	23,578
2027	<u>38,014</u>	<u>1,509</u>	<u>39,523</u>
	<u>\$ 262,133</u>	<u>\$ 27,053</u>	<u>\$ 289,186</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
2022	\$ 3,721,964	\$ 44,678	\$ 86,901	\$ 6,858	\$ 3,766,642	\$ 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	386,359	50,976	64,303	2,438	437,335	66,741
2027 to 2031	1,727,995	52,685	237,538	1,239	1,780,680	238,777
2032 to 2036	1,220,450	-	110,912	-	1,220,450	110,912
2037 to 2040	<u>520,683</u>	<u>-</u>	<u>26,358</u>	<u>-</u>	<u>520,683</u>	<u>26,358</u>
	<u>\$ 8,700,585</u>	<u>\$ 291,562</u>	<u>\$ 753,138</u>	<u>\$ 24,661</u>	<u>\$ 8,992,147</u>	<u>\$ 777,799</u>

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

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 \$136,192 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.

City of Franklin, New Hampshire
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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, 2021, the City is due to receive the following annual amounts to offset debt payments:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 59,427
2023	59,427
2024	59,427
2025	59,427
2026	59,427
2027 to 2031	297,135
2032 to 2033	<u>118,854</u>
Total	<u>\$ 713,124</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.

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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:			
Prepaid expenditures	\$ 116,203	\$ 1,182	\$ 117,385
Endowment principal	-	1,702,529	1,702,529
Restricted:			
Public Library	-	284,550	284,550
Conservation	-	7,166	7,166
Drug Forfeiture	-	7,856	7,856
DARE	-	9,353	9,353
Heritage Commission	-	12,083	12,083
Parks and Recreation	-	21,897	21,897
MMRS Grant Fund	-	56,471	56,471
Odell Park	-	24,196	24,196
Library Buswell Trust	-	269	269
Other General Trusts	-	26,321	26,321
Other Library Trusts	-	3,598	3,598
Committed:			
Capital reserves	715,224	-	715,224
Expendable Trusts	-	223,899	223,899
Expendable School Trusts	-	9,785	9,785
TIF District	312,018	-	312,018
Assigned:			
Encumbrances	1,087,800	-	1,087,800
Unassigned:	3,535,040	-	3,535,040
	<u>\$ 5,766,285</u>	<u>\$ 2,391,155</u>	<u>\$ 8,157,440</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%

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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, 2021, were 11.17%, 28.43% and 30.09% of covered payroll for employees, police and fire, respectively. The City's contributions to the System for the years ending June 30, 2021, 2020, and 2019 were \$1,039,029, \$971,246, and \$1,039,247, 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 2020 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		Minimum	Benefit
1, 2012	Minimum age	service	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 as of and for the year ended June 30, 2019, is a component of total employer contributions presented in the System's financial statements for the corresponding period.

City of Franklin, New Hampshire
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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, 2019, rolled forward to June 30, 2020, using the following actuarial assumptions:

Inflation	2.00%	
Salary increases	5.60%	average, including inflation
Wage inflation	2.75%	(2.25% for Teachers)
Investment rate of return	6.75%	Net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group and projected fully generational mortality improvements using Scale MP-2019.

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, 2016–June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%.
- Reduced wage inflation from 3.25% to 2.75% (2.25 for teachers).
- Reduced price inflation from 2.5% to 2.0%.
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

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. The following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	2020 Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total Domestic Equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total International Equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total Fixed Income	25.00%	
Private Equity	10.00%	7.71%
Private Debt	5.00%	4.81%
Total Alternative Investments	15.00%	
Real Estate	<u>10.00%</u>	2.95%
TOTAL	<u>100.00%</u>	

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

Discount rate. The discount rate used to measure the total pension liability was 6.75 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 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 assuming it was calculated using a single discount rate that is one-percent lower or one-percent higher than the single discount rate:

<u>Fiscal Year Ended</u>	<u>Current single</u>		
	<u>1% Decrease</u>	<u>rate assumption</u>	<u>1% Increase</u>
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
June 30, 2021	\$ 16,348,316	\$ 12,628,151	\$ 9,588,283

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

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

As of June 30, 2021, the City reported a liability of \$12,628,151 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, 2021, the City's proportion was 0.19743360 percent.

For the year ended June 30, 2021, the City recognized pension expense of \$1,731,606. As of June 30, 2021, 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
Differences between expected and actual experience	\$ 341,021	\$ 135,590	\$ 205,431
Changes of assumptions	1,249,175	-	1,249,175
Net differences between projected and actual earnings on pension plan investments	781,065	-	781,065
Changes in proportion and differences between Employer contributions and proportionate share of contributions	167,920	764,891	(596,971)
Employer contributions subsequent to the measurement date	936,214	-	NA
Total	<u>\$ 3,475,395</u>	<u>\$ 900,481</u>	<u>\$ 1,638,700</u>

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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)
2022	\$ 316,326
2023	430,104
2024	463,415
2025	428,855
Total	<u>\$ 1,638,700</u>

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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

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.

Benefits Provided

The City provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. Retirees are required to pay 100% of the premium for coverage elected. This valuation does not account for the cost of benefits to retirees or their spouses after age 65.

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

Employees covered by benefit terms

As of July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	<u>75</u>
Total Participants covered by OPEB Plan	<u>86</u>

Total OPEB Liability

The City's total OPEB liability of \$4,291,147 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

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:	
2019 - 2020 Trend	10.98%
2020 - 2021 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 June 30, 2020.

Mortality rates were based on the RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Year 2006).

Significant Changes from the Previous Actuarial Valuation

- Decreasing the discount rate from 3.87% to 2.21%.
- Trend rates were advanced, and the current year trend rate was adjusted to reflect actual experience.
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006) to SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Year 2006).
- Morbidity factors were adjusted to reflect rates that better reflect expected underlying costs.

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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, 2021
OPEB Liability Beginning of Year	\$ 4,080,748
Changes for the year:	
Service Cost	257,382
Plan Change	-
Interest	88,685
Assumption Changes	-
Differences Between Actual and Expected Experience	-
Benefit payments	(135,668)
OPEB Liability End of Year	<u>\$ 4,291,147</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		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 5,184,498	\$ 4,291,147	\$ 3,662,710

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		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,504,137	\$ 4,291,147	\$ 5,395,525

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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, 2021, the City recognized an OPEB expense of \$466,726. As of June 30, 2021, the City reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources	Net
Balance, beginning	\$ 1,409,435	\$ 347,597	\$ 1,061,838
Assumption Changes	-	-	-
Experience Changes	-	-	-
Amortization	(242,223)	(122,380)	(119,843)
Balance, ending	<u>\$ 1,167,212</u>	<u>\$ 225,217</u>	<u>\$ 941,995</u>

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

For the Year Ending June 30,	Outflows	Inflows
2022	\$ 242,221	\$ 113,900
2023	233,969	28,182
2024	233,969	28,182
2025	233,969	28,182
2026	<u>223,084</u>	<u>26,771</u>
Total	<u>\$ 1,167,212</u>	<u>\$ 225,217</u>

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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 other postemployment benefit (OPEB) plan. For additional information, please refer to the fiscal 2020 Comprehensive Annual Financial Report, which can be found on 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 OPEB 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. If the health insurance premium amount is less than the Medical Subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the Medical Subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

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.

The collective total OPEB liability is based on an actuarial valuation performed as of June 30, 2019, rolled forward to June 30, 2020, utilizing procedures incorporating the actuarial assumptions.

Actuarial assumptions and other inputs

The collective total OPEB liability was based on the following actuarial assumptions:

Inflation	2.00%	
Salary Increases	5.60%	average, including inflation
Wage Inflation	2.75%	(2.25% for Teachers)
Investment rate of return	6.75%	per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2021

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

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, 2016 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%.
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers).
- Reduced price inflation from 2.5% to 2.0%.
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

The long-term expected rate of return on OPEB 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. The following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	2020 Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total Domestic Equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total International Equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total Fixed Income	25.00%	
Private Equity	10.00%	7.71%
Private Debt	5.00%	4.81%
Total Alternative Investments	15.00%	
Real Estate	<u>10.00%</u>	2.95%
TOTAL	<u>100.00%</u>	

The discount rate used to measure the collective OPEB liability was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on this assumption, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Proportionate Share of NHRS Net OPEB Liability

The City's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$887,956.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2021

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	\$ 964,228	\$ 887,956	\$ 821,737

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

For the year ended June 30, 2021, the City recognized an OPEB expense of \$(63,730). As of June 30, 2021, 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
Differences between expected and actual experience	\$ -	\$ 2,573	\$ (2,573)
Changes of assumptions	5,709	-	5,709
Net differences between projected and actual earnings on OPEB plan investments	3,322	-	3,322
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	21,525	(21,525)
Employer contributions subsequent to the measurement date	102,816	-	NA
Total	<u>\$ 111,847</u>	<u>\$ 24,098</u>	<u>\$ (15,067)</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2021

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

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, 2022. 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:

<u>For the Year Ending June 30,</u>	<u>Deferred Outflows/(Inflows)</u>
2022	\$ (7,904)
2023	(2,294)
2024	(2,735)
2025	(2,134)
Total	<u>\$ (15,067)</u>

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, 2021.

	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total OPEB Expense</u>
District OPEB Plan	\$ 4,291,146	\$ 1,167,212	\$ 225,217	\$ 466,726
NHRS Medical Subsidy OPEB Plan	<u>887,956</u>	<u>111,846</u>	<u>24,098</u>	<u>(63,730)</u>
Total	<u>\$ 5,179,102</u>	<u>\$ 1,279,058</u>	<u>\$ 249,315</u>	<u>\$ 402,996</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
As of And for The Fiscal Year Ended
June 30, 2021

NOTE 5 - RESTATEMENT OF NET POSITION

Beginning net position/fund balance was restated as follows:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Governmental funds deferral incorrectly reported as deferred in prior year government-wide net position	\$ 327,445	\$ -
Reclassify permanent trust fund balance	(731,505)	(731,505)
Capital assets not reported in prior year	523,670	-
Remove School District capital reserves	<u>(3,594)</u>	<u>(3,594)</u>
Change in net position/fund balance	116,016	(735,099)
Net position/fund balance, as previously reported	<u>\$ 4,100,470</u>	<u>\$ 7,673,675</u>
Net position/fund balance, as restated	<u><u>\$ 4,216,486</u></u>	<u><u>\$ 6,938,576</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, NEW HAMPSHIRE

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance
Budgetary Fund Balance - Beginning	\$ -	\$ 2,489,616	\$ 4,284,288	\$ 1,794,672
Resources (inflows):				
Taxes				
Property taxes	15,754,595	15,754,595	15,755,017	422
Land use change taxes	4,000	4,000	14,000	10,000
Timber taxes	6,000	6,000	5,113	(887)
Payments in lieu of taxes	19,850	19,850	20,033	183
Other taxes	8,000	8,000	8,900	900
Interest and penalties on delinquent taxes	120,000	120,000	97,097	(22,903)
Excavation tax	200	200	238	38
Provision for overlay and abatements	(169,268)	(169,268)	(150,258)	19,010
Other	(85,643)	(85,643)	(87,053)	(1,410)
School Assessment	(5,669,093)	(5,669,093)	(5,669,093)	-
County Assessment	(1,783,039)	(1,783,039)	(1,783,039)	-
Licenses, permits and fees				
Business licenses and permits	900	900	900	-
Motor vehicle permit fees	1,200,000	1,200,000	1,434,051	234,051
Building permits	52,000	52,000	71,112	19,112
Other licenses, permits and fees	50,100	50,100	56,965	6,865
Grant Revenues	1,049,424	1,049,424	1,228,803	179,379
State of NH sources				
Shared revenue block grant	249,843	249,843	249,843	-
Meals and rental tax distribution	440,952	440,952	440,952	-
Highway block grant	203,540	203,540	203,488	(52)
State and federal forest land reimbursemen	83	83	80	(3)
Flood control reimbursement	17,761	17,761	17,761	-
Other state grants	62,904	62,904	53,036	(9,868)
Charges for services				
Income from departments	559,739	559,739	701,672	141,933
Other charges	667,200	667,200	593,348	(73,852)
Miscellaneous revenues				
Sale of municipal property	17,246	17,246	236,667	219,421
Interest on investments	115,000	115,000	13,149	(101,851)
Rents of property	-	-	277	277
Insurance dividends and reimbursements	-	-	21,618	21,618
Contributions and donations	45,000	45,000	76,963	31,963
Other miscellaneous sources	815,137	815,137	416,508	(398,629)
Interfund operating transfers in				
Transfers from special revenue funds	81,724	81,724	-	(81,724)
Transfers from capital reserves	370	370	-	(370)
Transfers from other funds	250,000	250,000	263,832	13,832
Other financing sources				
Long-term debt proceeds	-	-	74,780	74,780
Amounts available for appropriation	<u>14,084,525</u>	<u>16,574,141</u>	<u>18,651,048</u>	<u>2,076,907</u>

See the accompanying notes to the required supplementary information.

CITY OF FRANKLIN, NEW HAMPSHIRE

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance
Charges to appropriations (outflows):				
General government				
Executive	425,600	525,600	438,361	87,239
Election and registration	228,870	239,577	217,677	21,900
Financial administration	521,186	545,466	544,808	658
Legal expense	38,100	38,100	68,752	(30,652)
Planning and zoning	179,548	179,548	201,249	(21,701)
General government building	142,787	266,306	215,557	50,749
Insurance not otherwise allocated	130,600	130,600	115,707	14,893
Other	232,497	297,404	26,693	270,711
Public safety				
Police	3,401,741	3,493,090	3,231,238	261,852
Fire and EMS	170,291	171,791	179,622	(7,831)
Fire	2,424,227	2,464,273	2,504,958	(40,685)
Emergency management	67,634	72,468	64,146	8,322
Highways and streets				
Administration	131,955	131,955	118,049	13,906
Highways and streets	821,989	1,472,360	1,115,381	356,979
Street lighting	99,486	99,486	50,127	49,359
Other highway	411,060	429,460	864,203	(434,743)
Sanitation				
Solid waste collection	220,000	220,000	303,473	(83,473)
Solid waste disposal	756,292	756,292	781,142	(24,850)
Health				
Pest control	20,000	20,000	-	20,000
Health agencies and hospitals	72,515	72,515	61,379	11,136
Drug free communities	225,000	225,000	182,879	42,121
Welfare				
Administration	101,074	101,074	60,974	40,100
Vendor payments	7,000	7,000	3,935	3,065
Culture and recreation				
Parks and recreation	914,721	914,721	829,705	85,016
Other culture and recreation	421,127	421,127	12,882	408,245
Economic development				
Redevelopment and housing	125,000	1,484,703	472,347	1,012,356
Debt service				
Principal on long term bonds and notes	170,519	170,519	219,654	(49,135)
Interest on long term bonds and notes	27,990	27,990	45,316	(17,326)
Other debt service charges	187,601	187,601	141,171	46,430
Capital outlay				
Land and improvements	316,250	316,250	-	316,250
Buildings	90,000	90,000	4,700	85,300
Improvements other than buildings	250,000	250,000	41,900	208,100
Other	-	-	74,780	(74,780)
Operating transfers out				
Special revenue funds	257,759	257,759	200,262	57,497
Capital project funds	20,000	20,000	-	20,000
Transfer to capital reserve	474,106	474,106	474,106	-
Total charges to appropriations	14,084,525	16,574,141	13,867,133	2,707,008
Budgetary Fund Balance - Ending	\$ -	\$ -	\$ 4,783,915	\$ 4,783,915

See the accompanying notes to the required supplementary information.

CITY OF FRANKLIN, NEW HAMPSHIRE

Schedule of Changes in Implicit Rate Subsidy OPEB Liability Year Ended June 30, 2021

	2018	2019	2020	2021
Total OPEB Liability Beginning of Year	\$ 1,386,002	\$ 2,369,691	\$ 2,479,147	\$ 4,080,748
Changes for the Year:				
Service Cost	84,795	96,962	251,817	257,382
Plan Change	-	-	-	-
Interest	49,243	90,203	84,225	88,685
Assumption Changes	870,680	-	1,594,157	-
Difference Between Actual and Expected Experience	-	-	(195,863)	-
Benefit payments	(21,029)	(77,709)	(132,735)	(135,668)
Total OPEB Liability End of Year	<u>\$ 2,369,691</u>	<u>\$ 2,479,147</u>	<u>\$ 4,080,748</u>	<u>\$ 4,291,147</u>
City's covered-employee payroll	\$ 4,274,498	\$ 4,402,733	\$ 4,543,691	\$ 4,680,005
Total OPEB Liability as a percentage of covered payroll	55.44%	56.31%	89.81%	91.69%

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, 2021

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
June 30, 2021	0.20286443%	\$ 887,956	\$ 5,069,573	18%	7.74%
June 30, 2020	0.24231116%	\$ 1,062,319	\$ 4,868,096	22%	7.75%
June 30, 2019	0.23317671%	\$ 1,067,590	\$ 4,698,401	23%	7.53%
June 30, 2018	0.15974839%	\$ 730,424	\$ 4,628,936	16%	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
June 30, 2021	\$ 94,164	\$ 94,164	\$ -	\$ 5,069,573	1.86%
June 30, 2020	\$ 110,581	\$ 110,581	\$ -	\$ 4,868,096	2.27%
June 30, 2019	\$ 103,141	\$ 103,141	\$ -	\$ 4,698,401	2.20%
June 30, 2018	\$ 94,683	\$ 94,683	\$ -	\$ 4,628,936	2.05%

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, 2021

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
June 30, 2021	0.19743360%	\$ 12,628,151	\$ 5,069,573	249.10%	58.72%
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%

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
June 30, 2021	\$ 877,083	\$ 877,083	\$ -	\$ 5,069,573	17.30%
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%

See the accompanying notes to the required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

City of Franklin, New Hampshire
Notes to Required Supplementary Information
As of and for the Fiscal Year Ended
June 30, 2021

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	\$ 18,651,048
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund (balance) deficit	(4,284,288)
Transfers from other funds	(263,832)
Debt proceeds	(74,780)
Contributions to capital reserves	53,410
Revenues for financial reporting that are not inflows for budgetary purposes	
Earnings on capital reserve investments	348
TIF revenues	<u>87,053</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 14,168,959</u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 13,867,133
Differences - Budget to GAAP:	
Expenditures for financial reporting purposes that are not budgetary outflows	
Transfer to capital reserves	(474,106)
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	<u>(200,262)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 13,192,765</u>

City of Franklin, New Hampshire
Notes to Required Supplementary Information
As of and for the Fiscal Year Ended
June 30, 2021

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 Implicit Rate Subsidy 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, 2021**

	Franklin Public Library	MMRS Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts City	Parks and Recreation	Outside Detail	Expendable Trusts School	Capital Project Fund	Odell Park	Other General Funds	Library Buswell Trust	Other Library Trusts	Total Nonmajor Governmental Funds
Assets																
Cash and cash equivalents	\$ 272,441	\$ -	\$ -	\$ 7,856	\$ 8,043	\$ -	\$ 109,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,495	\$ -	\$ -	\$ 516,222
Investments	-	-	7,166	-	-	12,083	108,217	-	-	9,785	-	212,710	697,459	1,091,489	371,965	2,510,874
Receivables, net	8,851	-	-	-	-	-	-	-	3,844	-	3,800	-	-	-	-	16,495
Due from other governments	-	6,364	-	-	-	-	-	-	-	-	-	-	-	-	-	6,364
Due from other funds	14,115	-	-	-	1,310	-	6,295	23,336	53,425	-	12,170	-	-	-	-	110,651
Prepays	1,182	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,182
Total assets	<u>\$ 296,589</u>	<u>\$ 6,364</u>	<u>\$ 7,166</u>	<u>\$ 7,856</u>	<u>\$ 9,353</u>	<u>\$ 12,083</u>	<u>\$ 223,899</u>	<u>\$ 23,336</u>	<u>\$ 57,269</u>	<u>\$ 9,785</u>	<u>\$ 15,970</u>	<u>\$ 212,710</u>	<u>\$ 815,954</u>	<u>\$ 1,091,489</u>	<u>\$ 371,965</u>	<u>\$ 3,161,788</u>
Liabilities, Deferred Inflows of Resources and Fund Balances																
Liabilities:																
Accounts payable	\$ 5,895	\$ 5,262	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,596
Accrued expenses	4,962	-	-	-	-	-	-	-	798	-	-	-	-	-	-	5,760
Due to other funds	-	1,102	-	-	-	-	-	-	-	-	-	3,700	-	-	-	4,802
Total liabilities	<u>10,857</u>	<u>6,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,439</u>	<u>798</u>	<u>-</u>	<u>-</u>	<u>3,700</u>	<u>731,505</u>	<u>-</u>	<u>-</u>	<u>754,663</u>
Deferred Inflows of Resources:																
Deferred revenue	-	-	-	-	-	-	-	-	-	-	15,970	-	-	-	-	15,970
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,970</u>
Fund balances:																
Nonspendable	1,182	-	-	-	-	-	-	-	-	-	-	184,814	58,128	1,091,220	368,367	1,703,711
Restricted	284,550	-	7,166	7,856	9,353	12,083	-	21,897	56,471	-	-	24,196	26,321	269	3,598	453,760
Committed	-	-	-	-	-	-	223,899	-	-	9,785	-	-	-	-	-	233,684
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>285,732</u>	<u>-</u>	<u>7,166</u>	<u>7,856</u>	<u>9,353</u>	<u>12,083</u>	<u>223,899</u>	<u>21,897</u>	<u>56,471</u>	<u>9,785</u>	<u>-</u>	<u>209,010</u>	<u>84,449</u>	<u>1,091,489</u>	<u>371,965</u>	<u>2,391,155</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 296,589</u>	<u>\$ 6,364</u>	<u>\$ 7,166</u>	<u>\$ 7,856</u>	<u>\$ 9,353</u>	<u>\$ 12,083</u>	<u>\$ 223,899</u>	<u>\$ 23,336</u>	<u>\$ 57,269</u>	<u>\$ 9,785</u>	<u>\$ 15,970</u>	<u>\$ 212,710</u>	<u>\$ 815,954</u>	<u>\$ 1,091,489</u>	<u>\$ 371,965</u>	<u>\$ 3,161,788</u>

CITY OF FRANKLIN, NEW HAMPSHIRE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021**

	Franklin Public Library	MMRS Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts City	Parks and Recreation	Outside Detail	Expendable Trusts School	Capital Project Fund	Odell Park	Other General Funds	Library Buswell Trust	Other Library Trusts	Total Nonmajor Governmental Funds
Revenues																
Grant Revenues	\$ -	\$ 10,381	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,381
Charges for services	1,450	-	-	-	-	-	-	15,738	9,982	-	-	-	-	-	-	27,170
Miscellaneous revenues	8,464	-	5	3	1,313	58	11,622	540	-	330	-	9,351	36,114	16,650	16,490	100,940
Interfund operating transfers in	239,722	-	400	-	-	250	-	-	-	-	-	-	-	-	-	240,372
Other financing sources	-	-	-	-	-	-	4,727	-	-	138	76,971	3,002	11,514	266,307	5,248	367,907
Total revenues and other financing sources	249,636	10,381	405	3	1,313	308	16,349	16,278	9,982	468	76,971	12,353	47,628	282,957	21,738	746,770
Expenditures																
General government	-	10,835	-	-	-	-	243	-	-	17	-	-	13,268	-	-	24,363
Public safety	-	-	-	2,235	-	-	-	-	7,880	-	-	-	-	-	-	10,115
Culture and recreation	214,269	-	-	-	-	-	-	16,889	-	-	-	447	-	15,288	791	247,684
Conservation	-	-	375	-	-	-	-	-	-	-	-	-	-	-	-	375
Capital outlay	-	-	-	-	-	-	-	-	-	-	55,971	-	-	-	-	55,971
Operating transfers out	-	-	-	-	-	-	10,132	-	-	-	-	3,700	-	33,891	6,219	53,942
Total expenditures and other financing sources	214,269	10,835	375	2,235	-	-	10,375	16,889	7,880	17	55,971	4,147	13,268	49,179	7,010	392,450
Excess revenue and other financing sources over (under) expenditures and other financing uses	35,367	(454)	30	(2,232)	1,313	308	5,974	(611)	2,102	451	21,000	8,206	34,360	233,778	14,728	354,320
Fund balance, beginning of year (as re	250,365	454	7,136	10,088	8,040	11,775	217,925	22,508	54,369	9,334	(21,000)	200,804	50,089	857,711	357,237	2,036,835
Fund balance, end of year	\$ 285,732	\$ -	\$ 7,166	\$ 7,856	\$ 9,353	\$ 12,083	\$ 223,899	\$ 21,897	\$ 56,471	\$ 9,785	\$ -	\$ 209,010	\$ 84,449	\$ 1,091,489	\$ 371,965	\$ 2,391,155

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

P.O. Box 129
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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, 2021, 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 October 20, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs*, as item 2021-01 that we consider to be a significant deficiency.

Report on 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 financial statements. 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*.

City of Franklin's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Franklin's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs*. The City of Franklin's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

October 20, 2022

ROBERGE AND COMPANY, P.C.

Certified Public Accountants

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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, 2021. 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, 2021.

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
October 20, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF FRANKLIN, NEW HAMPSHIRE

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Assistance Listing #	Pass Trough ID #	Expenditures of Federal Awards
U.S. DEPARTMENT OF AGRICULTURE			
Direct			
Rural Business Development Grant	10.351	34007-026000292	\$ 19,200
U.S. DEPARTMENT OF AGRICULTURE TOTAL			<u>19,200</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Community Development Finance Authority			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-154-FSED	<u>10,000</u>
U.S. DEPARTMENT OF INTERIOR TOTAL			<u>10,000</u>
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	131,337
Outdoor Recreation Acquisition, Development and Planning	15.916	33-00733	4,700
U.S. DEPARTMENT OF INTERIOR TOTAL			<u>136,037</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through the NH Department of Justice			
Violence Against Women Formula Grants	16.588	2019WFAX0015	15,000
Violence Against Women Formula Grants	16.588	2020WFAX0015	15,000
U.S. DEPARTMENT OF JUSTICE TOTAL			<u>30,000</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the NH Dept of Safety, Office of Highway Safety			
Highway Planning and Construction	20.205	XA004(886)	<u>53,668</u>
U.S. DEPARTMENT OF TRANSPORTATION TOTAL			<u>53,668</u>
U.S. DEPARTMENT OF THE TREASURY			
Direct			
COVID-19 - Coronavirus Relief Fund	21.019		206,402
Passed through the NH Department of Health and Human Services			
COVID-19 - Coronavirus Relief Fund	21.019		<u>3,801</u>
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>210,203</u>
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	1,921,804
Capitalization Grants for Drinking Water State Revolving Funds	66.468	AM-101	900
DRINKING WATER STATE REVOLVING FUND CLUSTER TOTAL			<u>1,922,704</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL			<u>1,922,704</u>
U.S. ELECTION ASSISTANCE COMMISSION			
Passed through the Community Development Finance Authority			
2018 HAVA Election Security Grants	90.404	DC20101CARES	<u>9,104</u>
U.S. ELECTION ASSISTANCE COMMISSION TOTAL			<u>9,104</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SP082694-01	<u>150,238</u>
Drug-Free Communities Support Program Grants	93.276	2H79SP017024-06	<u>32,641</u>
CCDF CLUSTER			
Passed through the NH Department Health and Human Services			
Child Care and Development Block Grant	93.575	Child Care	94,735
CCDF CLUSTER TOTAL			<u>94,735</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL			<u>277,614</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct			
Emergency Management Performance Grants	97.042	EMB2020EP00011S01	<u>50,036</u>
Passed through the NH Department of Safety, Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4516-DR-NH	<u>49,559</u>
Homeland Security Grant Program	97.067	EMW2017SS00023S01	4,017
Homeland Security Grant Program	97.067	EMW2018SS000055	5,524
Homeland Security Grant Program	97.067	EMW-2018-SS-000055	2,676
Homeland Security Grant Program	97.067	PL107-296 (6USC:603)	4,300
			<u>16,517</u>
U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL			<u>116,112</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,784,642</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2021. 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	<u>\$ 2,784,642</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Major Fund	
General Fund	
Project Code 123	\$ 255,961
Project Code 126	94,735
Project Code 127	9,104
Project Code 128	3,801
Project Code 403	30,000
Project Code 404	182,879
Project Code 429	9,541
Project Code 440	131,337
Project Code 443	900
Project Code 444	1,921,804
Project Code 447	19,200
Project Code 449	53,668
Project Code 451	4,700
Project Code 454	10,000
Project Code 40599	6,976
Project Code 40740	50,036
	<u>\$ 2,784,642</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

The type of auditor's report issued – Unmodified (Primary Government) – Emphasis of Matter (Component Unit)

Internal control over financial reporting:

- Material weaknesses identified – No.
- Significant deficiencies identified – Yes.

Was any Noncompliance material to the 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 federal 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(a) - 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.

CONTROL DEFICIENCIES - SIGNIFICANT DEFICIENCY

2021-1 Year End Closing and Financial Reporting Procedures

CRITERIA: Internal controls and monitoring procedures should be designed that provide reasonable assurance that the general ledger and subsidiary ledgers, including year-end budgetary and financial reports, accurately and timely reflect the balances and transactions of the funds of the City in order to allow management and Governance to make informed financial decisions on a timely basis.

CONDITIONS: There is an inadequate operation of control procedures and monitoring of year end closing and financial reporting. Lack of controls and monitoring procedures creates a deficiency in the ability to provide accurate, timely and reliable financial information for financial reporting purposes.

CAUSE: Inadequate time and resources are available in the finance department to properly close the year end and timely prepare financial statements.

EFFECT: The potential exists for material misstatement of financial statements. In addition, accurate and timely information is not available to management on a timely basis after year end.

RECOMMENDATION: Management and governance should address the deficiencies in resources being provided the finance department in an effort to assure the accuracy and timeliness of information used in preparation of financial statements.

MANAGEMENT'S RESPONSE: See *Management Views and Correction Plan* section following the *Schedule of Findings and Questioned Costs*.

Schedule of Findings and Questioned Costs **3 – Federal Award Findings and Questioned Costs** **June 30, 2021**

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.

MANAGEMENT VIEWS AND CORRECTIVE ACTION PLAN



CITY OF FRANKLIN, NEW HAMPSHIRE

316 Central Street
Franklin, New Hampshire 03235
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Telephone (603) 934-3900
Fax (603) 934-7413

January 22, 2023

City of Franklin, New Hampshire
Single Audit Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

Roberge and Company, PC
PO Box 129
Franklin, NH 03235

AUDIT FINDINGS

Finding Reference Number: 2021-1

Description of Finding: Lack of timeliness of year end close and financial statement preparation due to lack of resources and time available in the finance department.

Concurrence or Nonconcurrence: City of Franklin, New Hampshire concurs.

Corrective Action: The City of Franklin, New Hampshire is committed to providing resources to the finance department from other departments, contracted or additional personnel in order for financial closing and reporting to be completed within 9 months of balance sheet date.

Name of Contact Person: Judie Milner, City Manager, 316 Central Street, Franklin, NH, 03235; 603-934-3900 ext. 250

Projected Completion Date: FY2022 financial reporting will be completed by 9 months from balance sheet date or 3/31/23.

Best,

Judie Milner,
City Manager