

CITY OF FRANKLIN

Franklin, New Hampshire

FINANCIAL STATEMENTS

With Schedule of Expenditures of Federal Awards

June 30, 2022

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, 2022, 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, 2022, 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, 2022, 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, 2022, and our report thereon, dated January 10, 2023, 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 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 April 4, 2023, 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
April 4, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

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, 2022. 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 \$21,218,794 (net position). This is an increase of \$2,895,693 over the prior year.
- As of the close of the current fiscal year, the total net position for governmental activities was \$7,016,156, (\$-5,176,957 unrestricted), and total net position for business like activities was \$14,202,638 (\$-309,188 unrestricted).
- As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of \$7,350,453, a decrease of \$806,987 from the prior year. Of the combined ending fund balances, \$3,067,687, a decrease of \$467,353 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 \$3,654,985, or 25.54 percent of total general fund expenditures.
- At the close of the current fiscal year, total long-term bonds and notes outstanding was \$9,419,981, a decrease of \$1,428,038 from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Franklin's basic financial statements. The City of Franklin's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Franklin's finances. There are two basic governmental-wide financial statements: the statement of net position and the statement of activities. All activities included within the government-wide financial statements are measured and reported using the economic resources measurement focus and the accrual basis of accounting similar to a private-sector business.

- The *statement of net position* presents information on all of the City of Franklin's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as *net position* as opposed to fund balance as shown on the fund statements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Franklin is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are 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).

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

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* presented as supplementary information.

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

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

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

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.

- ***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, 2022

Government-Wide Financial Analysis

Net position may serve 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	19,488	20,996	2,377	2,539	21,865	23,535
Capital assets	12,942	11,233	22,315	22,434	35,257	33,667
Total assets	32,430	32,229	24,692	24,973	57,122	57,202
Deferred outflow of resources	3,262	4,382	470	372	3,732	4,754
Total assets and deferred outflow of resources	35,692	36,611	25,162	25,345	60,854	61,956
Current liabilities	3,574	4,425	723	687	4,297	5,112
Long term liabilities outstanding	12,287	18,592	8,589	9,992	20,876	28,584
Total liabilities	15,861	23,017	9,312	10,679	25,173	33,696
Deferred inflow of resources	12,813	9,075	1,647	861	14,460	9,936
Total liabilities and deferred inflow of resources	28,674	32,092	10,959	11,540	39,633	43,632
Net Position:						
Invested in capital assets, net of related debt	11,150	9,115	14,512	13,442	25,662	22,557
Restricted	1,043	2,391	0	0	1,043	2,391
Unrestricted	(5,177)	(6,988)	(309)	363	(5,486)	(6,625)
Total net position	7,016	4,518	14,203	13,805	21,219	18,323

The City of Franklin total primary government assets and deferred outflows exceeded liabilities and deferred inflows by \$21.2 million and \$18.3 million at the close of fiscal years 2022 and 2021, respectively. Governmental activities assets and deferred outflows exceeded liabilities and deferred inflows by \$7.02 million and \$4.52 million at the close of fiscal years 2022 and 2021, 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 \$25,662,113, an increase of \$3,105,860 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.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

An additional portion of the City of Franklin's net position, \$1,042,826 or 4.91%, represents resources that are subject to external and legal restrictions on how they may be used. The remaining balance is *unrestricted net position deficit of \$(5,486,145)*.

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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Revenues</u>				
Program Revenue:				
Charges for Services	1,611	1,563	3,029	3,305
Operating Grants and Contributions	1,470	1,277	1,265	119
General Revenues:				
Property Taxes	8,381	8,263	-	-
State Sources	649	-	-	-
Licenses and Permits	1,431	1,487	-	-
Grants and Contributions not restricted to specific programs	-	744	-	-
Earnings on Investments	84	71	-	-
Miscellaneous	1,755	1,183	-	86
Total Revenues	<u>15,381</u>	<u>14,588</u>	<u>4,294</u>	<u>3,510</u>
<u>Expenses</u>				
Functional Expenditures:				
General Government	1,977	1,853	-	-
Public Safety	5,646	5,990	-	-
Highway and Streets	2,195	1,870	-	-
Sanitation	1,090	1,085	-	-
Health	260	244	-	-
Welfare	60	65	-	-
Culture and Recreation	1,094	1,090	-	-
Conservation	-	1	-	-
Economic Development	121	154	-	-
Debt Service	28	102	-	-
Capital Outlay	412	56	-	-
Other Financing Uses	-	959	-	-
Depreciation	-	818	-	-
Proprietary Activities	-	-	3,896	3,103
Total Expenses	<u>12,883</u>	<u>14,287</u>	<u>3,896</u>	<u>3,103</u>
Increase (Decrease) in net position	2,498	301	398	407
Net Position, beginning	4,518	4,216	13,805	13,397
Net Position, ending	<u>7,016</u>	<u>4,517</u>	<u>14,203</u>	<u>13,804</u>

Governmental activities. Governmental activities increased the City of Franklin's net position by \$2,497,828. This is largely due to changes in liabilities for OPEB obligations and the retirement system's net pension liability.

Business-type activities. Business-type activities increased the City of Franklin's net position by \$397,865. The Water Fund increased the net position by \$1,212,727 while the Sewer Fund decreased the net position by \$814,862.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

Financial Analysis of the Government's Funds

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 \$7,350,453, a decrease of \$806,987 from the prior year. Of the combined ending fund balances, \$3,067,687 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 (\$1,239,107), 2) committed for miscellaneous purposes (\$1,413,535), 3) legally restricted for permanent funds and other restricted purposes (\$66,590), 4) non-spendable permanent fund principal and prepaids (\$1,563,534).

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 \$3,654,985, while total fund balance was \$5,810,382. 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 25.56 percent of total general fund expenditures, while total fund balance represents 40.60 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.

The unrestricted net position of the proprietary funds at the end of the year amounted to a deficit of \$309,188. The total net position increased over the prior year by \$397,865.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$4,176,320 which represents the following:

- Prior year encumbrances/carryovers totaling \$1,087,800.
- Prior year continuing appropriations of \$1,403,209.
- Budget resolutions voted during the year in the amount of \$1,685,311.

The difference between the final amended budget and actual results is a positive variance of \$5,425,928. Revenues and budgetary fund balance exceeded budgeted amounts by \$2,926,056, budgetary fund balance exceeded budgeted amount by \$3,963,261 and total of other revenues coming in under the estimated amounts by \$1,037,205. Expenditures were less than the estimated budget by \$2,499,872. Significant budget variances include:

- Positive variance of \$3,963,261 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 \$79,577 in motor vehicle registration revenues coming in higher than estimated.
- Negative variance of \$402,011 in grant revenues.
- Negative variance of \$356,741 in state grant revenues.
- Positive variance of \$99,124 in charges for services.
- Negative variance of \$163,321 in miscellaneous revenues.
- Negative variance in debt proceeds of \$441,436.
- Positive variance of \$192,986 in general government expenses.
- Positive variance of \$212,010 in highways and streets.
- Positive variance of \$630,986 in culture and recreation.

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

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, 2022, amounts to \$35,257,334 (net of accumulated depreciation), an increase of \$1,590,928 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)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	1,893	1,858	65	65	1,958	1,923
Monuments	61	61	-	-	61	61
Construction in Progress	3,106	1,225	514	545	3,620	1,770
Land Improvements	124	128	-	-	124	128
Buildings and Improvements	1,955	1,985	319	337	2,274	2,322
Machinery, Vehicles and Equipment	2,681	2,697	455	387	3,136	3,084
Infrastructure	3,122	3,278	20,962	21,015	24,084	24,293
Total	12,942	11,232	22,315	22,349	35,257	33,581

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

- Infrastructure
- Construction in Progress
- Furniture and Equipment

Long-term debt. At the end of the current fiscal year, the City of Franklin had total bonded debt and notes outstanding of \$9,419,981. Of this amount, 100% comprises debt backed by the full faith and credit of the government; however, \$7,803,212 bonds and notes are attributable to the Water and Sewer proprietary funds. Of the \$7,803,212 proprietary note debt, the State of New Hampshire has agreed to offset \$653,701 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, 2022

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
General Obligation Debt	1,617	1,856	7,803	8,992	9,420	10,848
Accrued Landfill Postclosure	131	136	-	-	131	136
Compensated Absences	277	267	14	14	291	281
Leases	175	262	-	-	175	262
Net Pension Liability	8,301	11,640	730	988	9,031	12,628
Other Post Employment Benefits	2,120	4,774	544	405	2,664	5,179
Total	12,621	18,935	9,091	10,399	21,712	29,334

During the current fiscal year, the City of Franklin's total debt decreased by \$7,621,828 (26 percent). Key factors in the net increase are:

- Net decrease in outstanding bond/note debt principal in the amount of \$1,428,038.
- Reductions in outstanding lease principal in the amount of \$86,894.
- Reduction in landfill post-closure obligation of \$4,880.
- Increase in compensated absences payable of \$10,487.
- Net decrease in Other post-employment benefits obligations of \$2,515,668.
- Decrease in net pension liability of \$3,596,835.

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 2021, Franklin's valuation was \$704,274,415 with an equalization ratio of 74.7%, yielding an estimated equalized base valuation of \$942,643,445. 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)	\$28,279,303
School Debt	(7% of the base valuation per RSA 33:4-a)	\$65,985,041
City (Municipal and School District combined debt limitation of 9.75% per RSA 33:4b)		\$91,907,736
Water	(10% of the base valuation per RSA 33:5-a)	\$94,264,345
Sewer		Exempt

Borrowing Capacity (as of July 1, 2022)

	<u>Maximum</u>	<u>Outstanding</u>	<u>Available</u>
General Debt	\$28,279,303	\$2,266,740	\$26,012,563
School Debt	\$65,985,041	\$2,350,649	\$62,933,094
Water	\$94,264,345	\$ 7,556,329	\$86,708,016

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, 2022

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%
2021	\$ 15,834,742	2.0%

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

The City's net valuation, or the taxable assessment on both land and buildings used to establish the tax rate, was \$694,248,853 in fiscal year 2022. The city has experienced a \$1.7 million increase in assessed valuation from the previous year.

Economics

As New Hampshire growth trends from south to north, Franklin has become more attractive to retirees and commuters seeking affordable homes within convenient driving distances to southern tier employers. Franklin's historic housing stock, proximity to Interstate 93, and other Lakes Region recreational 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 the catalyst for over \$75million in new investment in the downtown corridor. To put this into perspective, the entire downtown corridor was worth \$28million prior to the development efforts by this group. The group achieved this redevelopment goal by 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 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. In FY2021, the city was granted \$800k Land & Water Conservation Funding from NH Department of Natural & Cultural Resources. This grant, in conjunction with the previously awarded Community Development Finance Authority tax credit award and City approved tax increment financing district project, provided for the construction of the most prominent white water kayak feature in the river right in front of trestle view park. This created the first white water kayak park in New England right in downtown Franklin! This has put Franklin on the map drawing attention nationally to our small, but determined, community. Taylor Caswell,

City of Franklin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

Commissioner of New Hampshire's Department of Business and Economic Affairs, recently commented "if you want to know what's going on in the State of New Hampshire, look no further than the City of Franklin". The economic steering committee has applied for funding through the American Rescue Plan Act to complete the other 2 permitted features of the park.

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 (see management discussion and analysis economics section of the FY2021 financial statements), the largest former Mill property on the river at 182,000 square feet, began construction on the renovation and rehabilitation of the mill into 153 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, has substantially completed the commercial space for a local brewer, Kettlehead, to utilize as a distribution center along with a tasting room/restaurant. That space is expected to be completed with the tasting room open in early FY2023. Independence Financial Advisors, who purchased the Oddfellows building in the previous period, has completed the work on the conversion of the dilapidated upper floors into 9 high end condominiums. The condominiums were just put on the market for approximately \$400k to \$900k with 2 sold already. The first phase of Peabody Place was completed this period with the second phase well under way. Peabody Place is a new model of independent and assisted living for seniors within the downtown corridor. Franklin is well underway to the goal of 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 continue to look at Franklin for investments opportunities throughout the city. In addition to the projects occurring downtown, Franklin is experiencing an uptick in the housing market – with average sales occurring within 5 days of listing often for prices above asking. The city is especially seeing movement of single and multi-family housing on East Bow Street which has typically been a trouble spot for the city. The new investors have cited the white-water park, adjacent to East Bow Street, as the major contributing factor in their decision to purchase and invest in capital improvements on these properties. The economic development steering committee recently counted 8 new restaurants in the community since the inception of the committee 5 years ago. Most anticipated is the opening of Waterhorse Irish Pub in the fitted-out restaurant space in the Shepherd Block (see FY2019 financial statements economics section of the management discussion and analysis). The owners of the pub are very familiar with this line of work as they currently own the very successful Kathleen's Irish Pub in the neighboring community of Bristol. The pub is expected to open in FY2023. 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 some major improvement projects on the Sanbornton well field, which serves as the city's redundant water source, and the Babbitt Road Pumping Station. The city was recently awarded \$3.5m from the Drinking Water State Revolving Fund and \$5m from the Clean Water State Revolving Fund for the infrastructure replacement project on East/West Bow Streets. This funding includes \$2.94m in American Rescue Plan

City of Franklin, New Hampshire
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Fiscal Year Ended June 30, 2022

Act (ARPA) federal grant monies and at least 10% State forgiveness on the remaining principle of the project. The ARPA funding saves the water/sewer rate payers \$.90 on the rate over the 20-year project period.

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 54.8% 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.

Both the water and sewer enterprise fund are experiencing a reduction in revenues due to low usage but neither are experiencing enough usage reduction to accommodate the increases in supplies for the systems. As a result, the water enterprise fund will see a 2% increase (from \$7.55 to \$7.70 per cubic yard) in the water usage rate and the sewer enterprise fund will see a 1.9% increase (from \$7.03 to \$7.16 per cubic yard) in the sewer disposal rate for FY2023.

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, 2022

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,107,101	\$ -	\$ 12,107,101
Investments	2,789,243	-	2,789,243
Receivables, net	2,691,863	1,135,571	3,827,434
Due from other governments	1,302,412	-	1,302,412
Internal balances due from other funds	-	1,149,184	1,149,184
Inventories	-	90,431	90,431
Prepaid	133,818	1,592	135,410
Noncurrent Assets:			
Long-term receivables	25,376	-	25,376
Other noncurrent assets	438,621	-	438,621
Capital assets:			
Land, improvements, and construction in progress	5,060,116	579,238	5,639,354
Other capital assets, net of accumulated depreciation	7,882,179	21,735,801	29,617,980
Total assets	<u>32,430,729</u>	<u>24,691,817</u>	<u>57,122,546</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	2,492,925	219,342	2,712,267
Deferred outflows of resources related to other post employment benefits	769,586	250,237	1,019,823
Total deferred outflows of resources	<u>3,262,511</u>	<u>469,579</u>	<u>3,732,090</u>
LIABILITIES			
Accounts payable	579,508	92,451	671,959
Accrued expenses	149,674	127,859	277,533
Due to other governments	641,763	-	641,763
Internal balances due to other funds	1,150,500	-	1,150,500
Current portion of long-term liabilities	334,561	488,251	822,812
Other liabilities	717,673	14,279	731,952
Noncurrent Liabilities:			
Bonds payable	1,360,093	7,314,962	8,675,055
Compensated absences	277,122	-	277,122
Capital lease obligations	97,354	-	97,354
Landfill Closure	131,312	-	131,312
Other postemployment benefit obligations	2,120,086	543,348	2,663,434
Net pension liability	8,300,955	730,362	9,031,317
Total liabilities	<u>15,863,601</u>	<u>9,311,512</u>	<u>25,175,113</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - unearned revenues	8,176,963	771,546	8,948,509
Deferred inflows - pensions	2,887,116	256,036	3,143,152
Deferred inflows - other post employment benefits	1,749,404	619,664	2,369,068
Total deferred inflows of resources	<u>12,813,483</u>	<u>1,647,246</u>	<u>14,460,729</u>
NET POSITION			
Net investment in capital assets	11,150,287	14,511,826	25,662,113
Restricted for:			
Special purposes	1,042,826	-	1,042,826
Unrestricted	(5,176,957)	(309,188)	(5,486,145)
Total net position	<u>\$ 7,016,156</u>	<u>\$ 14,202,638</u>	<u>\$ 21,218,794</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, 2022

Functions / Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:						
General government						
Executive	\$ 337,721	\$ 66,741	\$ 622,026	\$ 351,046		\$ 351,046
Election and registration	171,961	-	-	(171,961)		(171,961)
Financial administration	851,742	-	-	(851,742)		(851,742)
Revaluation of property	615,519	-	-	(615,519)		(615,519)
Public safety						
Police	3,017,770	821,914	-	(2,195,856)		(2,195,856)
Fire and EMS	2,628,471	-	-	(2,628,471)		(2,628,471)
Highways and streets	1,363,934	6,125	-	(1,357,809)		(1,357,809)
Street lighting	120,543	-	-	(120,543)		(120,543)
Other highway	710,004	-	-	(710,004)		(710,004)
Sanitation	1,090,194	341,839	-	(748,355)		(748,355)
Health	259,954	-	202,121	(57,833)		(57,833)
Welfare	59,945	-	-	(59,945)		(59,945)
Culture and recreation	1,093,442	374,786	-	(718,656)		(718,656)
Conservation	400	-	-	(400)		(400)
Economic development	121,472	-	646,155	524,683		524,683
Interest expense	27,744	-	-	(27,744)		(27,744)
Capital outlay	412,445	-	-	(412,445)		(412,445)
Total governmental activities	<u>12,883,261</u>	<u>1,611,405</u>	<u>1,470,302</u>	<u>(9,801,554)</u>		<u>(9,801,554)</u>
Business Type Activities:						
Water Fund	1,771,688	1,735,604	1,248,577		\$ 1,212,493	1,212,493
Sewer Fund	2,124,805	1,292,944	16,917		(814,944)	(814,944)
Total Business Type Activities:	<u>3,896,493</u>	<u>3,028,548</u>	<u>1,265,494</u>		<u>397,549</u>	<u>397,549</u>
Total Primary Government	<u>\$ 16,779,754</u>	<u>\$ 4,639,953</u>	<u>\$ 2,735,796</u>	<u>\$ (9,801,554)</u>	<u>\$ 397,549</u>	<u>\$ (9,404,005)</u>
General revenues:						
Taxes				\$ 8,381,490	\$ -	\$ 8,381,490
Licenses, permits and fees				1,430,882	-	1,430,882
State of NH sources				649,413	-	649,413
Earnings on investments				83,595	316	83,911
Miscellaneous revenues				1,741,832	-	1,741,832
Other financing sources				12,170	-	12,170
Total general revenues				<u>12,299,382</u>	<u>316</u>	<u>12,299,698</u>
Change in net position				2,497,828	397,865	2,895,693
Net position, beginning				<u>4,518,328</u>	<u>13,804,773</u>	<u>18,323,101</u>
Net position, ending				<u>\$ 7,016,156</u>	<u>\$ 14,202,638</u>	<u>\$ 21,218,794</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, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 11,620,926	\$ 486,175	\$ 12,107,101
Investments	543,534	2,245,709	2,789,243
Property taxes receivable	1,498,610	-	1,498,610
Tax liens receivable	362,130	-	362,130
Welfare liens	36,889	-	36,889
Allowance for doubtful accounts	(48,881)	-	(48,881)
Receivables, net	838,994	4,121	843,115
Due from other governments	1,287,367	15,045	1,302,412
Due from other funds	-	95,822	95,822
Prepays	132,601	1,217	133,818
Total assets	<u>\$ 16,272,170</u>	<u>\$ 2,848,089</u>	<u>\$ 19,120,259</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 556,924	\$ 22,584	\$ 579,508
Accrued expenses	127,721	2,378	130,099
Due to other governments	641,763	-	641,763
Due to other funds	648,572	597,750	1,246,322
Other liabilities	32,367	685,306	717,673
Total liabilities	<u>2,010,347</u>	<u>1,308,018</u>	<u>3,318,365</u>
Deferred Inflows of Resources:			
Unearned revenue	8,176,963	-	8,176,963
Uncollected property taxes	274,478	-	274,478
Total deferred inflows of resources	<u>8,451,441</u>	<u>-</u>	<u>8,451,441</u>
Fund balances:			
Nonspendable	132,601	1,430,933	1,563,534
Restricted	-	66,590	66,590
Committed	783,689	629,846	1,413,535
Assigned	1,239,107	-	1,239,107
Unassigned	3,654,985	(587,298)	3,067,687
Total fund balance	<u>5,810,382</u>	<u>1,540,071</u>	<u>7,350,453</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,272,170</u>	<u>\$ 2,848,089</u>	<u>\$ 19,120,259</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, 2022

Total Fund Balances - Governmental Funds \$ 7,350,453

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	\$ 24,815,299	
Less accumulated depreciation	<u>(11,873,004)</u>	12,942,295

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	(1,616,769)	
Capital lease obligations	(175,239)	
Compensated absences	(277,122)	
Unamortized bond premium	(131,312)	
OPEB obligations	(2,120,086)	
Net pension liability	<u>(8,300,955)</u>	(12,621,483)

Revenues that are not current financial resources in the funds.

Unavailable revenue		274,478
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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	(4,636,520)	
Deferred outflows of resources	<u>3,262,511</u>	(1,374,009)

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. (19,575)

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		438,621
Liens receivable		<u>25,376</u>

Total Net Position - Governmental Activities \$ 7,016,156

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, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 8,407,329	\$ -	\$ 8,407,329
Licenses, permits and fees	1,574,145	-	1,574,145
Grant Revenues	1,232,708	18,098	1,250,806
State of NH sources	868,909	-	868,909
Charges for services	1,477,077	74,660	1,551,737
Miscellaneous revenues	885,203	54,597	939,800
Investment income	16,656	-	16,656
Total revenues	<u>14,462,027</u>	<u>147,355</u>	<u>14,609,382</u>
Expenditures			
General government	1,619,855	-	1,619,855
Public safety	6,320,570	69,123	6,389,693
Highways and streets	2,115,470	-	2,115,470
Sanitation	1,088,683	-	1,088,683
Health	259,954	-	259,954
Welfare	59,945	-	59,945
Culture and recreation	740,338	303,504	1,043,842
Conservation	-	400	400
Economic development	758,627	599,468	1,358,095
Debt service:			
Principal	225,433	-	225,433
Interest	216,547	-	216,547
Capital outlay	905,507	-	905,507
Total expenditures	<u>14,310,929</u>	<u>972,495</u>	<u>15,283,424</u>
Excess (deficiency) of revenues over expenditures	151,098	(825,140)	(674,042)
Other Financing Sources (Uses)			
Transfers from general fund	-	206,699	206,699
Transfers from other funds	20,240	50,176	70,416
Loss on investments	-	(224,573)	(224,573)
Transfers out	(206,699)	(70,416)	(277,115)
Long-term debt proceeds	79,458	-	79,458
Other financing sources	-	12,170	12,170
	<u>(107,001)</u>	<u>(25,944)</u>	<u>(132,945)</u>
Net change in fund balances	44,097	(851,084)	(806,987)
Fund balances, beginning	5,766,285	2,391,155	8,157,440
Fund balances, ending	<u>\$ 5,810,382</u>	<u>\$ 1,540,071</u>	<u>\$ 7,350,453</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, 2022

Total Net Change in Fund Balances - Governmental Funds		\$	(806,987)
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	\$	2,641,690	
Depreciation expense		(655,763)	
Loss on disposal of assets		<u>(276,348)</u>	1,709,579
Long-term debt proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position.			
			(79,458)
Repayment of long term debt and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Principal on bonds		318,561	
Principal on leases		<u>86,894</u>	405,455
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			3,901
Revenues in the governmental activities that are not available financial resources in the governmental funds.			
Change in unavailable property taxes			(29,252)
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		(9,927)	
Landfill closure (increase) decrease		4,880	
OPEB obligation (increase) decrease		2,653,763	
Net pension liability (increase) decrease		<u>3,339,072</u>	5,987,788
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		(3,576,693)	
Deferred outflows increase (decrease)		<u>(1,119,918)</u>	(4,696,611)
Change in Tax Deeded Property			<u>3,413</u>
Change in Net Position of Governmental Activities		\$	<u><u>2,497,828</u></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, 2022

	Business Type Activities		Total
	Water Fund	Sewer Fund	Proprietary Funds
ASSETS			
Receivables, net	\$ 907,294	\$ 228,277	\$ 1,135,571
Internal balances due to/from other funds	430,119	719,065	1,149,184
Inventories	87,315	3,116	90,431
Prepays	911	681	1,592
Noncurrent assets:			
Capital assets:			
Land, Improvements, and Constr. In Progress	204,412	374,826	579,238
Other capital assets, net of depreciation	19,161,666	2,574,135	21,735,801
Total Assets	<u>20,791,717</u>	<u>3,900,100</u>	<u>24,691,817</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	142,239	77,103	219,342
Deferred outflows of resources related to other post employment benefits	43,910	206,327	250,237
Total deferred outflows of resources	<u>186,149</u>	<u>283,430</u>	<u>469,579</u>
LIABILITIES			
Accounts payable	45,133	47,318	92,451
Accrued expenses	118,021	9,838	127,859
Due to other Governments	-	-	-
Contracts Payable	-	-	-
Internal Balances Due to/from other Funds	-	-	-
Deferred Revenue	-	-	-
Current portion of long-term debt	442,075	46,176	488,251
Other liabilities	8,628	5,651	14,279
Noncurrent Liabilities:			
Debt payable	7,114,253	200,709	7,314,962
Capital Lease Obligations	-	-	-
Compensated absences	-	-	-
Other Long-Term Debt	-	-	-
Other post employment benefits	120,964	422,384	543,348
Net pension liability	473,625	256,737	730,362
Total Liabilities	<u>8,322,699</u>	<u>988,813</u>	<u>9,311,512</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	722,187	49,359	771,546
Deferred inflows of resources, pensions	166,190	89,846	256,036
Deferred inflows of resources, OPEBs	99,815	519,849	619,664
Total deferred inflows of resources	<u>988,192</u>	<u>659,054</u>	<u>1,647,246</u>
NET POSITION			
Investment in Capital Assets, net of related debt	11,809,750	2,702,076	14,511,826
Unrestricted (Deficit)	(142,775)	(166,413)	(309,188)
Total Net Position	<u>\$ 11,666,975</u>	<u>\$ 2,535,663</u>	<u>\$ 14,202,638</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, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
Grant Revenues	\$ 381,081	\$ -	\$ 381,081
State of NH sources	-	16,917	16,917
Charges for services	<u>1,673,941</u>	<u>1,292,944</u>	<u>2,966,885</u>
Total operating revenues	<u>2,055,022</u>	<u>1,309,861</u>	<u>3,364,883</u>
Operating expenses:			
Sanitation	-	2,021,738	2,021,738
Water distribution and treatment	1,034,646	-	1,034,646
Depreciation	<u>505,296</u>	<u>96,261</u>	<u>601,557</u>
Total operating expenses	<u>1,539,942</u>	<u>2,117,999</u>	<u>3,657,941</u>
Operating income (loss)	<u>515,080</u>	<u>(808,138)</u>	<u>(293,058)</u>
Non operating revenues (expenses)			
Other financing sources	929,159	-	929,159
Interest earned	234	82	316
Interest expense	<u>(231,746)</u>	<u>(6,806)</u>	<u>(238,552)</u>
Net non operating revenues (expenses)	<u>697,647</u>	<u>(6,724)</u>	<u>690,923</u>
Change in net position	1,212,727	(814,862)	397,865
Net position, beginning of year	<u>10,454,248</u>	<u>3,350,525</u>	<u>13,804,773</u>
Net position, end of year	<u>\$ 11,666,975</u>	<u>\$ 2,535,663</u>	<u>\$ 14,202,638</u>

See accompanying notes to the basic financial statements.

CITY OF FRANKLIN, NEW HAMPSHIRE

Statement of Cash Flows Proprietary Funds June 30, 2022

	Business Type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 2,083,168	\$ 1,371,056	\$ 3,454,224
Cash paid to suppliers	(1,513,223)	(1,215,236)	(2,728,459)
Other cash receipts(payments)	929,159	16,917	946,076
Net cash provided by operating activities	<u>1,499,104</u>	<u>172,737</u>	<u>1,671,841</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	85,181	-	85,181
Purchases of capital assets	(354,847)	(128,059)	(482,906)
Principal paid on capital debt	<u>(1,229,438)</u>	<u>(44,678)</u>	<u>(1,274,116)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,499,104)</u>	<u>(172,737)</u>	<u>(1,671,841)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,212,727	\$ (814,862)	\$ 397,865
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	505,296	96,261	601,557
Changes in assets and liabilities:			
Receivables, net	205,282	87,044	292,326
Internal Balances Due To/From Other Funds	(251,229)	114,357	(136,872)
Inventories	6,787	88	6,875
Prepays	(230)	-	(230)
Deferred Outflows	70,472	(168,026)	(97,554)
Accounts Payable	(104,398)	42,792	(61,606)
Accrued Expenses	7,962	(5,231)	2,731
Deferred Revenue	9,059	(8,932)	127
Deferred Inflows	203,945	581,786	785,731
Compensated Absences	(11)	570	559
Net Pension Liability	(207,980)	(49,783)	(257,763)
Other post employment benefit liability	<u>(158,578)</u>	<u>296,673</u>	<u>138,095</u>
Net cash provided (used) by operating activities	<u>\$ 1,499,104</u>	<u>\$ 172,737</u>	<u>\$ 1,671,841</u>

See accompanying notes to the basic financial statements.

CITY OF FRANKLIN, NEW HAMPSHIRE

Statement of Net Position Fiduciary Funds June 30, 2022

	Total Private Purpose Trusts	Total Custodial Funds	Total Fiduciary Funds
Assets			
Investments	\$ 1,506,453	\$ -	\$ 1,506,453
Due from other funds	-	1,400	1,400
Total assets	<u>\$ 1,506,453</u>	<u>\$ 1,400</u>	<u>\$ 1,507,853</u>
Liabilities			
Due to other funds	\$ 84	\$ -	\$ 84
Total liabilities	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 84</u>
Net Position			
Restricted:			
For private purposes and others	\$ 1,506,369	\$ 1,400	\$ 1,507,769
Total net position	<u>\$ 1,506,369</u>	<u>\$ 1,400</u>	<u>\$ 1,507,769</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, 2022

	Total Private Purpose Trusts	Total Custodial Funds	Total Fiduciary Funds
Additions:			
Miscellaneous revenues	\$ 37,877	\$ -	\$ 37,877
Total additions	<u>37,877</u>	<u>-</u>	<u>37,877</u>
Deductions:			
General government	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>37,877</u>	<u>-</u>	<u>37,877</u>
Non operating additions (deductions):			
Loss on investments	(125,261)	-	(125,261)
Net non operating revenues (expenses)	<u>(125,261)</u>	<u>-</u>	<u>(125,261)</u>
Change in net assets	(87,384)	-	(87,384)
Net position, beginning	1,593,753	1,400	1,595,153
Net position, ending	<u>\$ 1,506,369</u>	<u>\$ 1,400</u>	<u>\$ 1,507,769</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, 2022

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, 2022

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.

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, 2022

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, 2022

1-D Basis of Accounting

The 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, 2022

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 money belonging to the City and pay out the same only upon orders of the City Manager. The treasurer shall deposit all such money in participation units of 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, 2022

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, 2022

1-E-8 Pensions

Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*, requires the City 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. GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established 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 represents 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
Notes to The Basic Financial Statements
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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 expended 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 2022, \$0 of beginning general fund unassigned fund balance was appropriated to reduce taxes.

2-B Encumbrances

Encumbrance accounting is utilized in 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	\$ 63,764
Finance	20,450
Information Technology	3,940
Police	71,843
Fire	34,489
Municipal Services	972,065
Parks and Recreation	34,906
Capital	37,650
Total Encumbrances	<u>\$ 1,239,107</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, 2022, and includes encumbrances and continuing appropriations as of June 30, 2021, as follows:

	<u>Amount</u>
2021 Original Adopted Budget - Appropriations	\$ 12,911,180
June 2021 Encumbrances Carried Forward	1,087,800
2022 Supplemental Resolutions	1,685,311
Prior Year Non-Lapsing Appropriations	<u>1,403,209</u>
Total Appropriations Available	<u>\$ 17,087,500</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	\$ 14,462,027	\$ 14,310,929
Beginning Fund Balance	5,051,061	
Transfers To/From Capital Reserves	454,106	70,000
Transfers To/From Other Funds	20,240	206,699
Contributions to Capital Reserves	(55,953)	-
Interest Earned on Capital Reserves	(815)	-
Proceeds from Long-term Debt	<u>79,458</u>	<u>-</u>
Per Schedule A - Budgetary Comparison	<u>\$ 20,010,124</u>	<u>\$ 14,587,628</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 2022, 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 2022 recorded as an insurance expenditure totaled \$0. There were no unpaid contributions for the year ending June 30, 2022, and due in 2022. The City also paid \$190,716 for workers' compensation for the year ended June 30, 2022. 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 years’ 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, 2022, 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, 2022, the City’s debt totaled 1.4% 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, 2022, \$0 of the City’s bank balance of \$11,683,397 was exposed to custodial credit risk as uninsured or uncollateralized.

As of June 30, 2022, the City had the following investments:

Cash Held by Trustees/Investment Firm	\$ 1,147,194
NHPDIP	562,820
Equities	688,847
Fixed Income Investments	415,939
Exchange Traded Products	1,480,896
Total	<u>\$ 4,295,696</u>

Of the City’s \$4,295,696 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, 2022, 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, 2022, the deposit balances under the insured cash sweep agreement totaled \$10,864,213 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.

City of Franklin, New Hampshire
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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, 2022:

Description	Amount	Fair Market Using:		
		Quoted prices in active markets for identical assets	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities	\$ 688,847	\$ 688,847	\$ -	\$ -
Exchange Traded Products	1,480,896	1,480,896	-	-
Fixed Income	415,939	415,939	-	-
Brokerage account cash	1,147,194	NA	NA	NA
NHPDIP	562,820	NA	NA	NA
Total	<u>\$ 4,295,696</u>	<u>\$ 2,585,682</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, 2021, upon which the 2021 (City FY2022) property tax levy was based is:

For the New Hampshire education tax	\$620,187,031
For all other taxes	\$694,248,853

The City subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 8% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the City's tax rate for the fiscal year. Unpaid property taxes may be subject to lien following statutory notification and procedural guidelines as soon as 30-days after the final bill or installment is due. Interest accrues at a rate of 12% on properties that have been through the tax lien process. Two years from the execution of the real estate tax lien the Tax Collector (with approval of City Council) may execute to the lienholder a "deed" of the property subject to the real estate tax lien and not redeemed/paid.

City of Franklin, New Hampshire
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3-B-1 Taxes Receivable, continued

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

The tax rates and amounts assessed for the year ended June 30, 2022, were as follows:

<u>Entity</u>	<u>Per \$1000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal Portion	\$ 12.00	\$ 8,334,255
School Portion:		
Local Education Taxes	6.62	4,595,004
State Education Taxes	1.92	1,190,971
County Portion	2.67	1,851,087
	<u>\$ 23.21</u>	<u>\$ 15,971,317</u>

During the current fiscal year, the tax collector executed a lien for all uncollected 2020/2021 property taxes, \$269,663.

Taxes receivable as of June 30, 2022, are as follows:

Property:	
Levy of 2021	\$ 1,498,610
Unredeemed (under tax lien)	362,130
Welfare Liens	36,889
Less: Allowance for estimated uncollectible taxes	(11,992)
Less: Allowance for estimated uncollectible welfare liens	(36,889)
Net taxes receivable	<u>\$ 1,848,748</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 \$8,176,963 that were assessed for the fiscal year 2023, and \$274,478 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 to 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, 2022, the City provided tax relief under RSA 79-E totaling \$0.

3-C Other Receivables

Other receivables as June 30, 2022, 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, 2022, are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Accounts Receivable	\$ 878,352	\$ 421,821	1,300,173
Allowance for Doubtful Accounts	<u>(35,237)</u>	<u>(12,595)</u>	<u>(47,832)</u>
Net Accounts Receivable	<u>843,115</u>	<u>409,226</u>	<u>1,252,341</u>
 Intergovernmental Receivables	 1,302,412	 726,345	 2,028,757
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>-</u>
Net Intergovernmental Receivables	<u>1,302,412</u>	<u>726,345</u>	<u>2,028,757</u>
	<u>\$ 2,145,527</u>	<u>\$ 1,135,571</u>	<u>\$ 3,281,098</u>

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3-D Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities (at cost)				
Capital assets not being depreciated:				
Monuments	\$ 61,000	\$ -	\$ -	\$ 61,000
Land	1,858,040	311,720	276,348	1,893,412
Construction in progress	1,224,698	1,881,006	-	3,105,704
	<u>3,143,738</u>	<u>2,192,726</u>	<u>276,348</u>	<u>5,060,116</u>
Capital assets being depreciated:				
Land improvements	240,896	-	-	240,896
Buildings and improvements	5,229,096	82,287	-	5,311,383
Furniture, equipment and vehicles	8,750,124	366,677	177,048	8,939,753
Infrastructure	5,263,151	-	-	5,263,151
	<u>19,483,267</u>	<u>448,964</u>	<u>177,048</u>	<u>19,755,183</u>
Less accumulated depreciation:				
Land improvements	112,644	4,372	-	117,016
Buildings and improvements	3,243,938	111,874	-	3,355,812
Furniture, equipment and vehicles	6,053,135	382,727	177,048	6,258,814
Infrastructure	1,984,572	156,790	-	2,141,362
	<u>11,394,289</u>	<u>655,763</u>	<u>177,048</u>	<u>11,873,004</u>
Capital assets being depreciated, net	<u>8,088,978</u>	<u>(206,799)</u>	<u>-</u>	<u>7,882,179</u>
Governmental activities capital assets, Net of accumulated depreciation	<u><u>\$ 11,232,716</u></u>	<u><u>\$ 1,985,927</u></u>	<u><u>\$ 276,348</u></u>	<u><u>\$ 12,942,295</u></u>
Business-Type Activities (at cost)				
Capital assets not being depreciated:				
Land and improvements	\$ 65,148	\$ -	\$ -	\$ 65,148
Construction in progress	545,482	92,954	124,346	514,090
	<u>610,630</u>	<u>92,954</u>	<u>124,346</u>	<u>579,238</u>
Capital assets being depreciated:				
Buildings and improvements	557,351	-	-	557,351
Machinery, equipment and vehicles	1,095,802	147,455	-	1,243,257
Infrastructure	28,682,228	354,842	-	29,037,070
	<u>30,335,381</u>	<u>502,297</u>	<u>-</u>	<u>30,837,678</u>
Less accumulated depreciation:				
Buildings and improvements	219,923	18,167	-	238,090
Machinery, equipment and vehicles	709,198	78,838	-	788,036
Infrastructure	7,583,200	492,551	-	8,075,751
	<u>8,512,321</u>	<u>589,556</u>	<u>-</u>	<u>9,101,877</u>
Capital assets being depreciated, net	<u>21,823,060</u>	<u>(87,259)</u>	<u>-</u>	<u>21,735,801</u>
Business-Type activities capital assets, Net of accumulated depreciation	<u><u>\$ 22,433,690</u></u>	<u><u>\$ 5,695</u></u>	<u><u>\$ 124,346</u></u>	<u><u>\$ 22,315,039</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	\$	357,088
Public Safety		41,423
Highways and Streets		183,688
Garage		9,584
Sanitation		1,511
Culture and Recreation		62,469
Total Governmental Activities	\$	655,763

Business-Type Activities:

Water Fund	\$	505,296
Sewer Fund		96,261
Total Business-Type Activities	\$	601,557

3-E Prepaid Items

Prepaid items as of June 30, 2022, 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	\$ 35,663	\$ -
Software Support	33,735	-
Insurance	40,592	-
NHMA Dues	3,449	-
Prepaid Postage	1,979	-
Other Miscellaneous Prepayments	18,400	1,592
	\$ 133,818	\$ 1,592

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

Interfund balances as of June 30, 2022, consist of interfund loans, services provided, reimbursements or budgetary transfers. The composition of interfund balances as of June 30, 2022, is as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ -	\$ 648,572
Nonmajor Special Revenue Funds:		
Franklin Public Library	-	650
MMRS Grant Fund	-	9,925
Drug Forfeiture	-	1,677
DARE Fund	2,005	-
Heritage Commission	250	-
Expendable Trusts	6,295	-
Parks and Recreation	20,403	-
Outside Police Detail	66,869	-
Nonmajor Capital Project Funds:		
Capital Project Fund	-	585,498
Proprietary Funds:		
Water Fund	430,119	-
Sewer Fund	719,065	-
Fiduciary Funds:		
Private purpose trust funds	-	84
Custodial funds	1,400	-
	<u>\$ 1,246,406</u>	<u>\$ 1,246,406</u>

Interfund transfers during the year were comprised of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 20,240	\$ 206,699
Nonmajor Funds:		
Franklin Public Library	256,225	-
Conservation Commission	400	-
Heritage Commission	250	-
Expendable Trusts	-	16,540
Odell Park Trust	-	3,700
Library Buswell Trust	-	42,362
Other Library Trusts	-	7,814
	<u>\$ 277,115</u>	<u>\$ 277,115</u>

City of Franklin, New Hampshire
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3-G Unearned Revenue

Governmental Funds - Unearned revenue of \$8,451,441 as of June 30, 2022, consists of property taxes levied but not due until the subsequent year (\$7,953,720) and property taxes not collected within 60 days (\$274,478). In addition, \$74,900 related to recreation program fees collected in advance; \$121,422 donations/grants collected in advance of expenditure; and \$26,921 of property tax credits.

Proprietary Funds – Unearned revenue in the Water department or Sewer department as of June 30, 2022, 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, 2022, 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	\$ 1,855,872	\$ 79,458	\$ 318,561	\$ 1,616,769
Lease Obligations - See Note 3-J	262,133	-	86,894	175,239
Compensated Absences	267,195	9,927	-	277,122
Landfill Post Closure Care Costs	136,192	-	4,880	131,312
Other Post Employment Benefits	4,773,849	-	2,653,763	2,120,086
Net Pension Liability	11,640,027	-	3,339,072	8,300,955
Total Governmental Activities	<u>\$ 18,935,268</u>	<u>\$ 89,385</u>	<u>\$ 6,403,170</u>	<u>\$ 12,621,483</u>
<u>Business-Type Activities:</u>				
Bonds/Notes Payable	\$ 8,992,147	\$ 85,181	\$ 1,274,116	\$ 7,803,212
Lease Obligations	-	-	-	-
Compensated Absences	13,719	560	-	14,279
Other Post Employment Benefits	405,253	296,673	158,578	543,348
Net Pension Liability	988,125	-	257,763	730,362
Total Business-Type Activities	<u>\$ 10,399,244</u>	<u>\$ 382,414</u>	<u>\$ 1,690,457</u>	<u>\$ 9,091,201</u>

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

Long-term liabilities payable is comprised of the following:

	Issue Year	Interest Rate	Maturity Date	Original Amount of Issue	Amount Outstanding 6/30/22	Current Portion
Governmental Activities:						
<u>General Obligation Bonds</u>						
Roads	2016	2.75%	2026	\$ 505,000	\$ 218,340	\$ 52,438
Fire Truck	2017	2.49%	2027	650,000	345,172	65,651
Fiber Connectivity Project	2018	4.21%	2023	160,000	33,369	33,369
Mixed Use TIF	2019	2.75%	2022	1,400,000	579,641	-
Ambulance	2020	2.49%	2027	199,989	146,323	27,835
Grader	2020	2.49%	2027	300,683	218,647	41,849
Police Vehicles	2021	2.15%	2026	74,780	15,819	15,819
Police Vehicles	2022	1.50%	2025	79,458	59,458	19,715
Total General Obligation Debt					<u>1,616,769</u>	<u>256,676</u>
<u>Lease Obligations - See Note 3-J</u>						
Energy Improvements	2015	3.97%	2027	301,966	114,390	17,036
Ford F550 Trucks and Sidewalk Plow	2018	3.13%	2023	274,199	47,822	47,822
Ford Interceptor	2020	3.72%	2023	38,043	13,027	13,027
					<u>175,239</u>	<u>77,885</u>
<u>Other Long-Term Obligations</u>						
Compensated absences					\$ 277,122	-
Landfill Post Closure Care Costs					131,312	-
Implicit Rate Subsidy OPEB					1,332,580	-
NHRS Medical Subsidy OPEB					787,506	-
Net pension liability					<u>8,300,955</u>	-
					<u>10,829,475</u>	-
Total Governmental Activities:					\$ 12,621,483	\$ 334,561
Business-Type Activities:						
<u>Bonds/Notes Payable</u>						
USDA Bond	2012	2.25%	2040	\$ 3,645,000	\$ 2,343,200	\$ 130,180
Drinking Water State Revolving Fund	2012	1.10%	2034	3,226,055	2,144,690	154,391
Drinking Water State Revolving Fund	2015	1.00%	2027	677,395	283,121	55,254
Drinking Water State Revolving Fund	2020	1.00%	2029	350,000	207,606	28,724
Drinking Water State Revolving Fund	2020	2.70%	2022	3,605,230	2,577,712	73,526
Water Fund Subtotal					<u>7,556,329</u>	<u>442,075</u>
State Revolving Loan Fund	2006	3.35%	2027	784,061	246,884	46,176
Sewer Fund Subtotal					<u>246,884</u>	<u>46,176</u>
Total Business-Type Bonds/Notes					<u>7,803,213</u>	<u>488,251</u>
<u>Other Long-Term Obligations</u>						
				<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Compensated absences				\$ 8,628	\$ 5,651	\$ 14,279
Implicit Rate Subsidy OPEB				76,032	398,027	474,059
NHRS Medical Subsidy OPEB				44,932	24,357	69,289
Net pension liability				<u>473,625</u>	<u>256,737</u>	<u>730,362</u>
				<u>603,217</u>	<u>684,772</u>	<u>1,287,989</u>
Total Business-Type Activities:					\$ 9,091,202	\$ 488,251

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, 2022, including interest payments, are as follows:

Annual Requirements to Amortize Governmental Funds General Obligation Debt

	Principal	Interest	Total Interest
2023	\$ 836,317	\$ 26,464	\$ 862,781
2024	212,641	19,724	232,365
2025	217,319	14,470	231,789
2026	202,505	9,021	211,526
2027	<u>147,987</u>	<u>3,774</u>	<u>151,761</u>
	<u>\$ 1,616,769</u>	<u>\$ 73,453</u>	<u>\$ 1,690,222</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
2023	\$ 442,779	\$ 46,176	\$ 113,722	\$ 5,807	\$ 488,955	\$ 119,529
2024	449,487	47,724	107,174	4,721	497,211	111,895
2025	456,366	49,323	100,550	3,598	505,689	104,148
2026	463,421	50,976	93,847	2,438	514,397	96,285
2027	470,660	52,685	87,064	1,239	523,345	88,303
2028 to 2032	2,073,930	-	338,895	-	2,073,930	338,895
2033 to 2037	1,448,354	-	191,821	-	1,448,354	191,821
2038 to 2042	849,426	-	90,260	-	849,426	90,260
2043 to 2047	488,511	-	44,519	-	488,511	44,519
2048 to 2051	<u>413,394</u>	<u>-</u>	<u>13,060</u>	<u>-</u>	<u>413,394</u>	<u>13,060</u>
	<u>\$ 7,556,328</u>	<u>\$ 246,884</u>	<u>\$ 1,180,912</u>	<u>\$ 17,803</u>	<u>\$ 7,803,212</u>	<u>\$ 1,198,715</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 \$131,312 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.

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, 2022, the City is due to receive the following annual amounts to offset debt payments:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ 59,427
2024	59,427
2025	59,427
2026	59,427
2027	59,427
2028 to 2032	297,135
2033	<u>59,427</u>
Total	<u>\$ 653,697</u>

City of Franklin, New Hampshire
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3-J Leases

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Annual Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2022	Current Portion
Energy Improvements	4/17/2015	13 Years	VAR	3.97%	\$ 301,966	\$ 114,390	17,036
Ford 550 Trucks and Sidewalk Plow	8/15/2017	6 Years	\$ 49,338	3.13%	274,199	47,822	47,822
2019 Ford Interceptor	8/15/2019	4 Years	\$ 13,517	3.72%	51,199	13,027	13,027
						<u>\$ 175,239</u>	<u>\$ 77,885</u>

Energy Improvements - On April 17, 2015, the City entered into a 13-year lease purchase agreement with Municipal Leasing Consultants, (Lessor), to address energy related and capital concerns in several City owned buildings including City Hall, Proulx Center, Bessie Rowell Community Center, Highway Garage and Police Station. Title to the equipment shall vest with the city, subject to the rights of the Lessor under the agreement. The city has the option to purchase the Equipment, upon notice, at the Purchase Option Price as listed in the agreement.

Ford Trucks and Sidewalk Plow - On August 15, 2017, the City entered into a 6-year lease purchase agreement with KS StateBank, (Lessor), to lease two Ford F550 Trucks with Body Uplifts and one Trackless Sidewalk Tractor with attachments. Title to the equipment shall vest with the city, subject to the rights of the Lessor under the agreement. Title will transfer back to the lessor in the event of non-appropriation by the city or in the event of any defaults by the city. The city has the option to purchase the Equipment, upon notice, at the Purchase Option Price as listed in the agreement on any regular contract payment date, no partial prepayments are allowed.

Ford Interceptor Fire Car - On August 15, 2019, the City entered into a 4-year lease purchase agreement with KS StateBank, (Lessor), to lease one Ford Interceptor vehicle. Title to the equipment shall vest with the city, subject to the rights of the Lessor under the agreement. Title will transfer back to the lessor in the event of non-appropriation by the city or in the event of any defaults by the city. The city has the option to purchase the Equipment, upon notice, at the Purchase Option Price as listed in the agreement on any regular contract payment date, no partial prepayments are allowed.

Annual requirements to amortize the lease obligations and related interest are as follows:

Year Ended June 30,	Principal	Interest
2023	\$ 77,885	\$ 6,547
2024	18,359	3,865
2025	19,755	3,136
2026	21,226	2,352
2027	38,014	1,509
	<u>\$ 175,239</u>	<u>\$ 17,409</u>

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

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid expenditures	\$ 132,601	\$ 1,217	\$ 133,818
Endowment principal	-	1,429,716	1,429,716
Restricted:			
Odell Park	-	28,528	28,528
Library Buswell Trust	-	93	93
Other General Trusts	-	34,598	34,598
Other Library Trusts	-	3,371	3,371
Committed:			
Public Library	-	294,590	294,590
Conservation	-	7,180	7,180
Drug Forfeiture	-	5,945	5,945
DARE	-	10,050	10,050
Heritage Commission	-	12,357	12,357
Parks and Recreation	-	11,272	11,272
Police Outside Detail	-	70,990	70,990
Expendable Trusts	-	208,023	208,023
Expendable School Trusts	-	9,439	9,439
Capital reserves	387,886	-	387,886
TIF District	395,803	-	395,803
Assigned:			
Encumbrances	1,239,107	-	1,239,107
Unassigned:	<u>3,654,985</u>	<u>(587,298)</u>	<u>3,067,687</u>
	<u>\$ 5,810,382</u>	<u>\$ 1,540,071</u>	<u>\$ 7,350,453</u>

Nonmajor 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.

City of Franklin, New Hampshire
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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%.

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, 2022, were 14.06%, 33.88% and 32.99% of covered payroll for employees, police and fire, respectively. The City's contributions to the System for the years ending June 30, 2022, 2021, and 2020 were \$1,258,856, \$1,039,029, and \$971,246, 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 2021 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:

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

Years of creditable service as of January 1, 2012	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.40%
At least 6 but less than 8 years	47	22	2.30%
At least 4 but less than 6 years	48	23	2.20%
Less than 4 years	49	24	2.10%

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

The employer contributions used in the schedules of employer allocations is a component of total employer contributions presented in the System's financial statements for the corresponding period.

Actuarial assumptions. The collective total pension liability was based on the following actuarial assumptions:

Inflation	2.0%	
Salary increases	5.6%	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 (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016–June 30, 2019.

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

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

Asset Class	Target Allocation	2021 Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total Domestic Equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total International Equity	20.00%	
Core US Fixed Income	25.00%	3.60%
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>	6.60%
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 service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefits payments to determine the collective total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Fiscal Year Ended</u>	<u>Current single</u>		
	<u>1% Decrease</u>	<u>rate assumption</u>	<u>1% Increase</u>
June 30, 2022	\$ 12,915,817	\$ 9,031,317	\$ 5,791,010

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

As of June 30, 2022, the City reported a liability of \$9,031,317 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, 2022, the City's proportion was 0.20377892 percent.

For the year ended June 30, 2022, the City recognized pension expense of \$570,566. As of June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total exclusive of Employer Contribution</u>
Differences between expected and actual experience	\$ 252,890	\$ 94,552	\$ 158,338
Changes of assumptions	943,270	-	943,270
Net differences between projected and actual earnings on pension plan investments	-	2,525,852	(2,525,852)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	352,492	520,735	(168,243)
Employer contributions subsequent to the measurement date	1,163,614	-	NA
Total	<u>\$ 2,712,266</u>	<u>\$ 3,141,139</u>	<u>\$ (1,592,487)</u>

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

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year Ending June 30,</u>	<u>Deferred Outflows/(Inflows)</u>
2023	\$ (241,537)
2024	(189,091)
2025	(243,505)
2026	<u>(918,354)</u>
Total	<u>\$ (1,592,487)</u>

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

A. CITY IMPLICIT RATE SUBSIDY OPEB

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.

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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

<u>As of July 1, 2021, the following employees were covered by the benefit terms:</u>	
Inactive employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	<u>67</u>
Total Participants covered by OPEB Plan	<u>75</u>

Total OPEB Liability

The City's total OPEB liability of \$1,806,639 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021.

Actuarial assumptions and other inputs

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

Discount Rate	3.54%
Healthcare Cost Trend Rates:	
2021 Trend	8.49%
2022 Trend	7.00%
Ultimate Trend	4.24%
Year Ultimate Trend is Reached	2090
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, 2022.

Mortality rates: Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 Safety Employees Headcount-Weighted Mortality fully generational using Scale MP-2021 fully generational.

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

Significant Changes from the Previous Actuarial Valuation

- Increasing the discount rate from 2.21% to 3.54%.
- Initial trend rates were advanced, the model for trends in subsequent years is based on the Getzen Model as updated through September 2021.
- The election rate was changed from 80% to 50% based on expected future enrollment.
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Year 2006) to Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 Safety Employees Headcount-Weighted Mortality fully generational using Scale MP-2021.
- The tables used for retirement and termination assumptions were updated to reflect the most recent tables from the New Hampshire Retirement System Comprehensive Annual Financial Report dated June 30, 2019.
- The morbidity assumptions were updated to use the Dale Yamamoto model published by the Society of Actuaries to give a better projection of anticipated costs as adjusted for age.

Changes in the Total OPEB Liability

	Fiscal Year Ending June 30, 2022
OPEB Liability Beginning of Year	\$ 4,291,147
Changes for the year:	
Service Cost	107,873
Interest	59,642
Assumption Changes	(1,787,430)
Differences Between Actual and Expected Experience	(773,248)
Benefit payments	(91,345)
OPEB Liability End of Year	<u>\$ 1,806,639</u>

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

The following presents the total OPEB Liability, calculated using the discount rate of 3.54%, as well as what the total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability	\$ 1,987,386	\$ 1,806,639	\$ 1,646,947

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 8.49%, as well as what the total OPEB Liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability	\$ 1,591,264	\$ 1,806,639	\$ 2,067,702

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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, 2022, the City recognized an OPEB expense of \$-17,973. As of June 30, 2022, 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	\$ 1,167,212	\$ 225,217	\$ 941,995
Assumption Changes	-	773,248	(773,248)
Experience Changes	-	1,787,430	(1,787,430)
Amortization	(243,037)	(427,709)	184,672
Balance, ending	<u>\$ 924,175</u>	<u>\$ 2,358,186</u>	<u>\$ (1,434,011)</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
2023	\$ 233,969	\$ 341,991
2024	233,969	341,991
2025	233,969	341,991
2026	222,268	340,580
2027	-	313,809
2028 to 2030	-	677,824
Total	<u>\$ 924,175</u>	<u>\$ 2,358,186</u>

City of Franklin, New Hampshire
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4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions - 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 2021 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.

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%	
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
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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.

Long-Term Rates of Return

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	2021 Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total Domestic Equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total International Equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Total Fixed Income	25.00%	
Private Equity	10.00%	8.85%
Private Debt	5.00%	7.25%
Total Alternative Investments	15.00%	
Real Estate	10.00%	6.60%
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 \$856,795.

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions - continued

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	\$ 931,404	\$ 856,795	\$ 791,881

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

For the year ended June 30, 2022, the City recognized an OPEB expense of \$67,064. As of June 30, 2022, 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	\$ -	\$ 179	\$ (179)
Changes of assumptions	-	-	-
Net differences between projected and actual earnings on OPEB plan investments	-	10,703	(10,703)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	406	-	406
Employer contributions subsequent to the measurement date	95,242	-	NA
Total	<u>\$ 95,648</u>	<u>\$ 10,882</u>	<u>\$ (10,476)</u>

City of Franklin, New Hampshire
Notes to The Basic Financial Statements
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4-C GASB 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions - continued

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>
2023	\$ (2,529)
2024	(2,165)
2025	(2,427)
2026	(3,355)
Total	<u>\$ (10,476)</u>

C. CONSOLIDATED CITY and NHRS OPEB LIABILITIES

The following consolidates the City's implicit rate subsidy 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, 2022.

	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total OPEB Expense</u>
Implicit Rate Subsidy OPEB	\$ 1,806,639	\$ 924,175	\$ 2,358,186	\$ (17,973)
NHRS Medical Subsidy OPEB Plan	856,795	95,648	10,882	67,064
Total	<u>\$ 2,663,434</u>	<u>\$ 1,019,823</u>	<u>\$ 2,369,068</u>	<u>\$ 49,091</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, NEW HAMPSHIRE

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance
Budgetary Fund Balance - Beginning	\$ -	\$ 1,087,800	\$ 5,051,061	\$ 3,963,261
Resources (inflows):				
Taxes				
Property taxes	15,971,317	15,971,317	16,093,543	122,226
Land use change taxes	4,000	4,000	9,970	5,970
Timber taxes	6,000	6,000	5,889	(111)
Payments in lieu of taxes	20,033	20,033	20,736	703
Other taxes	8,000	8,000	1,010	(6,990)
Interest and penalties on delinquent taxes	100,000	100,000	72,170	(27,830)
Excavation tax	200	200	252	52
Provision for overlay and abatements	(165,129)	(165,129)	(167,179)	(2,050)
Other	-	-	8,000	8,000
School Assessment	(5,785,975)	(5,785,975)	(5,785,975)	-
County Assessment	(1,851,087)	(1,851,087)	(1,851,087)	-
Licenses, permits and fees				
Business licenses and permits	900	900	1,200	300
Motor vehicle permit fees	1,300,000	1,300,000	1,379,577	79,577
Building permits	52,000	52,000	83,595	31,595
Other licenses, permits and fees	51,000	51,000	58,468	7,468
Grant Revenues	334,452	1,634,719	1,232,708	(402,011)
State of NH sources				
Meals and rental tax distribution	636,545	636,545	636,545	-
Highway block grant	201,742	201,742	200,943	(799)
State and federal forest land reimbursemen	80	80	80	-
Flood control reimbursement	18,473	18,473	18,473	-
Other state grants	-	369,609	12,868	(356,741)
Charges for services				
Income from departments	601,506	601,506	700,630	99,124
Parks and recreation	-	6,415	-	(6,415)
Other charges	840,704	840,704	776,447	(64,257)
Miscellaneous revenues				
Sale of municipal property	181,847	181,847	111,892	(69,955)
Earnings on investments	15,000	15,000	15,841	841
Rents of property	-	-	323,183	323,183
Other miscellaneous sources	292,530	608,801	445,480	(163,321)
Interfund operating transfers in				
Transfers from special revenue funds	69,910	69,910	-	(69,910)
Transfers from capital reserves	3,700	557,806	454,106	(103,700)
Transfers from other funds	-	20,958	20,240	(718)
Other financing sources				
Long-term debt proceeds	-	520,894	79,458	(441,436)
Amounts available for appropriation	<u>12,907,748</u>	<u>17,084,068</u>	<u>20,010,124</u>	<u>2,926,056</u>

See the accompanying notes to the required supplementary information.

CITY OF FRANKLIN, NEW HAMPSHIRE

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance
Charges to appropriations (outflows):				
General government				
Executive	417,021	467,499	337,721	129,778
Election and registration	196,192	197,092	171,961	25,131
Financial administration	525,926	537,576	494,654	42,922
Legal expense	40,100	40,100	46,560	(6,460)
Planning and zoning	201,804	201,804	187,826	13,978
General government buildings	161,054	217,403	222,192	(4,789)
Insurance not otherwise allocated	125,772	125,772	132,540	(6,768)
Other general government	25,595	25,595	26,401	(806)
Public safety				
Police	3,587,743	3,662,956	3,664,839	(1,883)
Fire and EMS	158,501	192,327	161,705	30,622
Fire	2,454,730	2,531,515	2,456,585	74,930
Emergency management	6,689	6,689	37,441	(30,752)
Highways and streets				
Administration	153,808	153,808	114,456	39,352
Highways and streets	852,082	1,675,867	1,065,790	610,077
Street lighting	99,486	99,486	120,543	(21,057)
Other highway	398,319	398,319	814,681	(416,362)
Sanitation				
Solid waste collection	228,000	228,000	231,115	(3,115)
Solid waste disposal	871,405	890,680	857,568	33,112
Health				
Pest control	20,000	20,000	-	20,000
Health agencies and hospitals	341,379	466,548	259,954	206,594
Welfare				
Administration	58,902	58,902	58,945	(43)
Intergovernmental welfare payments	42,500	42,500	-	42,500
Vendor payments	5,000	5,000	1,000	4,000
Culture and recreation				
Parks and recreation	697,606	826,513	727,314	99,199
Other culture and recreation	426,873	544,811	13,024	531,787
Economic development				
Redevelopment and housing	100,000	1,521,345	758,627	762,718
Debt service				
Principal on long term bonds and notes	174,894	174,894	225,433	(50,539)
Interest on long term bonds and notes	23,614	23,614	34,506	(10,892)
Other debt service charges	162,719	202,169	182,041	20,128
Capital outlay				
Machinery, vehicles and equipment	-	95,000	-	95,000
Improvements other than buildings	-	1,100,250	905,507	194,743
Operating transfers out				
Special revenue funds	283,466	283,466	206,699	76,767
Transfer to capital reserve	70,000	70,000	70,000	-
Total charges to appropriations	<u>12,911,180</u>	<u>17,087,500</u>	<u>14,587,628</u>	<u>2,499,872</u>
Budgetary Fund Balance - Ending	<u>\$ (3,432)</u>	<u>\$ (3,432)</u>	<u>\$ 5,422,496</u>	<u>\$ 5,425,928</u>

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, 2022

	2018	2019	2020	2021	2022
Total OPEB Liability Beginning of Year	\$ 1,386,002	\$ 2,369,691	\$ 2,479,147	\$ 4,080,748	\$ 4,291,147
Changes for the Year:					
Service Cost	84,795	96,962	251,817	257,382	107,873
Interest	49,243	90,203	84,225	88,685	59,642
Assumption Changes	870,680	-	1,594,157	-	(1,787,430)
Difference Between Actual and Expected Experience	-	-	(195,863)	-	(773,248)
Benefit payments	(21,029)	(77,709)	(132,735)	(135,668)	(91,345)
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>	<u>\$ 1,806,639</u>
City's covered-employee payroll	\$ 4,274,498	\$ 4,402,733	\$ 4,543,691	\$ 4,680,005	\$ 4,576,561
Total OPEB Liability as a percentage of covered payroll	55.44%	56.31%	89.81%	91.69%	39.48%

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, 2022

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, 2022	0.21395432%	\$ 856,795	\$ 5,184,069	17%	11.06%
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, 2022	\$ 102,816	\$ 102,816	\$ -	\$ 5,184,069	1.98%
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, 2022

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, 2022	0.20377892%	\$ 9,031,317	\$ 5,184,069	174.21%	72.22%
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	Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	\$ 936,214	\$ 936,214	\$ -	\$ 5,184,069	18.06%
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, 2022

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	\$ 20,010,124
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund (balance) deficit	(5,051,061)
Transfers from other funds	(474,346)
Debt proceeds	(79,458)
Contributions to capital reserves	55,953
Revenues for financial reporting that are not inflows for budgetary purposes	
Earnings on capital reserve investments	<u>815</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 14,462,027</u></u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 14,587,628
Differences - Budget to GAAP:	
Expenditures for financial reporting purposes that are not budgetary outflows	
Transfer to capital reserves	(70,000)
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	<u>(206,699)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 14,310,929</u></u>

City of Franklin, New Hampshire
Notes to Required Supplementary Information
As of and for the Fiscal Year Ended
June 30, 2022

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, 2022**

	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	\$ 303,915	\$ -	\$ -	\$ 7,858	\$ 8,045	\$ -	\$ 109,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,916	\$ -	\$ -	\$ 486,175
Investments	-	-	7,180	-	-	12,107	92,287	-	-	9,439	-	199,985	705,708	870,583	348,420	2,245,709
Receivables, net	-	-	-	-	-	-	-	-	4,121	-	-	-	-	-	-	4,121
Due from other governments	-	15,045	-	-	-	-	-	-	-	-	-	-	-	-	-	15,045
Due from other funds	-	-	-	-	2,005	250	6,295	20,403	66,869	-	-	-	-	-	-	95,822
Prepays	1,217	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,217
Total assets	<u>\$ 305,132</u>	<u>\$ 15,045</u>	<u>\$ 7,180</u>	<u>\$ 7,858</u>	<u>\$ 10,050</u>	<u>\$ 12,357</u>	<u>\$ 208,023</u>	<u>\$ 20,403</u>	<u>\$ 70,990</u>	<u>\$ 9,439</u>	<u>\$ -</u>	<u>\$ 199,985</u>	<u>\$ 762,624</u>	<u>\$ 870,583</u>	<u>\$ 348,420</u>	<u>\$ 2,848,089</u>
Liabilities, Deferred Inflows of Resources and Fund Balances																
Liabilities:																
Accounts payable	\$ 6,297	\$ 5,120	\$ -	\$ 236	\$ -	\$ -	\$ -	\$ 9,131	\$ -	\$ -	\$ 1,800	\$ -	\$ -	\$ -	\$ -	\$ 22,584
Accrued expenses	2,378	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,378
Due to other funds	650	9,925	-	1,677	-	-	-	-	-	-	585,498	-	-	-	-	597,750
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	685,306	-	-	685,306
Total liabilities	<u>9,325</u>	<u>15,045</u>	<u>-</u>	<u>1,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,131</u>	<u>-</u>	<u>-</u>	<u>587,298</u>	<u>-</u>	<u>685,306</u>	<u>-</u>	<u>-</u>	<u>1,308,018</u>
Deferred Inflows of Resources:																
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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:																
Nonspendable	1,217	-	-	-	-	-	-	-	-	-	-	171,457	42,720	870,490	345,049	1,430,933
Restricted	-	-	-	-	-	-	-	-	-	-	-	28,528	34,598	93	3,371	66,590
Committed	294,590	-	7,180	5,945	10,050	12,357	208,023	11,272	70,990	9,439	-	-	-	-	-	629,846
Unassigned	-	-	-	-	-	-	-	-	-	-	(587,298)	-	-	-	-	(587,298)
Total fund balances	<u>295,807</u>	<u>-</u>	<u>7,180</u>	<u>5,945</u>	<u>10,050</u>	<u>12,357</u>	<u>208,023</u>	<u>11,272</u>	<u>70,990</u>	<u>9,439</u>	<u>(587,298)</u>	<u>199,985</u>	<u>77,318</u>	<u>870,583</u>	<u>348,420</u>	<u>1,540,071</u>
Total liabilities, deferred inflows of resources and fund balances																
	<u>\$ 305,132</u>	<u>\$ 15,045</u>	<u>\$ 7,180</u>	<u>\$ 7,858</u>	<u>\$ 10,050</u>	<u>\$ 12,357</u>	<u>\$ 208,023</u>	<u>\$ 20,403</u>	<u>\$ 70,990</u>	<u>\$ 9,439</u>	<u>\$ -</u>	<u>\$ 199,985</u>	<u>\$ 762,624</u>	<u>\$ 870,583</u>	<u>\$ 348,420</u>	<u>\$ 2,848,089</u>

CITY OF FRANKLIN, NEW HAMPSHIRE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2022**

	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	\$ -	\$ 18,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,098
Charges for services	3,067	-	-	-	-	-	-	20,001	51,592	-	-	-	-	-	-	74,660
Miscellaneous revenues	526	10,156	14	1,885	697	24	7,161	-	-	289	-	4,805	1,943	18,681	8,416	54,597
Interfund operating transfers in	256,225	-	400	-	-	250	-	-	-	-	-	-	-	-	-	256,875
Other financing sources	-	-	-	-	-	-	-	-	-	-	12,170	-	-	-	-	12,170
Total revenues and other financing sources	259,818	28,254	414	1,885	697	274	7,161	20,001	51,592	289	12,170	4,805	1,943	18,681	8,416	416,400
Expenditures																
Public safety	-	28,254	-	3,796	-	-	-	-	37,073	-	-	-	-	-	-	69,123
Culture and recreation	249,743	-	-	-	-	-	-	30,626	-	-	-	-	-	23,135	-	303,504
Conservation	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	400
Economic development	-	-	-	-	-	-	-	-	-	-	599,468	-	-	-	-	599,468
Operating transfers out	-	-	-	-	-	-	16,540	-	-	-	-	-	3,700	42,362	7,814	70,416
Other financing uses	-	-	-	-	-	-	6,497	-	-	635	-	13,830	5,374	174,090	24,147	224,573
Total expenditures and other financing uses	249,743	28,254	400	3,796	-	-	23,037	30,626	37,073	635	599,468	13,830	9,074	239,587	31,961	1,267,484
Excess revenue and other financing sources over (under) expenditures and other financing uses	10,075	-	14	(1,911)	697	274	(15,876)	(10,625)	14,519	(346)	(587,298)	(9,025)	(7,131)	(220,906)	(23,545)	(851,084)
Fund balance, beginning	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
Fund balance, ending	\$ 295,807	\$ -	\$ 7,180	\$ 5,945	\$ 10,050	\$ 12,357	\$ 208,023	\$ 11,272	\$ 70,990	\$ 9,439	\$ (587,298)	\$ 199,985	\$ 77,318	\$ 870,583	\$ 348,420	\$ 1,540,071

FEDERAL SUPPLEMENTARY INFORMATION

ROBERGE AND COMPANY, P.C.

Certified Public Accountants

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Franklin, as of and for the year ended June 30, 2022, 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 April 4, 2023.

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. However, material weaknesses may exist that have not been identified.

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*.

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
April 4, 2023

ROBERGE AND COMPANY, P.C.

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Franklin's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Franklin's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Franklin's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Franklin's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Franklin's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Franklin's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Franklin's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

April 4, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF FRANKLIN, NEW HAMPSHIRE
**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Assistance Listing #	Pass Trough ID #	Expenditures of Federal Awards
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	\$ 15,000
U.S. DEPARTMENT OF INTERIOR TOTAL			15,000
U.S. DEPARTMENT OF THE INTERIOR			
Passed through the NH Department of Natural & Cultural Resources			
Outdoor Recreation Acquisition, Development and Planning	15.916	33-00738	400,000
Outdoor Recreation Acquisition, Development and Planning	15.916	33-00733	12,869
U.S. DEPARTMENT OF INTERIOR TOTAL			412,869
U.S. DEPARTMENT OF JUSTICE			
Passed through the NH Department of Justice			
Violence Against Women Formula Grants	16.588	2020WFAX0015	15,000
Violence Against Women Formula Grants	16.588	2020WFAX0021	15,000
			30,000
Juvenile Mentoring Program	16.726	2020JYFX0002	3,476
U.S. DEPARTMENT OF JUSTICE TOTAL			33,476
U.S. DEPARTMENT OF THE TREASURY			
Direct			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	1505-0271	386,181
Passed through the NH Department of Health and Human Services			
COVID-19 - Coronavirus Relief Fund	21.019	NA	382
TOTAL U.S. DEPARTMENT OF THE TREASURY			386,563
U.S. ENVIRONMENTAL PROTECTION AGENCY			
CLEAN WATER STATE REVOLVING FUND CLUSTER			
Passed through the NH Department of Environmental Services			
Clean Water State Revolving Fund	66.458		75,000
CLEAN WATER STATE REVOLVING FUND CLUSTER TOTAL			75,000
DRINKING WATER STATE REVOLVING FUND CLUSTER			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0851010-06	49,638
Capitalization Grants for Drinking Water State Revolving Funds	66.468	AM-101	2,400
DRINKING WATER STATE REVOLVING FUND CLUSTER TOTAL			52,038
U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL			127,038
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	198,575
CCDF CLUSTER			
Passed through the NH Department Health and Human Services			
Child Care and Development Block Grant	93.575	Child Care	58,527
Child Care and Development Block Grant	93.575	2101NHCS6	48,560
CCDF CLUSTER TOTAL			107,087
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL			305,662
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the NH Department of Safety, Homeland Security			
Emergency Management Performance Grants	97.042	EMB-2020-EP-00011-S01	12,868
Direct			
Assistance to Firefighters Grant	97.044	EMW-2020-FG-16837	1,557
Passed through the NH Department of Safety, Homeland Security			
Homeland Security Grant Program	97.067	EMW-2018-SS-00055-S01	3,893
Homeland Security Grant Program	97.067	EMW-2019-SS-00053-S01	12,804
			16,697
U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL			31,122
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,311,730

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, 2022. 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 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and include, but are not limited to, expenditure transactions associated with grants, and cost reimbursement grants and contracts.

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

3. RELATIONSHIP AND RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

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

Schedule of Expenditures of Federal Awards	\$ 1,311,730
Statement of Revenues, Expenditures, and Changes in Fund Balances	
General Fund	
Account 01-4-196-40611	\$ 198,575
Account 01-2-208-40740	34,535
Non-federal portion	(21,667)
Project Code 126	58,527
Project Code 128	382
Project Code 129	48,560
Project Code 403	89,415
Non-federal portion	(59,415)
Project Code 429	16,697
Project Code 437	400,000
Project Code 443	4,800
Non-federal portion	(2,400)
Project Code 444	49,638
Project Code 451	28,980
Non-federal portion	(16,111)
Project Code 454	17,814
Non-federal portion	(2,814)
Project Code 455	386,181
Project Code 456	3,476
Project Code 457	1,557
Proprietary Sewer Fund	80,225
Non-federal portion	(5,225)
	<u>\$ 1,311,730</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

The type of auditor's report issued – Unmodified (with Emphasis of Matter) – All Reporting Units

Internal control over financial reporting:

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

Was any Noncompliance material to the financial statements noted? – No.

Federal Awards

Internal control over major programs:

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

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:

- ALN # 15.916 - Outdoor Recreation Acquisition, Development and Planning
- ALN # 21.027 - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as a low-risk auditee – No.

**Schedule of Findings and Questioned Costs
2 - Financial Statement Findings
June 30, 2022**

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

Schedule of Findings and Questioned Costs **3 – Federal Award Findings and Questioned Costs** **June 30, 2022**

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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



CITY OF FRANKLIN, NEW HAMPSHIRE

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June 21, 2023

City of Franklin, New Hampshire
Single Audit Summary Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 2022

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.

Corrective Action: The City of Franklin, New Hampshire took corrective action by providing resources to the Finance Department to catch up on back log of work. Also, additional workload due to unforeseen factors, including but not limited to the COVID pandemic, have abated. Because of the corrective action taken, FY2022 audit year end closing entries were completed including audit adjustments within 9 ½ months after balance sheet date. The City intends to have audited financials available within 9 months after balance sheet date for FY2023.

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

Best,

Judie Milner,
City Manager