CITY OF FRANKLIN

Franklin, New Hampshire

Financial Statements

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

GRZELAK AND COMPANY, P.C.

Certified Public Accountants

Members – American Institute of CPA's (AICPA)
Member – AICPA Government Audit Quality Center (GAQC)
Member – AICPA Private Company Practice Section (PCPS)
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, as of June 30, 2015, 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.

Emphasis of Matter

Implementation of GASB Statement No. 68

As discussed in Note 1 to the financial statements, in 2015, the City of Franklin adopted new accounting guidance prescribed by GASB 68 for its pension plan – a multiple-employer, cost-sharing, defined benefit pension plan. Because GASB 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. The Statement of Net Position discloses the City of Franklin's Net Pension Liability and some deferred outflows of resources and deferred inflows of resources related to the City of Franklin's pension plan. The Statement of Activities discloses the adjustment to the City of Franklin's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 19, budgetary comparison information, on page 58, schedule of funding progress for other postemployment benefits on page 56, schedule of the city's proportionate share of net pension liability on page 52, and schedule of city contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2016, on our consideration of the City of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Franklin's internal control over financial reporting and compliance.

Grzelak and Co., P.C.

GRZELAK & COMPANY, P.C., CPA's
Laconia, New Hampshire
April 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Franklin, we offer readers of the City of Franklin's financial statements this narrative overview and analysis of the financial activities of the City of Franklin for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlight

- The assets of the City of Franklin exceeded its liabilities at the close of the most recent fiscal year by $16.4 million (net position). Total net position for governmental activities was $3.6 million (-12.8 unrestricted) and total net position for business like activities was $12.9 million ($0.5 million unrestricted). The negative unrestricted net position for governmental activities is due to the implementation of Governmental Accounting Standards Board Statement 68 which requires the City to record its proportionate share of unfunded pension liability of the New Hampshire Retirement System's cost sharing employer defined benefit pension plan.

- As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of $6.5 million, an increase of $61 thousand over the prior year. Of the combined ending fund balances, $2.76 million, an increase of $132 thousand over 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 $2.76 million, or 11.22 percent of total general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Franklin's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Franklin's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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 sick leave).

Both of the government-wide financial statements distinguish functions of the City of Franklin that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Franklin include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Franklin include Water and Sewer Activities.

The government-wide financial statements include not only the City of Franklin (known as the primary government), but also a legally separate dependent school district, Franklin School District, which the City of Franklin is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Franklin, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Franklin can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City of Franklin.

Internal service funds report "any activity that provides goods and services to other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis". The City of Franklin uses an internal service fund to account for the fuel depot. Because the nature of these funds is internal, internal service funds are combined with governmental activities on the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Franklin's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Franklin's Non-GAAP Budgetary Basis Reporting.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. In the case of the City of Franklin, assets exceeded liabilities by $16.4 million at the close of fiscal year 2015 and $16.2 million, as restated, at the close of fiscal year 2014. Governmental activities assets exceeded liabilities by $3.57 million and $3.21 million, as restated, at the close of fiscal years 2015 and 2014, 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. 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 Net Position (in Thousands)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Current and other assets	15,039	14,809	13,807	2,622	2,947	2,576	17,661	17,756	16,383
Capital assets	18,014	18,220	18,781	19,081	19,184	18,621	37,095	37,404	37,402
Total assets	33,053	33,029	32,588	21,703	22,131	21,197	54,756	55,160	53,785
Deferred outflow of resources	1,384	1,306	-	49	44	-	1,433	1,350	-
Total assets and deferred outflow of resources	34,437	34,335	32,588	21,752	22,175	21,197	56,189	56,510	53,785
Current liabilities	1,529	1,496	1,397	208	7,185	769	1,737	8,681	2,166
Long term liabilities outstanding	20,836	23,343	6,404	7,435	775	6,410	28,271	24,118	12,814
Total liabilities	22,365	24,839	7,801	7,643	7,960	7,179	30,008	32,799	14,980
Deferred inflow of resources	8,502	6,281	6,213	1,241	1,242	120	9,743	7,523	6,333
Total liabilities and deferred inflow of resources	30,867	31,120	14,014	8,884	9,202	7,299	39,751	40,322	21,313
Net Position:									
Invested in capital assets, net of related debt	14,336	14,041	13,861	12,172	12,007	12,231	26,508	26,048	26,092
Restricted	2,046	2,055	2,405	152	152	152	2,198	2,207	2,557
Unrestricted	(12,812)	(12,881)	2,308	545	814	1,515	(12,267)	(12,067)	3,823
Total net position	3,570	3,215	18,574	12,869	12,973	13,898	16,439	16,188	32,472

Note: Governmental Accounting Standards Board Statement 68, Accounting & Financial Reporting for Pensions implemented in 2015 thus restating 2014 net position

An additional portion of the City of Franklin's net position ($2,198,107) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position of* ($12.3) million. At the end of the current fiscal year, the City of Franklin is able to report positive balances in all three categories of net position for business-type activities and positive balances in Net Investment in Capital Assets and Restricted categories for governmental activities and the City's net position as a whole. The negative Unrestricted Net Position category is a result of the implementation of the Governmental Accounting Standards Board's Statement 68 Accounting and Financial Reporting for Pensions which requires the City to record its proportionate share of the unfunded liability of the New Hampshire Retirement System, a multiple employer cost sharing defined benefit plan.

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

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Revenues									
Program Revenue:									
Charges for Services	1,939	2,051	1,773	2,570	2,485	2,515	4,509	4,536	4,288
Operating Grants and Contributions	9,874	9,564	10,052	7	7	7	9,881	9,571	10,059
Capital Grants and Contributions	409	18	51	79	173	874	488	191	925
General Revenues:							-	-	-
Property Taxes	11,146	10,914	10,706	-	-	-	11,146	10,914	10,706
Other Taxes	350	311	196	-	-	-	350	311	196
Licenses and Permits	1,184	1,113	1,180	-	-	-	1,184	1,113	1,180
Grants and Contributions not restricted to specific programs	22	753	776	-	-	-	22	753	776
Interest Earnings	33	73	90	-	-	-	33	73	90
Miscellaneous	782	788	634	-	-	-	782	788	634
Total Revenues	25,739	25,585	25,458	2,656	2,665	3,396	28,395	28,250	28,854
Expenses									
Functional Expenditures:									
General Government	1,796	1,950	1,631	-	-	-	1,796	1,950	1,631
Public Safety	5,028	4,855	4,491	-	-	-	5,028	4,855	4,491
Highway and Streets	1,592	1,573	1,612	-	-	-	1,592	1,573	1,612
Sanitation	789	724	714	-	-	-	789	724	714
Health	202	194	159	-	-	-	202	194	159
Welfare	73	71	135	-	-	-	73	71	135
Culture and Recreation	864	813	857	-	-	-	864	813	857
Conservation	1	1	1	-	-	-	1	1	1
Economic Development	45	45	45	-	-	-	45	45	45
School	14,560	14,150	14,750	-	-	-	14,560	14,150	14,750
Debt Service	349	189	217	-	-	-	349	189	217
Capital Outlay	85	232	23	-	-	-	85	232	23
Proprietary Activities	-	-	-	2,760	3,056	2,453	2,760	3,056	2,453
GASB 68 Accounting & Financial Reporting for Pensions implementation		16,147			534			16,681	
Total Expenses	25,384	40,944	24,635	2,760	3,590	2,453	28,144	44,534	27,088
Change in net position before transfers	355	(15,359)	823	(104)	(925)	943	251	(16,284)	1,766
Transfers	-	-	-	-	-	-	-	-	-
Increase (Decrease) in net position	355	(15,359)	823	(104)	(925)	943	251	(16,284)	1,766
Net Position, beginning, as restated	3,215	18,574	17,751	12,973	13,898	12,955	16,188	32,472	30,706
Net Position, ending	3,570	3,215	18,574	12,869	12,973	13,898	16,439	16,188	32,472

Governmental activities. Governmental activities increased the City of Franklin's net position by $354,843.

Business-type activities. Business-type activities decreased the City of Franklin's net position by $104,283, which, net with the increase in net position from governmental activities, accounts for the City's total increase in net position of $250,560.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Franklin's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Franklin's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of $6.5 million, an increase of $61 thousand over the prior year. Of the combined ending fund balances, $2.76 million is available for spending at the government's discretion (unassigned fund balance). The remainder of fund balance is *nonspendable, restricted, committed or assigned* to indicate that it is not available for new spending because it has already been obligated 1) to liquidate contracts and purchase orders of the prior period ($640,471), 2) legally restricted for permanent fund and capital purchase purposes ($2,046,161), or 3) for a variety of other restricted purposes ($1,006,812).

The general fund is the chief operating fund of the City of Franklin. At the end of the current fiscal year, unassigned fund balance of the general fund was $2.76 million, while total fund balance reached $4.4 million. 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 11.22 percent of total general fund expenditures, while total fund balance represents 17.92 percent of that same amount.

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.

Unrestricted net position of the proprietary funds at the end of the year amounted to $544,766. The total net position decreased over the prior year by $104,283. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Franklin's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were $1,121,131 increase in appropriations which can be briefly summarized as follows:

- $111,052, copier purchase, allocated to school district
- $35,000, handicap accessibility, allocated to capital outlay
- $372,307, energy performance contract, allocated to capital outlay
- $4,397, community center flooring replacement, allocated to buildings
- $383,375, Haynes brook culvert replacement, allocated to capital outlay
- $215,000, street light replacement, allocated to capital outlay

Of this increase, $303,375 was funded from federal grant sources, $219,397 from capital reserve funds, $120,141 rebates from utility companies, $201,966 from capital lease proceeds, $165,200 note proceeds, and $111,052 school district unassigned fund balance from prior year.

Capital Asset and Debt Administration

Capital Assets. The City of Franklin's investment in capital assets for its governmental and business type activities as of June 30, 2015, amounts to $26,507,577 (net of accumulated depreciation and related debt). 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.

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

- Water Tank Renovations (in progress, partially grant funded)
- Energy Audit Upgrades (in progress)
- Industrial Park Reconstruction
- Rte3/Industrial Park Dr Water Main Relocation (in progress)
- City Hall Basement Renovation (in progress)
- Tannery Street storage shed
- Bessie Rowell Community Center renovations (grant funded)
- Sewer line installation Water Treatment Facility to Tannery Street
- Security Upgrade Water Treatment Facility
- New Hampton Road Pavement
- Water/Sewer Meter Replacements
- (4) Police Cruisers
- Miscellaneous equipment (school district)

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

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Land	906	906	906	65	65	65	971	971	971
Monuments	61	61	61	-	-	-	61	61	61
Construction in Progress	399	102	73	104	88	5,711	503	190	5,784
Land Improvements	162	171	179	-	-	-	162	171	179
Buildings and Improvements	11,977	12,242	12,620	441	442	452	12,418	12,684	13,072
Machinery, Vehicles and Equipment	2,431	2,579	2,724	362	230	259	2,793	2,809	2,983
Infrastructure	2,078	2,159	2,219	18,109	18,359	12,134	20,187	20,518	14,353
Total	18,014	18,220	18,782	19,081	19,184	18,621	37,095	37,404	37,403

Long-term debt. At the end of the current fiscal year, the City of Franklin had total bonded debt outstanding of $6,456,478 and $3,697,123 in notes. Of this amount, 100% comprises debt backed by the full faith and credit of the government; however, $3,343,318 bonds & $3,565,697 notes are attributable to the Water and Sewer proprietary funds, and $150,000 is attributable to the District Courthouse. Of the $3,565,697 proprietary note debt, the State of New Hampshire has agreed to offset $1,235,239in the form of a revolving loan. The City of Franklin is financially liable for the debt due and owing for the District Courthouse Building, but has been reimbursed annually by the State of New Hampshire. The City of Franklin is also financially liable for general obligation debt outstanding for its component unit, Franklin School District, which amounts to approximately $2,813,158 of the total bonded debt of $6,456,478. Further information regarding the School District's indebtedness may be found in their annual audit report.

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

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
General Obligation Bond	3,113	3,670	4,424	3,343	3,450	3,565	6,456	7,120	7,989
Accrued Landfill Postclosure	180	187	193	-	-	-	180	187	193
Compensated Absences	384	321	400	18	20	20	402	341	420
Capital Leases	434	344	500	-	-	-	434	344	500
Other Notes	132	164	-	3,566	3,727	2,825	3,698	3,891	2,825
Net Pension Liability	15,096	17,453	-	508	578	-	15,604	18,031	-
Other Post Employment Benefits	1,497	1,204	887	-	-	-	1,497	1,204	887
Total	20,836	23,343	6,404	7,435	7,775	6,410	28,271	31,118	12,814

During the current fiscal year, the City of Franklin's total debt decreased by $2,847,021 (9 percent). This decrease is the net effect of current year bond/note debt service amounts paid ($878,835), current year capital lease debt service amounts paid ($320,014), increase in compensated absences ($61,899), decrease in landfill post closure obligations ($7,725) increase in other post employment benefits ($293,045), new capital lease for energy audit project ($301,966), new capital lease for police cruisers ($108,178), decrease in net pension liability ($2,426,461) and new debt for the cross street water tank rehabilitation project ($20,925).

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 9.75 percent 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. The current debt limitation for the City of Franklin is $50 million, which is significantly in excess of the City of Franklin's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

Taxation Cap

Pursuant to Franklin City Charter, the city manager is responsible for preparing an annual budget and submitting the budget to the Franklin City Council one month prior to the start of the new fiscal year. The annual budget is to be presented to the city council for action no later than the 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.

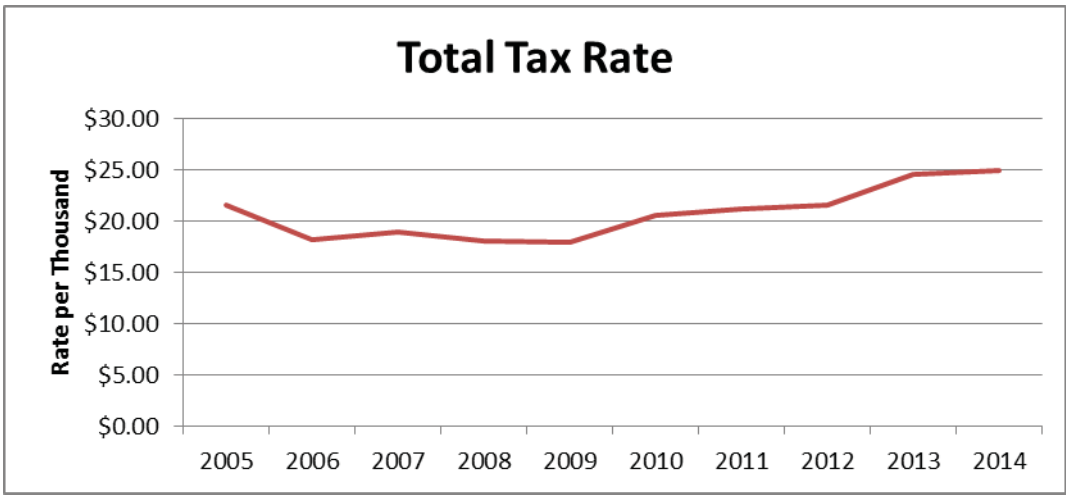
In November, 1989 the voters of the City of Franklin amended the budget procedures outlined under the city's charter §C-32 limiting the amount of taxes that can be raised to support annual operations. The formula limits the amount to be raised by the prior calendar year's Consumer Price Index (national 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.

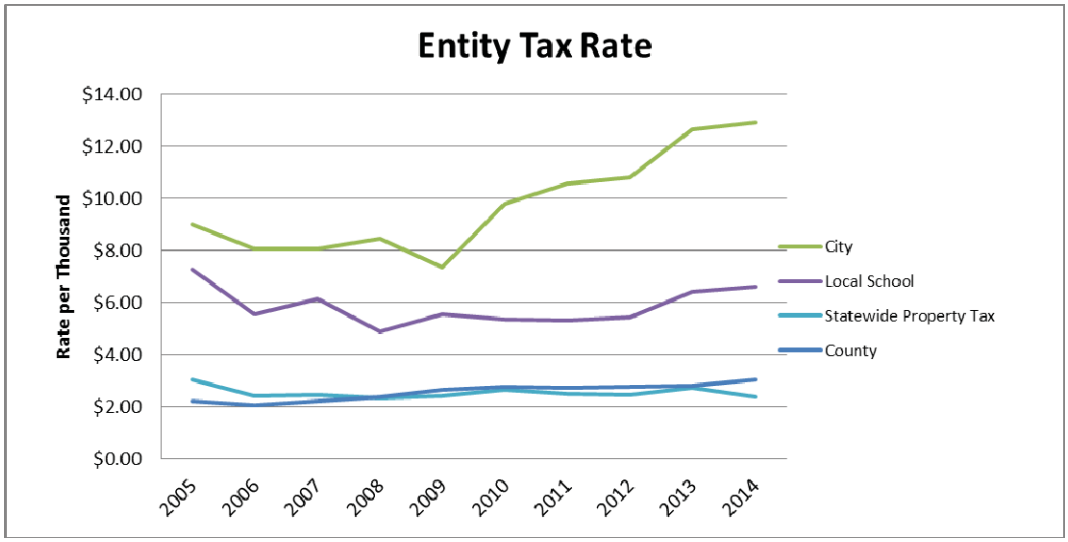
In October 2002, the Charter was amended again and the tax cap was modified to include a calculation to include newly assessed property value from the prior year (April 1). The calculation includes all new value from April 1 of the prior tax year multiplied by the prior calendar year's tax rate.

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.

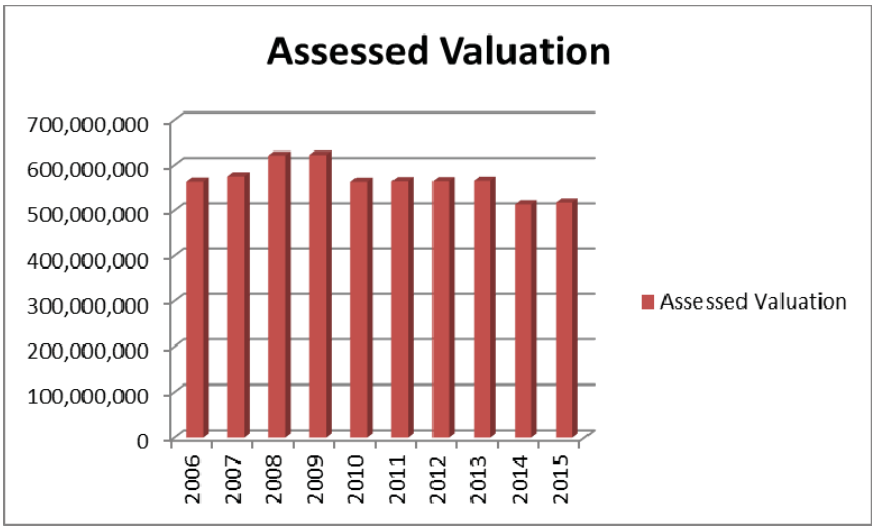




The total city tax commitment as opposed to the city's gross budget reflects how much taxes were raised as a result of changes in the gross budget and property assessment.

Fiscal Year	Total Taxes	Percentage Change
2006	$10,090,189	6.4%
2007	$10,724,152	6.3%
2008	$11,038,643	2.9%
2009	$11,018,539	0.0%
2010	$11,391,420	3.4%
2011	$11,735,093	3.0%
2012	$11,955,968	1.9%
2013	$12,356,447	3.3%
2014	$12,442,736	0.7%
2015	$12,722,153	2.2%

The City's net valuation, or the taxable assessment on both land and buildings used to establish the tax rate, was $518,253,005 in fiscal year 2015. The City has experienced a $4.08m increase in assessed valuation from the previous year.



Economics

The City of Franklin is at the confluence of the Pemigewasset and Winnipesaukee Rivers, forming the headwaters for the Merrimack River. In its prime, Franklin was a thriving mill city with numerous factories. After the last of the large mills closed in the 1970's, the community is striving to reinvent itself similar to other New England mill communities.

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. Interest in Franklin's historic housing stock, proximity to Interstate 93, and other Lakes Region recreational destinations has 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 recognizes the key to growth is economic development and striking that balance between residential and commercial properties. The City continues to clean up dilapidated property. In FY15, the City demolished dilapidated buildings on Colby Street, sold the property placing it back on the tax roll. In addition, the City sold several other tax deeded properties on Summit, South Sulloway, Trail and Vine Streets.

The City finished the project first discussed in FY12 to turn a former elementary school into the new City recreational community center. The City secured similar programs to occupy the remaining portions of the former school, sharing in building related expenditures with the City. Occupants include Tiny Twisters Daycare, Head Start and the Twin Rivers Intergenerational Program. All share the building with the City's recreation department, creating a multigenerational facility serving area children and seniors alike. The City previously secured two Community Development Block Grants for the renovation of the Tiny Twisters and Head Start program areas of the building. Renovations for both the Tiny Twisters and Head Start programs were completed by the end of the current fiscal year. Both programs are utilizing the facility full time. The City was successful in securing a third Community Development Block Grant for the Twin Rivers Intergenerational Program space at the community center. Twin River renovations were completed this year and the Twin Rivers Intergenerational Program moved into the community center. The building is now fully occupied. The (3) programs and the City share in the building maintenance expenses.

In FY14, the City contracted for a City wide energy audit during the period identifying areas where improvements, boiler, lighting, etc., could be made in order to realize savings in electrical and heating fuel costs. The savings will be utilized to pay for the cost of implementing the energy audit. The payback period for the project is conservatively estimated at 12 years. The City will enjoy the savings for 20-25 years useful life of the improvements. The project is over 50% completed by the end of FY15. In FY15, the City Council approved a street light replacement project which will replace all of the City's approximately 500 streetlights with LED technology saving 50% on the electrical billings. The utility company, Eversource, is providing $49,000 in rebates to partially fund the project. The remaining piece of the project is funded through CDFA's Clean Energy Fund. Work is expected to be completed in FY16.

A group of investors has formed a nonprofit called PermaCityLife who have purchased 7 buildings and begun revitalization efforts in the downtown corridor. The group is taking advantage of tax credits set up by the City under RSA 79E a few years ago. Some buildings are under contraction and one has opened – a NH wares shop called Franklin Studios. PermaCityLife is talking to groups about opening a shared office space for small businesses, an outdoor sporting store and possibly a restaurant/microbrewery. The City has assisted in the efforts by helping with code enforcement issues downtown and through Merrimack County securing a Citizen's Institute for Rural Design grant to provide direction for "Aging in Place" to address a real problem in this community and others. As a result of these efforts CATCH housing has purchased an abandoned mill property along the river for a 42 unit middle income

housing/community project. This will greatly improve the downtown façade as this old mill building is one of the first things visitors see entering the City from the west.

Due to the nationwide recession, especially in the construction industry, residential growth had decreased in the past few years; however for the 2nd year, the City is now seeing reverse of this past trend and has remained somewhat flat in the current fiscal year. Slight growth did occur as both retirees and commuting professionals seek property tax stability, centralized location in the State of New Hampshire, close proximity to the Lakes Region, affordable housing stock, recreational access, and the amenities generally provided by cities. In addition, the City is starting to see an increase in housing values although the growth is slow.

The City continues to rally around the Franklin Mayor's Drug Task Force, funded entirely by a federal grant. The City recognizes the need to educate youth in the pitfalls of addiction years before the national attention to the opioid crisis. This year, the Task Force received another 5 year, $600,000 grant to support drug & alcohol awareness efforts. The K9 officer and his handler acquired last year is almost fully trained.

In addition to the Mayor's Drug Task Force efforts, the police department was awarded more funding again this year from the State of New Hampshire Attorney General Drug Task Force grant to offset overtime costs of investigating drug related cases.

Water and Sewer Rates

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

The City secured funding (totaling $765,000) through the State of New Hampshire Drinking Water State Revolving Fund (DWSRF) with a 35% forgiveness for the rehabilitation of Cross Street Tank and the Route 3 water main relocation and replacement.

The ongoing Water Meter Replacement Program continues to replace all 2314 outdated water meters. This enables the City to obtain accurate water usage consumption from all customers. Additionally, the City continues to repair and replace various pieces of aging water equipment and infrastructure. The City increased the quarterly water availability charge to fund this project.

The City sanitary sewer collection system is piped to the Winnipesaukee River Basin Program (WRBP) interceptor which then flows to a state owned and operated waste water treatment plant located at the end of River Street in Franklin. WRBP was created by special legislation by the State of New Hampshire and was constructed in the early 1980's. WRBP is a regional wastewater collection system operated by the State serving 10 municipalities each paying a proportional assessment for the operation, maintenance, capital and debt service for the program. The WRBP is approximately 76% of the City's current sewer budget. Although some capital improvement expenditures have been passed on to the City by the WRBP, several large capital improvements are expected from WRBP in the coming years that will pass to the City and impact the rate payer. As part of the WRBP, each member community has an appointed advisory board member who works with New Hampshire Department of Environmental Services (NHDES). The role of the advisory board has become more involved in the operation of the program, funding and implementation of capital projects as well as other operational issues in the current fiscal period providing better oversight and management of expenses.

All of the above factors were considered in preparing the City of Franklin's water and sewer budgets for the 2015 fiscal year. Water rates increased $1.05 per 100 cubic feet (22%) for fiscal 2016 budget year. Of this increase 25 cents was deferred from FY15. The remaining increase ($.80) supports well rehabilitation/replacement and future capital outlay items now that the water treatment facility is completed. Sewer rates remained constant at $6.27 per 100 cubic feet in FY16. The City was able to absorb the 1% increase from the Winnipesaukee River Basin

Program whose costs are largely outside of the City's control in the remaining sewer budget under the City's control.

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: Judie Milner, Finance Director, City of Franklin Finance Office, 316 Central Street Franklin, NH 03235.

BASIC FINANCIAL STATEMENTS

Statement A

City of Franklin, New Hampshire
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Assets			
Cash and equivalents	$ 7,553,371	$ -	$ 7,553,371
Investments	3,080,624	-	3,080,624
Receivables, net of allowances for uncollectables			
Taxes	2,860,152	-	2,860,152
Accounts	537,479	692,123	1,229,602
Intergovernmental receivable, current	994,276	1,196,737	2,191,014
Internal Balances	(529,808)	529,808	(0)
Prepaid items	78,575	-	78,575
Inventory	10,591	203,091	213,682
Tax deeded property, subject to resale	453,666	-	453,666
Other Assets	72		72
Capital assets not being depreciated			
Monuments	61,000	-	61,000
Land	905,806	65,148	970,954
Construction in progress	398,717	103,721	502,439
Capital assets, net of accumulated depreciation			
Land improvements	161,931	-	161,931
Buildings and improvements	11,977,847	440,772	12,418,619
Machinery, equipment, and vehicles	2,431,496	362,471	2,793,967
Infrastructure	2,077,596	18,108,905	20,186,501
Total assets	33,053,392	21,702,776	54,756,168
DEFERRED OUTFLOW OF RESOURCES			
Deferred Pension Contributions	1,361,337	49,294	1,410,631
Unexpended capital lease proceeds	22,411		22,411
Total deferred outflow of resources	1,383,748	49,294	1,433,042
LIABILITIES			
Classified Liabilities			
Accounts Payable	1,099,950	58,685	1,158,634
Accrued payroll and benefits	207,308	12,737	220,044
Contracts payable	-	-	-
Retainage payable	-	-	-
Accrued interest payable	5,944	136,163	142,107
Intergovernmental payable	33,963	-	33,963
Unearned revenues	182,709	-	182,709
Noncurrent liabilities:			
Due within one year:			
Bonds	492,105	219,038	711,143
Notes	32,858	93,378	126,236
Leases	187,781	-	187,781
Landfill postclosure care costs	8,896	-	8,896
Compensated absences	249,402	17,652	267,054
Due in more than one year:			
Bonds, long term	2,621,055	3,124,280	5,745,335
Compensated absences	135,041	-	135,041
Notes, long term	98,568	3,472,319	3,570,887
Leases	246,453	-	246,453
Landfill postclosure care, long term	170,742	-	170,742
Other post employment benefits	1,496,895	-	1,496,895
Net pension liability	15,095,812	508,260	15,604,072
Total Liabilities	22,365,482	7,642,510	30,007,992
DEFERRED INFLOW OF RESOURCES			
Property taxes levied in current year to finance FY2015 budget	6,451,844	-	6,451,844
Net difference between projected and actual investment earnings on pension plan investments	1,931,521	65,033	1,996,554
Changes in proportion and differences between employer contributions and proportionate share of contributions	118,495		118,495
Grant from State of New Hampshire to offset portion over the life of the 2006 State revolving fund loan (sewer) & 2014 State revolving fund loan (water)		1,175,812	1,175,812
Total Deferred Inflow of Resources	8,501,860	1,240,845	9,742,705
NET POSITION			
Net investment in capital assets	14,335,573	12,172,004	26,507,577
Restricted	2,046,161	151,946	2,198,107
Unrestricted	(12,811,935)	544,766	(12,267,169)
Total net position	$ 3,569,799	$ 12,868,715	$ 16,438,514

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

Statement B

City of Franklin, New Hampshire
Statement of Activities
For the Fiscal Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Primary government							
Governmental actvities:							
General Government	$ 1,796,011	$ 13,725	$ -	$ -	$ (1,782,287)		$ (1,782,287)
Public Safety	5,028,279	535,558	117,750	-	(4,374,971)		(4,374,971)
Highways and streets	1,592,039	201,873	178,352	-	(1,211,814)		(1,211,814)
Sanitation	789,327	221,621	-	-	(567,706)		(567,706)
Health	201,536	-	197,588	-	(3,948)		(3,948)
Welfare	72,973	3,510	-	-	(69,463)		(69,463)
Culture and recreation	864,144	170,431	-	409,380	(284,333)		(284,333)
Conservation	830	-	-	-	(830)		(830)
Economic Development	45,000	-	-	-	(45,000)		(45,000)
School	14,560,116	791,922	9,380,030		(4,388,164)		(4,388,164)
Interest on long term debt	348,507	-	-	-	(348,507)		(348,507)
Capital Outlay	84,926	-	-	-	(84,926)		(84,926)
Total governmental activities:	25,383,688	1,938,640	9,873,720	409,380	(13,161,949)		(13,161,949)
Business-type activities:							
Water operations	1,484,114	1,301,503	-	79,020		$ (103,591)	(103,591)
Sewer operations	1,276,077	1,268,524	6,861	-		(692)	(692)
Total business-type activities	2,760,191	2,570,028	6,861	79,020		(104,283)	(104,283)
Total primary government	28,143,879	4,508,667	9,880,581	488,400	(13,161,949)	(104,283)	(13,266,231)
		General Revenues:					
		Property Taxes			11,146,464		11,146,464
		Other Taxes			349,671		349,671
		Licenses and Permits			1,183,809		1,183,809
		Grants Not Restricted to Specific Programs			22,380		22,380
		Interest Earnings			82,072		82,072
		Change in Fair Market Value			(49,321)		(49,321)
		Miscellaneous			781,717		781,717
		Transfers - Internal Activity			-	-	-
		Total General Revenues			13,516,792	-	13,516,792
		Change in Net Position			354,843	(104,283)	250,560
		Net Position - Beginning (as restated)			3,214,956	12,972,998	16,187,954
		Net Position - Ending			$ 3,569,799	$ 12,868,715	$ 16,438,514

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

Statement C

City of Franklin, New Hampshire
Balance Sheet
Governmental Funds
June 30, 2015

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	$ 7,076,351	$ -	$ 477,020	$ 7,553,371
Investments	842,764	-	2,237,860	3,080,624
Receivables, net of allowances for uncollectables				
Taxes	2,860,152	-	-	2,860,152
Accounts	535,259	-	2,220	537,479
Intergovernmental receivable	387,654	-	453,651	841,305
Interfund receivable	575,131	-	104,697	679,828
Prepaid items	78,575	-	-	78,575
Inventory	280	-	10,311	10,591
Other Assets	-	-	72	72
Total assets	$ 12,356,166	$ -	$ 3,285,831	$ 15,641,997
LIABILITIES AND FUND BALANCES				
Classified Liabilities				
Accounts payable	$ 441,735	$ -	$ 653,214	$ 1,094,950
Accrued payroll and benefits	176,029	-	4,596	180,626
Retainage payable	-	-	-	-
Intergovernmental payable	33,963	-	-	33,963
Interfund payable	672,644	-	574,131	1,246,775
Unearned revenue	6,629,399	-	5,154	6,634,553
Total liabilities	7,953,771	-	1,237,096	9,190,866
Fund balances:				
Nonspendable	78,855	-	1,089,807	1,168,661
Restricted	-	-	877,500	877,500
Committed	925,383	-	81,429	1,006,812
Assigned	640,471	-	-	640,471
Unassigned	2,757,686	-	-	2,757,686
Total fund balances	4,402,395	-	2,048,735	6,451,129
Total liabilities and fund balances	$ 12,356,166	$ -	$ 3,285,831	$ 15,641,997

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, 2015

Total Fund Balances - Governmental Funds	$	6,451,129
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.		18,014,394
Certain long term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:		
Tax Deeded Property		453,666
Receivables from other governments		152,972
		606,638
Internal service funds are used by management to account for fuel, gasoline and diesel, used by City vehicles. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		32,139
Certain long term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Accrued interest payable		(32,626)
Due to other governments		-
Capital lease obligations payable		(434,235)
General obligation bonds payable		(3,113,160)
Notes payable		(131,426)
Landfil postclosure Costs		(179,637)
Accrued compensated absences		(384,443)
Other post employment benefits		(1,496,895)
Net pension liability		(15,095,812)
Unearned revenue		-
		(20,868,234)
Deferred inflows and outflows of resources are not current financial sources and uses and therefore are not reported in the governmental funds:		
Capital Lease Proceeds received prior to capital asset		22,411
Deferred Pension Contributions		1,361,337
Net difference between projected and actual investment earnings on pension plan investments		(1,931,521)
Changes in proportion and differences between employer contributions and proportionate share of contributions		(118,495)
		(666,268)
Total Net Position - Governmental Activities	$	3,569,799

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

Statement E

City of Franklin, New Hampshire
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 11,461,549	$ -	$ -	$ 11,461,549
Licenses and Permits	1,183,809	-	-	1,183,809
Intergovernmental	9,865,613	-	862,913	10,728,526
Charges for Services	1,734,820	-	228,813	1,963,633
Miscellaneous	374,962	-	13,481	388,444
Interest	10,786	-	71,287	82,072
Change in fair market value	-	-	(49,321)	(49,321)
Total Revenues	24,631,539	-	1,127,173	25,758,712
Expenditures:				
General Government	1,818,512	-	14,361	1,832,873
Public Safety	4,973,339	-	78,429	5,051,768
Highways and Streets	1,345,035	-	-	1,345,035
Sanitation	932,045	-	-	932,045
Health	199,968	-	-	199,968
Welfare	72,938	-	-	72,938
Culture and Recreation	537,308	-	300,471	837,779
Conservation	500	-	330	830
Economic Development	45,000	-	-	45,000
School	13,633,096	-	636,464	14,269,560
Debt Service	913,782	-	-	913,782
Capital Outlay	197,012	-	409,380	606,392
Total Expenditures	24,668,534	-	1,439,435	26,107,969
Excess of Revenues Over Expenditures	(36,995)	-	(312,262)	(349,257)
Other Financing Sources (Uses):				
Transfers In	8,871	-	351,662	360,534
Transfers Out	(304,747)	-	(55,786)	(360,534)
Proceeds from capital leases	410,144	-	-	410,144
Total Other Financing Sources(Uses)	114,268	-	295,876	410,144
Net Change in Fund Balances	77,274	-	(16,386)	60,887
Fund Balances, Beginning	4,325,121	-	2,065,122	6,390,243
Fund Balances, Ending	$ 4,402,395	$ -	$ 2,048,735	$ 6,451,130

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

Statement F

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
For the Fiscal Year Ended June 30, 2015

Total Net Change in Fund Balances - Governmental Funds	**$**	**60,887**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		1,027,752
Loss on disposal of capital assets		-
Depreciation expense		(1,233,310)
		(205,559)
Revenues and deferred outflows in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Tax Deeded Properties		30,794
Unexpended capital lease proceeds		22,411
Deferred pension contributions		55,644
Accounts receivable		(50,975)
		57,875
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Position. Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Position:		
Capital lease proceeds received		(410,144)
Capital lease obligation principle payments		320,014
Notes payable obligation payments		32,858
General obligation bond principle payments		557,105
		499,832
Some expenses and deferred inflows reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Transfer to enterprise funds		
Accrued interest payable		8,170
Landfill postclosure		7,725
Accrued compensated absences		(16,333)
Severance bonus provision		(47,550)
Other post employment benefits		(293,045)
Net difference between projected and actual investment earnings on pension plan investments		(1,931,521)
Changes in proportion and differences between employer contributions and proportionate share of contributions		(118,495)
Changes in net pension liability		2,356,950
		(34,099)
Internal Services Funds are used by management to account for the cost of fuel charged to individual departments. The net revenue (expense) of the internal service funds is reported with governmental activities.		(24,093)
Change in Net Position of Governmental Activities	**$**	**354,843**

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

Statement G

City of Franklin, New Hampshire
Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds		Total Enterprise Funds	Governmental Activity - Fuel Depot Internal Service Fund
	Water	Sewer		
ASSETS				
Current Assets:				
Accounts Receivable, Net of Allowance for Uncollectible	$ 347,774	$ 344,349	$ 692,123	$ -
Intergovernmental Receivable	1,090,617	106,120	1,196,737	-
Interfund Receivable	50,154	479,653	529,808	32,139
Inventory	201,508	1,582	203,091	-
Total Current Assets	1,690,054	931,705	2,621,759	32,139
Noncurrent Assets:				
Capital Assets:				
Land	65,148	-	65,148	-
Construction in Progress	103,721	-	103,721	-
Buildings	456,505	95,757	552,262	-
Accumulated Depreciation, Buildings	(104,869)	(6,621)	(111,490)	-
Machinery and Equipment	387,812	348,024	735,836	-
Accumulated Depreciation, M&E	(303,560)	(69,805)	(373,365)	-
Infrastructure	20,276,118	2,950,261	23,226,379	-
Accumulated Depreciation, Infra	(4,561,629)	(555,845)	(5,117,474)	-
Total Capital Assets, Net	16,319,247	2,761,771	19,081,017	-
Total Assets	18,009,301	3,693,475	21,702,776	32,139
DEFERRED OUTFLOW OF RESOURCES- Deferred Pension Contributions	32,607	16,687	49,294	-
LIABILITIES				
Current liabilities:				
Accounts Payable	38,843	19,841	58,685	-
Accrued Payroll and Benefits	9,145	3,592	12,737	-
Accrued Interest Payable	124,122	12,041	136,163	-
Interfund Payable	-	-	-	-
Unearned Revenue	-	-	-	-
General Obligation Debt Payable, Current:				-
Notes and Bonds	275,756	36,659	312,415	-
Compensated Absences	11,525	6,127	17,652	-
Total Current Liabilities	459,391	78,260	537,651	-
Noncurrent Liabilities:				
General Obligation Bonds Payable	3,124,280	-	3,124,280	-
General Obligation Notes Payable	2,978,183	494,135	3,472,319	-
Net Pension Liability	336,202	172,058	508,260	
Total Noncurrent Liabilities	6,438,665	666,193	7,104,859	-
Total Liabilities	6,898,056	744,454	7,642,510	-
DEFERRED INFLOW OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan investments	43,018	22,015	65,033	-
Grant from State of New Hampshire to offset portion over the life of the 2006 State revolving fund loan (sewer) & 2014 State revolving fund loan (water)	1,069,692	106,120	1,175,812	-
Total Deferred Inflow of Resources	1,112,710	128,135	1,240,845	-
NET POSITION:				
Net investment in capital assets	9,941,028	2,230,976	12,172,004	-
Restricted	112,369	39,576	151,946	-
Unrestricted	(22,255)	567,021	544,766	32,139
Total Net Position	$ 10,031,141	$ 2,837,574	$ 12,868,715	$ 32,139

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

Statement H

City of Franklin, New Hampshire
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Enterprise Funds		Total Enterprise Funds	Governmental Activity - Fuel Depot Internal Service Fund
	Water Fund	Sewer Fund		
Operating revenues:				
User Charges	$ 1,285,041	$ 1,268,294	$ 2,553,335	$ 181,644
Miscellaneous	16,462	-	16,462	-
Grants	-	7,091	7,091	-
Sale of Municipal Property	-	-	-	-
Total operating revenues	1,301,503	1,275,385	2,576,889	181,644
Operating expenses:				
Salaries, wages and benefits	478,350	194,430	672,780	-
Purchased services, professional and technical	42,356	12,314	54,670	23,880
Purchased services, property and miscellaneous	411,688	1,011,947	1,423,636	181,857
Depreciation	381,443	43,057	424,500	-
Total operating expenses	1,313,837	1,261,749	2,575,586	205,737
Operating income (loss)	(12,334)	13,637	1,303	(24,093)
Capital Grants and Contributions:				
Capital Grants	79,020	-	79,020	-
Total capital grants and contributions	79,020	-	79,020	-
Nonoperating revenues (expenses):				
Interest	(170,277)	(14,328)	(184,606)	-
Total nonoperating revenues (expenses)	(170,277)	(14,328)	(184,606)	-
Income (loss) before transfers	(103,591)	(692)	(104,283)	(24,093)
Transfers:				
In	-	-	-	-
Out	-	-	-	-
Total transfers	-	-	-	-
Net change in position	(103,591)	(692)	(104,283)	(24,093)
Net position, beginning (as restated)	10,134,732	2,838,265	12,972,998	56,232
Net position, ending	$ 10,031,141	$ 2,837,574	$ 12,868,715	$ 32,139

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

City of Franklin, New Hampshire
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Enterprise Funds			
	Water Fund	Sewer Fund	Total Enterprise Funds	Governmental Activity - Fuel Depot Internal Service Fund
Cash Flows from Operating Activities				
Receipts from Users	$ 1,285,041	$ 1,268,294	$ 2,553,335	$ 181,644
Payments to Providers	(1,313,837)	(1,261,749)	(2,575,586)	(205,737)
Other Receipts (Payments)	65,646	300,610	366,256	24,093
Net Cash Provided by (Used in) Operating Activities	36,850	307,155	344,006	-
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	-	-	-	-
Cash Flows from Capital and Related Financing Activities				
Capital Assets	335,598	(233,826)	101,772	-
Long Term Debt	(281,191)	(59,001)	(340,192)	-
Interest	(170,277)	(14,328)	(184,606)	-
Capital Grants	79,020	-	79,020	
Net Cash Provided by (Used in) Capital and Related Financing Activities	(36,850)	(307,155)	(344,006)	-
Net Increase (Decrease) in Cash and Cash Equivalents	0	-	-	-
Balances - Beginning of Year	-	-	-	-
Balances - End of Year	$ 0	$ -	$ -	$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Income (Loss)	$ (12,334)	$ 13,637	$ 1,303	$ (24,093)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Inventory	(143,098)	(332)	(143,430)	35,993
Receivables, net	(56,777)	(20,227)	(77,005)	16,934
Unearned Revenue	-	-	-	-
Deferred Inflows	(16,409)	14,924	(1,485)	
Deferred Outflows	(3,549)	(1,816)	(5,365)	
Due from Other Funds	226,447	59,465	285,912	(19,030)
Accounts Payable	6,101	17,705	23,806	(9,804)
Accrued Payroll	617	992	1,609	-
Due to Other Funds	-	-	-	-
Due from Other Governments	38,502	222,143	260,645	-
Accrued Compensated Absences	(2,650)	665	(1,984)	-
Net Cash Provided By (Used in) Operating Activities	$ 36,850	$ 307,155	$ 344,006	$ 0

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

Statement J

City of Franklin, New Hampshire
Statement of Net Position
Fiduciary Funds
June 30, 2015

	Agency Funds			Private Purpose Trust Funds		
	Engineering Escrow	Student Activities	Total	Charity	School Scholarship	Total
ASSETS						
Cash and Cash Equivalents	$ 86	$ 149,817	$ 149,903	$ -	$ -	$ -
Investments	-		-	248,046	827,180	1,075,226
Due from General Fund	5,000		5,000	1,000		1,000
Total Assets	5,086	149,817	154,903	249,046	827,180	1,076,226
LIABILITIES						
Accounts Payable	-	-	-	-	-	-
Due to Developers	5,086	-	5,086	-	-	-
Due to General Fund	-	-	-	-	1,000	1,000
Due to Student Groups	-	149,817	149,817	-	-	-
Total Liabilities	5,086	149,817	154,903	-	1,000	1,000
NET POSITION						
Held in Trust for Special Purposes	$ -	$ -	$ -	$ 249,046	$ 826,180	$ 1,075,226

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
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Funds		
	Charity	School Scholarship	Total
ADDITIONS			
Investment earnings:			
Interest and dividends	$ 16,082	$ 53,377	$ 69,459
Net increase in fair market value of investments	(18,247)	(61,207)	(79,454)
New Funds	-	4,485	4,485
DEDUCTIONS			
Scholarship and charity distributions	588	20,114	20,702
Change in net position	(2,754)	(23,459)	(26,213)
Net position, beginning	251,800	849,639	1,101,439
Net position, ending	$ 249,046	$ 826,180	$ 1,075,226

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1-A Reporting Entity

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

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

1-B Basis of Presentation

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

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

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

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

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

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

Fund Financial Statements - During the year, the City segregates transactions related to certain functions or activities in

1-B Basis of Presentation, continued

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.

Capital Fund – The capital fund is used to account for bond monies received for renovation or construction of a new asset. Currently, the downtown transportation project is reflected in the capital fund.

The City also reports 14 non-major special revenue and permanent funds as other governmental funds.

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

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

Internal Services Fund – Internal Services funds are used to account for any activity that provides goods and services to other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis. The City also reports one internal service fund, which predominantly accounts for fuel used by City departments or agencies, as a governmental activity.

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

1-C Measurement Focus

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

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

1-C Measurement Focus, continued

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

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

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

1-D Basis of Accounting

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

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

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

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

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

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

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

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

1-E-1 Cash, Cash Equivalents and Investments

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

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

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

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

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

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

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

1-E-2 Receivables

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

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

1-E-3 Interfund Balances

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

1-E-4 Inventory and Prepaid Items

Inventory is valued at cost using the first-in, first-out method. The consumption method is used to account for inventory. Under the consumption method, inventory is recorded when expenditures are consumed rather than when purchased. Reported inventory in the governmental funds is equally offset by nonspendable fund balance reserve which indicates that the

1-E-4 Inventory and Prepaid Items, continued

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:

	Years
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.

1-E-8 Pensions

During the year ended June 30, 2015, the City adopted Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*. As a result the City is required to report its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the New Hampshire Retirement System, (NHRS) a Cost-Sharing Multiple Employer Defined Benefit Pension Plan.

1-E-9 Deferred Outflow/Inflow of Resources

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

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

1-E-10 Equity

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

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

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

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

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

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

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

1-E-10 Equity, continued

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

1-E-11 Interfund Activity

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

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

1-E-12 Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A Budget

Governmental revenues and expenditures are balanced and controlled by a formal integrated budgetary system which is substantively consistent with Generally Accepted Accounting Principles (GAAP); applicable State finance related laws and regulations which govern the City's operations as well as the City's adopted charter. The City's budget is approved by the City Council. During the budget year, appropriations may be transferred between lines but total expenditures may not exceed the total approved budget. Emergency items may be excepted under the City Charter and Municipal Budget Law under State RSA 32. At year end, all unencumbered annual appropriations lapse. Other appropriations, which have a longer than annual authority may carry over at year end if the governing body intends to continue or complete the special purpose for which the funds were established. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2015, $192,588 of beginning general fund unassigned fund balance was appropriated to reduce taxes.

2-B Encumbrances

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

School District	145,925
Information Technology	4,764
Municipal Services	357,758
Fire	55,573
Police	57,693
City Clerk	8,500
Finance	601
General Government	1,000
City Manager	8,657
Total	$640,471

2-C Budgetary Basis

The general fund appropriations appearing on Schedule A of the fund financial statements represents the adopted budget plus adopted supplemental budget resolutions as of June 30, 2015 and includes encumbrances and reserves at June 30, 2014 as follows:

FY2015 Adopted Budget Appropriations	$24,420,238
June 2014 Encumbrances	974,426
Original Budgeted Amounts	$25,394,664
FY2015 Adopted Supplemental Appropriations	1,121,131
Final Budgeted Amounts	$26,515,795

The actual amounts appearing on Schedule A of the fund financial statements are shown on a budgetary basis which differs from generally accepted accounting principles (GAAP) as follows:

	Revenues	Expenditures
Revenues/Expenditures GAAP Basis	$24,631,539	$24,668,534
Transfers From/To Other Funds	8,871	304,747
Budgetary Beginning Fund Balance	3,658,005	
Non Budgeted Activity – Capital Reserve	(47,724)	(47,400)
Non Budgeted Activity – Capital Lease		(410,144)
Revenues/Expenditures Budgetary Basis	$28,250,691	$24,515,736

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 2015, the City, with the exception of the school district, was a member of the Property-Liability Trust, LLC for property liability coverage and Primex for workers' compensation coverage. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member towns and cities. The school district was a member of Primex for property liability and worker's compensation coverage.

Property-Liability Trust, LLC and Primex are trusts 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 Property-Liability Trust, LLC and 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. This policy covers property, auto physical damage, crime, general liability and public officials' liability subject to a $1,000 deductible.

Property/Liability contributions paid in 2015 recorded as an insurance expenditure totaled $172,647. There were no unpaid contributions for the year ending June 30, 2015 and due in 2016. The City also paid $174,550 for workers' compensation for the year ended June 30, 2015. 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.

2-E Contingent Liabilities

Grants – Amounts received are subject to later year's review and adjustment by grantor agencies, principally federal and state governments. At such time, any disallowed claims, including amounts already collected, may constitute a liability of the City and applicable funds. At June 30, 2015, 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

2-E Contingent Liabilities, continued

contingencies has been recorded.

Litigation – The City is subject to various claims, and sometime 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, 2015, the City had not exceeded its legal debt limit.

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

3-A Investment Risks

Repurchase Agreement

Included in the City's cash equivalents at June 30, 2015, is a short-term investment in a repurchase agreement issued by a local banking institution. Under this agreement, the City will be repaid principal plus interest on a specified date which is subsequent to year-end. The agreement is guaranteed/collateralized with securities held by the banking institution which equal the amount of the agreement. To the extent that the banking institution may default on its commitment to this obligation, the City is at risk of economic loss. Management considers this exposure to be minimal. At June 30, 2015, the City held investments in the following repurchase agreement:

			Collateral Pledged	
Amount	Interest Rate %	Maturity Date	Underlying Securities	Market Value
$687,988	.15	10/1/2026	FNMA	$847,041
849,637	.15	8/1/2043	FHVR	849,637
901,599	.15	7/1/2029	FNMA	901,599
915,018	.15	12/20/2039	GNMA	915,018
95,677	.15	2/1/2043	FNMV	95,677
974,771	.15	12/1/2020	FNMA	974,771
975,215	.15	5/20/2039	GNC	975,215
986,040	.15	3/1/2037	FNMV	986,040
584,912	.15	4/1/2043	FHVR	988,288

Investments

As of June 30, 2015, the City had the following investments:

Certificate of deposit	$ 68,066
Mutual/Bond Funds	526,876
Common stocks	2,699,836
TDBank Escrow Account	861,072
Total	$4,155,850

Interest Rate Risk - 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.

Credit Risk - State law limits investments to those described in Note 1-E-1. The City has no investment policy that would further limit its investment choices.

3-A Investment Risks, continued

Custodial Credit Risk - The custodial credit risk for investments is the risk that, in the event of the 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 the possession of another party. Of the City's $4,155,850 in investments, $3,226,712 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. The City does not have policies for custodial credit risk.

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, 2014, upon which the 2014 property tax levy was based is:

For the New Hampshire education tax	$489,683,705
For all other taxes	$518,253,005

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

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, 2015, were as follows:

	Per $1000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	12.92	6,690,488
School portion:		
State of New Hampshire	2.37	1,162,694
Local	6.61	3,427,275
County portion	3.05	1,582,246
Total	24.95	12,862,703

During the current fiscal year, the tax collector executed a lien on March 16, 2015 for all uncollected 2013/2014 property taxes, $416,424.

Taxes receivable at June 30, 2015, are as follows:

Property:	
Levy of 2015	$ 2,351,348
Unredeemed (under tax lien)	552,287
Land Use Change Tax	477
Gravel Tax	207
Less: allowance for estimated uncollectible taxes	(44,167)
Net taxes receivable	$2,860,152

3-B-1 Taxes Receivable, continued

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

3-B-2 Tax Abatements

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

For the year ended June 30, 2015, the City abated property taxes under RSA 79-E totaling $2,655. This relief stems from the application from Under the Mountain, LLC for 5 years of tax relief under 79-E approved by the City Council on May 5, 2014 for façade and interior improvements at 354 Central Street (former Northway Bank building).

3-C Other Receivables

Other receivables at June 30, 2015, consisted of accounts (billings for water, sewer, police details, ambulance, transfer station, and other user charges), and intergovernmental amounts arising from grants.

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

Amounts receivable at June 30, 2015 are as follows:

	Governmental	**Proprietary**
Accounts	$ 564,677	$697,542
Intergovernmental	841,305	1,196,737
Voluntary liens	59,668	-
Less: allowance for uncollectible or unavailable amount	(86,866)	(5,419)
Net receivables	$1,378,784	$1,888,860

3-D Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance, Beginning	Changes	Balance, Ending
Governmental activities:			
At cost:			
Not being depreciated:			
Monuments	61,000	0	61,000
Land	905,806	0	905,806
Construction in progress	102,094	296,624	398,718
Total capital assets not being depreciated	1,068,900	296,624	1,365,524
Being depreciated:			
Land improvements	213,226	0	213,226
Buildings	24,071,761	413,638	24,485,399
Machinery and equipment	7,509,392	282,878	7,792,270
Infrastructure	3,004,002	34,611	3,038,613
Total capital assets being depreciated	34,798,381	731,127	35,529,508
Total all capital assets	35,867,281	1,027,751	36,895,032
Less accumulated depreciation:			
Land improvements	42,416	8,879	51,295
Buildings	11,830,020	677,532	12,507,552
Machinery and equipment	4,929,655	431,119	5,360,774
Infrastructure	845,237	115,780	961,017
Total accumulated depreciation	17,647,327	1,233,311	18,880,638
Net book value, all capital assets	18,219,953	(205,559)	18,014,394
Business-type activities:			
At cost:			
Not being depreciated:			
Land	65,148	0	65,148
Construction in progress	88,146	15,575	103,721
Total capital assets not being depreciated	153,294	15,575	168,869
Being depreciated:			
Buildings	535,684	16,578	552,262
Machinery and equipment	559,289	176,547	735,836
Infrastructure	23,113,157	113,222	23,226,379
Total capital assets being depreciated	24,208,129	306,348	24,514,477
Total all capital assets	24,361,423	321,923	24,683,346
Less accumulated depreciation:			
Buildings	94,079	17,411	111,490
Machinery and equipment	329,865	43,500	373,365
Infrastructure	4,753,885	363,589	5,117,474
Total accumulated depreciation	5,177,829	424,500	5,602,329
Net book value, all capital assets	19,183,594	(102,577)	19,081,017

3-D Capital Assets, continued

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

Governmental activities:		
General government	$	35,872
Public Safety		222,280
Highways and streets		255,061
Garage		11,595
Sanitation		5,318
Culture and recreation		103,791
School district		599,394
Total depreciation expense - governmental activities	$	1,233,311
Business-type activities:		
Water	$	381,443
Sewer		43,057
Total depreciation expense - business-type activities	$	424,500

3-E Prepaid Items

Prepaid items at June 30, 2015, totaling $78,575, consisted of the following paid in the current period to benefit the following fiscal year governmental activities:

Purpose	Amount
Software support	24,671
Maintenance contracts	2,842
Services	3,719
Mutual aid	29,576
Insurance	9,885
Dues	2,998
Postage	1,433
Employee Benefits	2,772
Prepaid Gas Vouchers	10
Training	204
Summer recreation activities	200
Subscription	265
Total	**78,575**

3-F Interfund Balances and Transfers

Interfund balances at June 30, 2015 consist of interfund loans, services provided, reimbursements or budgetary transfers. The composition of interfund balances as of June 30, 2015 is as follows:

Fund	Due From	Due To
General	575,131	672,644
Capital Projects	-	-
Water	50,154	-
Sewer	479,653	-
Pass Through Grant	-	1,169
Fuel Depot	32,139	-
Parks & Recreation	29,038	-
Outside Police Detail	30,373	-
Library	38,923	-
Drug Forfeiture	68	-
DARE	-	68
Expendable Trusts	6,295	-
Engineering Escrows	5,000	-
Food Service	-	569,305
Other Library Trusts	-	3,590
Scholarships	-	1,000
Charity	1,000	-
Totals	**1,247,775**	**1,247,775**

3-F Interfund Balances and Transfers, continued

Interfund transfers during the year were comprised of the following:

Fund	Transfer In	Transfer Out
General	8,871	304,747
Food Service	44,244	
DARE	500	-
Conservation	400	1,200
Heritage	400	-
Expendable Trusts	-	3,971
Library	306,118	-
Odell Trust	-	3,700
Buswell Trust	-	35,134
Other Library Trusts	-	11,781
Totals	**360,534**	**360,534**

3-G Unearned Revenue

Governmental Funds - Unearned revenue of $6,634,553 at June 30, 2015 largely consists of property taxes levied but not due until the subsequent year ($6,451,844). In addition, $36,915 related to recreation program fees collected in advance; $38,885 related to dispatch fees collected in advance; $57,070 Concord Regional Solid Waste reserve distribution collected in advance of budgeted revenue; $2 rent collected in advance; $33,015 donations/grants collected in advance of expenditure; $11,668 City Clerk/Tax Collector credits on accounts and $5,154 related to student meal money collected in advance of the meals being served.

Proprietary Funds – There was no unearned revenue in the Water department or Sewer department at June 30, 2015.

3-H Long-Term Liabilities

Changes in the City's long-term obligations during the year ended June 30, 2015, consisted of the following:

	Balances, Beginning	Additions	Reductions	Balances, Ending
Governmental activities:				
General obligation bonds	$3,834,549	$ -	$ (589,964)	$3,244,585
Compensated absences	320,560	296,952	(233,069)	384,443
Capital leases	344,104	410,147	(320,014)	434,237
Landfill post closure care costs	187,362	-	(7,725)	179,637
Net pension liability	17,452,762	60,639	(2,417,589)	15,095,812
Other post employment benefits	1,203,850	480,146	(187,101)	1,496,895
Total - governmental activities	23,343,187	1,247,884	(3,755,462)	20,835,609
Business-type activities:				
General obligation bonds/notes	7,176,960	20,925	(288,872)	6,909,013
Compensated absences	19,636	17,652	(19,636)	17,652
Net pension liability	577,771	4,100	(73,611)	508,260
Total - business-type activities	$7,774,367	$ 42,677	$ (382,119)	$7,434,925

3-H Long-Term Liabilities, continued

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2015	Current Portion
Governmental Activities:						
General obligation bonds/notes payable						
Police Station	1,000,000	1998	2018	4.7-5.3	150,000	50,000
Courthouse	1,000,000	1999	2018	4.7-5.3	150,000	50,000
School Renovation	5,010,386	2001	2020	4.5-5.25	1,250,000	250,000
School Renovation	2,700,000	2006	2026	4.29	1,563,156	142,105
Ambulance	230,000	2012	2019	1.83	131,429	32,858
Total general obligation bonds payable					3,244,585	524,963
Capital leases payable						
Automated Collection & Recycling Program	948,000	2009	2015	4.08	146,547	146,547
2013 Ford Interceptor - Police	26,392	2013	2016	5.95	6,777	6,777
(2) 2015 Ford Interceptors - Police	54,089	2014	2017	5.45	39,472	12,466
(2) 2015 Ford Interceptors - Police	54,089	2014	2017	5.45	39,472	12,466
Energy Audit & Improvements	301,966	2015	2027	3.97	201,966	9,526
Total capital leases payable					434,234	187,782
Other long term obligations						
Compensated Absences					384,443	249,402
Landfill Post Closure Care Costs					179,637	8,896
Net Pension Liability					15,095,812	-
Post Employment Benefits - Health					1,496,895	-
Total Governmental Activities					20,835,609	971,043
Business-Type Activities:						
Bonds/notes payable						
Sewer Revolving Loan	784,061	2006	2026	3.35	530,794	36,659
Water USDA Bond	3,645,000	2012	2040	2.25	3,254,460	130,180
Water Drinking Water State Revolving Fund	3,226,055	2012	2014	1.10	3,102,834	124,651
Water Drinking Water State Revolving Fund	20,925	2015	2016	1.00	20,925	20,925
Total bonds/notes payable					6,909,013	291,490
Other long term obligations						
Compensated Absences					17,652	17,652
Net Pension Liability					508,260	-
Total Business-Type Activities					7,434,925	309,142

3-H Long-Term Liabilities, continued

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2015, including interest payments, are as follows:

Annual Requirements To Amortize Governmental Funds' General Obligation Bonds Payable:

Fiscal Year Ending, June 30	Principal	Interest	Total
2016	524,962	140,078	665,040
2017	524,962	114,980	639,943
2018	524,962	89,858	614,820
2019	424,962	67,385	492,347
2020	392,105	47,713	439,818
2021-2025	710,526	114,306	824,832
2026	142,105	4,572	146,678
Totals	3,244,586	578,891	3,823,477

Annual Requirements To Amortize Governmental Funds' Leases Payable:

Fiscal Year Ending, June 30	Principal	Interest	Total
2016	187,781	18,879	206,660
2017	36,721	10,584	47,305
2018	39,109	8,737	47,846
2019	12,397	6,774	19,171
2020	13,464	6,282	19,746
2021-2027	144,762	26,318	171,080
Totals	434,234	77,574	511,808

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

Fiscal Year Ending, June 30	Principal	Interest	Total
2016	312,415	186,597	499,012
2017	296,588	178,570	475,158
2018	301,847	170,382	472,229
2019	307,273	162,027	469,300
2020	312,870	153,501	466,371
2021-2025	1,654,708	633,210	2,287,918
2026-2030	1,654,839	396,499	2,051,338
2030-2040	2,068,474	211,476	2,279,949
Totals	6,909,013	2,092,262	9,001,275

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 $179,637 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 amounts in the form of state aid to water pollution projects:

Bond Issue	Amount
Sewer Revolving Loan	$600,584
Drinking Water State Revolving Fund	$1,129,119

Under N.H. RSA Chapter 486, the City receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2015, the City is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending June 30	Amount
2016	66,756
2017	67,002
2018	67,256
2019	67,518
2020	67,789
2021-2033	839,491
Total	$1,175,812

3-J Operating Leases

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

3-K Fund Balance Components

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	78,575	-	78,575
Inventory	280	10,311	10,591
Permanent fund principal	-	1,079,496	1,079,496
Restricted:			
Conservation	-	108,548	108,548
Fire	-	104,398	104,398
Library	-	506,060	506,060
Parks	-	108,741	108,741
Police	-	7,016	7,016
School	-	42,737	42,737
Committed:			
Conservation	-	9,001	9,001
Fire	1	-	1
Heritage	-	9,307	9,307
Buildings	71,474	-	71,474
Municipal services	288,401	-	288,401
Other capital	4,940	-	4,940
Parks	40,620	27,845	68,465
Police	-	35,276	35,276
School	512,004	-	512,004
Tax Increment Financing District - Industrial Park	7,942	-	7,942
Assigned:			
Fire	55,573	-	55,573
General government	23,522	-	23,522
Municipal services	357,758	-	357,758
Police	57,693	-	57,693
School	145,925	-	145,925
Unassigned	2,757,686	-	2,757,686
	4,402,395	2,048,735	6,451,129

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

3-L Restatement of Net Position

Implementation of GASB 68 results in the restatement of the government-wide and proprietary net position as follows:

	Governmental Activities	Water Enterprise Fund	Sewer Enterprise Fund
Net Position as of July 1, 2014	19,362,025	10,487,856	3,018,983
Proportionate share of net pension liabilities of the New Hampshire Retirement System	(17,452,762)	(382,182)	(195,589)
Deferred outflows - 2014 employer contributions after the measurement date	1,305,693	29,058	14,871
Net Position as of July 1, 2014 - Restated	3,214,956	10,134,732	2,838,265

NOTE 4 - OTHER MATTERS

4-A 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), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.

The Pension Plan was established in 1967 by RSA 100-A: 2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two member groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are summarized below.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC, times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

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

The employer contributions used in the schedules of employer allocations as of and for the years ended June 30, 2014 and 2013 are a component of total employer contributions presented in the System's financial statements for the corresponding periods.

4-A Pensions, continued

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

As of June 30, 2015, the City reported a liability of $15,604,072 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. At June 30, 2014, the City's proportion was 0.4157111 percent, which was a decrease of 0.003235 from its proportion measured as of June 30, 2013.

Schedule of the City's Proportionate Share of NHRS Net Pension Liability		
	Year Ended June 30, 2015	
	2014	2015
City's proportion of the net pension liability (asset)	0.41894600%	0.41571110%
City's proportionate share of the net pension liability (asset)	$ 18,030,533	$ 15,604,072
City's covered-employee payroll	$ 9,953,263	$ 9,899,286
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	181.15%	157.63%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%

For the year ended June 30, 2015, the City recognized pension expense of $1,033,151. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	1,996,554
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,100	118,495
Employer contributions subsequent to the measurement date	1,406,531	
	$ 1,410,631	$ 2,115,049

$1,406,531 reported as 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2016	$ (485,089)
2017	(485,089)
2018	(485,089)
2019	(485,089)
2020	8,539
Thereafter	-
	$ (1,931,817)

4-A Pensions, continued

Actuarial assumptions. The collective pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions which, accordingly, apply to both 2014 and 2013 measurements:

Inflation	3.00%
Salary increases	3.75 - 5.8% average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005–June 30, 2010.

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 long-term rates of return for 2014 and 2013:

		Weighted average long-term expected real rate of return	
Asset Class	Target Allocation	2014	2013
Large Cap Equities	22.50%	3.25%	3.75%
Small /Mid Cap Equities	7.50%	3.25%	4.00%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.25%	4.75%
Emerging Int'l Equities	7.00%	6.50%	6.75%
Total international equity	20.00%		
Core Bonds	18.00%	-0.47%	-0.96%
High-Yield Bonds	1.50%	1.50%	2.00%
Global Bonds (unhedged)	5.00%	-1.75%	-2.25%
Emerging Market Debt (external)	0.50%	2.00%	1.00%
Total fixed income	25.00%		
Private Equity	5.00%	5.75%	6.00%
Private Debt	5.00%	5.00%	5.50%
Real Estate	10.00%	3.25%	3.00%
Opportunistic	5.00%	2.50%	2.63%
Total alternative investments	25.00%		
Total	100.00%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 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.

4-A Pensions, continued

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

Employer's proportionate share of the net pension liability:	**1% decrease to 6.75%**	**Current single rate assumption 7.75%**	**1% increase to 8.75%**
June 30, 2014	$ 20,553,101	$ 15,604,072	$ 11,428,824
June 30, 2013	$ 23,115,522	$ 18,030,533	$ 13,756,122

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

Payables to the pension plan

The Employer reported payables to the defined benefit pension plan for regular monthly contributions in the amount of $0 as of June 30, 2015.

Schedule of City Contributions		
	Year Ended June 30, 2015	
	2014	**2015**
Statutorily required pension contribution	$ 1,349,622	$ 1,406,531
Contributions reported by the PLAN	(1,348,663)	NA
Contribution deficiency (excess)	$ 959	NA
City's covered-employee payroll	$ 9,899,286	$ 10,320,834
Contributions as a percentage of covered-employee payroll	13.63%	13.63%

Changes of assumptions. The change in assumptions about future economic or demographic factors or other inputs is amortized over the average of the expected remaining service life of active and inactive members, which is 5.6076 years in 2014. The first year of amortizations is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The collective amount of change in assumptions for the year ended June 30, 2014 is $0.

4-B Post-Retirement Benefits - Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is recognition of an actuarially required contribution as an expense on the statement of revenues, expenditures and changes in net position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that the entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net position over time.

4-B Post-Retirement Benefits - Other Post-Employment Benefits, continued

Plan Description

The City provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health and prescription insurance at the City's group rates. Although the City does not supplement the cost of these plans, GASB Statement 45 requires the City to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance – one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of July 1, 2013, there were approximately 19 retiree subscribers, including eligible spouses and dependents, and 270 active employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Benefits Provided

The City provides medical, prescription drug and mental health/substance abuse benefits to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

Funding Policy

Retirees of the City, including the dependent school district, contribute 100% of the cost of the health plan, as determined by the City. The City contributes to the remainder of the health plan costs on a pay-as-you-go basis.

Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2013.

Annual OPEB Cost and Net OPEB Obligation

	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010
Annual Required Contribution	501,619	477,225	394,350	375,510	317,696	301,174
Interest on Net OPEB Obligation	48,154	35,492	25,691	16,098	8,142	0
Adjustment to annual required contribution	(69,627)	(51,318)	(37,147)	(23,276)	(11,772)	0
Annual OPEB cost	480,146	461,399	382,894	368,332	314,066	301,174
Employer contributions (including subsidy)	(187,101)	(144,844)	(137,865)	(128,513)	(115,161)	(97,632)
Change in Net OPEB Obligation	293,045	316,555	245,029	239,819	198,905	203,542
Net OPEB Obligation - beginning of year	1,203,850	887,295	642,266	402,447	203,542	0
Net OPEB Obligation - end of year	1,496,895	1,203,850	887,295	642,266	402,447	203,542

Plan History

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Increase in Net OPEB Obligation
6/30/2015	480,146	39%	293,045
6/30/2014	461,399	31%	316,555
6/30/2013	382,894	36%	245,029
6/30/2012	368,332	35%	239,819
6/30/2011	314,066	37%	198,905
6/30/2010	301,174	32%	203,542

4-B Post-Retirement Benefits - Other Post-Employment Benefits, continued

The City's net OPEB obligation as of June 30, 2015 is recorded as a component of long term liabilities on the City's Statement of Net position.

Schedule of Funding Progress

Actuarial Value Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2013	0	4,110,940	4,110,940	0.0%	10,385,109	39.6%
7/1/2011	0	3,083,840	3,083,840	0.0%	10,158,174	30.4%
7/1/2009	0	2,147,493	2,147,493	0.0%	7,750,077	27.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far in the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend of 7% which decreases to a 5% long term rate for all healthcare benefits after 6 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis.

4-C Significant Effects of Subsequent Events

Subsequent Year Fund Balance Reserve of Contingent Obligations

For the year ended June 30, 2015, the Franklin school district, reported as a blended component unit in these City financial statements, determined that grant expenditures administered by School Administrative Unit #18, on behalf of grant program services and costs for the benefit of the school district for years prior to June 30, 2012, were over expended by an estimated $250,000. The over expenditure was absorbed by the general fund of the School Administrative Unit; however, management has estimated that the district would likely reimburse the School Administrative Unit directly for the amount of the over expenditures or indirectly via the annual School Administrative Unit assessment. As a result, the school district reserved $250,000 in available fund balance pending resolution.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule A

City of Franklin, New Hampshire
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	$ 974,426	$ 1,085,478	$ 3,658,005	$ 2,572,527
Resources (Inflows)				
Taxes:				
Property	11,155,297	11,155,297	11,111,878	(43,419)
Other	329,577	329,577	349,671	20,094
Licenses, Permits & Fees	1,013,580	1,013,580	1,137,014	123,434
Intergovernmental:				
Highway Block Grant	174,491	176,720	178,352	1,632
Meals & Rooms Tax	408,941	408,298	408,298	(0)
Forest Land Reimbursement	146	39	73	34
Flood Control Reimbursement	38,000	39,669	39,669	0
Department of Education	8,492,584	8,492,584	8,517,041	24,457
Department of Environmental Services	-	-	3,924	3,924
Department of Justice	50,000	50,000	49,616	(384)
Department of Health & Human Services	340,756	340,756	405,235	64,479
Office of Emergency Management	-	303,375	-	(303,375)
Other Grant	161,000	161,000	185,636	24,636
Charges for Services:				
City Clerk/Tax Collector	-	-	-	-
Finance	3,300	3,300	4,219	919
Fire	414,900	414,900	405,326	(9,574)
Municipal Services	392,448	392,448	423,494	31,046
Planning & Zoning	4,200	4,200	9,006	4,806
Police	97,470	97,470	96,219	(1,251)
Recreation	136,000	136,000	145,941	9,941
School	776,563	776,563	724,875	(51,688)
Welfare	11,000	11,000	3,510	(7,490)
Interest	15,000	15,000	9,856	(5,144)
Sale of Municipal Property	35,000	35,000	22,285	(12,715)
Other	365,858	482,851	352,678	(130,173)
Transfers from Other Funds	4,127	223,524	8,871	(214,653)
Debt Proceeds	-	367,166	-	(367,166)
Amounts Available for Appropriation	25,394,664	26,515,795	28,250,691	1,734,896
Charges to Appropriations (Outflows)				
General Government:				
Executive	421,319	421,319	353,605	67,714
Election, Registration & Vital Statistics	210,497	210,497	191,591	18,906
Financial Administration	502,950	502,950	509,800	(6,850)
Planning & Zoning	155,219	155,219	149,835	5,384
Insurance & Legal	112,065	112,065	107,024	5,041
Buildings	208,373	212,770	178,777	33,993
Other	26,346	26,346	25,914	432
Public Safety:		-		
Police	2,889,578	2,889,578	2,744,669	144,909
Fire, Ambulance, Emergency Management	2,165,745	2,165,745	2,120,492	45,254
Municipal Services:				
Administration	112,294	112,294	93,564	18,730
Highways, Streets & Bridges	1,316,663	1,316,663	1,251,471	65,192
Solid Waste	909,930	909,930	932,045	(22,115)
Health Agencies & Hospitals	66,379	66,379	66,379	-
Mayor's Drug & Alcohol Abuse Task Force	126,039	126,039	133,589	(7,550)
Welfare	161,581	161,581	72,938	88,643
Culture & Recreation:		-		
Parks & Recreation	535,479	535,479	527,040	8,440
Economic Development	45,000	45,000	45,000	-
Other	10,500	10,500	10,768	(268)
Capital Outlay	30,000	1,035,682	129,512	906,170
Debt Service:		-		
Principle	600,250	600,250	557,105	43,145
Interest	165,760	165,760	164,119	1,641
Other	-	-	-	-
School	14,235,114	14,346,166	13,937,398	408,768
Transfers to Other Funds	387,583	387,583	213,103	174,480
Total Charges to Appropriations	25,394,664	26,515,795	24,515,736	2,000,059
Ending Budgetary Fund Balance	$ -	$ -	$ 3,734,954	$ 3,734,954

OTHER SUPPLEMENTARY INFORMATION

Schedule B

City of Franklin, New Hampshire
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	Franklin Public Library	School Food Service	Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts	Parks and Recreation	Outside Detail	Total Special Revenue Funds
ASSETS											
Assets											
Cash and equivalents	$ 228,165	130,093	$ -	$ -	$ 6,949	$ 3,266	$ -	$ 108,548	$ -	$ -	$ 477,020
Investments	-		-	9,001	-	-	9,307	141,951	-	-	160,259
Receivables, net of allowances for uncollectables	-		-	-	-	-	-	-	-	2,220	2,220
Intergovernmental Receivable	-	445,446	8,205	-	-	-	-	-	-	-	453,651
Interfund receivable	38,923	-	-	-	68	-	-	6,295	29,038	30,373	104,697
Inventory	-	10,311	-	-	-	-	-	-	-	-	10,311
Other assets		72									72
Total assets	267,088	585,922	8,205	9,001	7,016	3,266	9,307	256,795	29,038	32,593	1,208,230
LIABILITIES AND FUND BALANCES											
Classified Liabilities											
Accounts payable	2,591	1,152	7,036	-	-	-	-	-	1,193	-	11,972
Accrued payroll & benefits	4,081		-	-	-	-	-	-	-	515	4,596
Interfund payable	-	569,305	1,169	-	-	68	-	-	-	-	570,541
Unearned Revenue	-	5,154	-	-	-	-	-	-	-	-	5,154
Total liabilities	6,672	575,611	8,205	-	-	68	-	-	1,193	515	592,263
Fund balances:											
Nonspendable:											
Inventory	-	10,311	-	-	-	-	-	-	-	-	10,311
Restricted:											
Conservation	-	-	-	-	-	-	-	108,548	-	-	108,548
Fire	-	-	-	-	-	-	-	104,398	-	-	104,398
Library	260,417	-	-	-	-	-	-	-	-	-	260,417
Parks	-	-	-	-	-	-	-	1,112	-	-	1,112
Police	-	-	-	-	7,016	-	-	-	-	-	7,016
School	-	-	-	-	-	-	-	42,737	-	-	42,737
Committed:											
Conservation	-	-	-	9,001	-	-	-	-	-	-	9,001
Heritage	-	-	-	-	-	-	9,307	-	-	-	9,307
Parks	-	-	-	-	-	-	-	-	27,845	-	27,845
Police	-	-	-	-	-	3,198	-	-	-	32,078	35,276
Assigned:											
School	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	260,417	10,311	-	9,001	7,016	3,198	9,307	256,795	27,845	32,078	615,967
Total liabilities and fund balances	$ 267,088	585,922	$ 8,205	$ 9,001	$ 7,016	$ 3,266	$ 9,307	$ 256,795	$ 29,038	$ 32,593	$ 1,208,230

Schedule C

City of Franklin, New Hampshire
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Franklin Public Library	School Food Service	Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts	Parks and Recreation	Outside Police Details	Total Special Revenue Funds
Revenues											
Revenues Gov Funds											
Intergovernmental	$ -	$ 403,390	$ 459,523	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 862,913
Charges for Services	2,946	170,310	-	-	-	-	-	-	21,544	34,014	228,813
Interest	67	121	-	3	5	1	3	10,752	-	-	10,952
Change in Fair Market	-	-	-	-	-	-	-	(10,442)	-	-	(10,442)
Miscellaneous	1,791	-	-	-	4,930	546	-	690	5,525	-	13,481
Total revenues	4,805	573,821	459,523	3	4,934	547	3	1,000	27,068	34,014	1,105,718
Expenditures											
Public Safety	-	-	50,143	-	1,995	267	-	35	-	25,989	78,429
Culture and recreation	283,182	-	-	-	-	-	-	-	17,289	-	300,471
Conservation	-	-	-	330	-	-	-	-	-	-	330
School	-	636,452	-	-	-	-	-	12	-	-	636,464
Capital Outlay	-	-	409,380	-	-	-	-	-	-	-	409,380
Total expenditures	283,182	636,452	459,523	330	1,995	267	-	47	17,289	25,989	1,425,074
Excess (deficiency) of revenues over (under) expenditures	(278,377)	(62,631)	-	(327)	2,940	280	3	953	9,779	8,024	(319,356)
Other financing sources (uses):											
Transfers in	306,118	44,244	-	400	-	500	400	-	-	-	351,662
Transfers Out	-	-	-	(1,200)	-	-	-	(3,971)	-	-	(5,171)
Total other financing sources and uses	306,118	44,244	-	(800)	-	500	400	(3,971)	-	-	346,491
Net change in fund balances	27,741	(18,387)	-	(1,127)	2,940	780	403	(3,019)	9,779	8,024	27,135
Fund balances, beginning	232,676	28,698	-	10,128	4,077	2,418	8,904	259,813	18,066	24,053	588,832
Fund balances, ending	$ 260,417	$ 10,311	$ -	$ 9,001	$ 7,016	$ 3,198	$ 9,307	$ 256,795	$ 27,845	$ 32,078	$ 615,967

Schedule D

City of Franklin, New Hampshire
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2015

	Odell Park	Other General Trusts	Library Buswell Trust	Other Library Trusts	Total Permanent Funds
ASSETS					
Assets					
Investments	$ 178,674	$ 728,517	$ 832,892	$ 337,518	$ 2,077,601
Interfund receivable	-	0	-	-	0
Intergovernmental receivable	-	-	-	-	-
Total Assets	$ 178,674	$ 728,517	$ 832,892	$ 337,518	$ 2,077,601
LIABILITIES AND FUND BALANCES					
Classified Liabilities					
Due to Others	$ -	$ 641,243	$ -	$ -	$ 641,243
Interfund Payable	-	-	-	3,590	3,590
Total Liabilities	-	641,243	-	3,590	644,833
Fund balances:					
Nonspendable:					
Permanent fund principal	132,870	25,450	648,018	273,158	1,079,496
Restricted:					
Library	-	-	184,873	60,770	245,643
Parks	45,805	61,825	-	-	107,629
Total fund balances	178,674	87,274	832,892	333,928	1,432,768
Total liabilities and fund balances	$ 178,674	$ 728,517	$ 832,892	$ 337,518	$ 2,077,601

Schedule E

City of Franklin, New Hampshire
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Permanent Funds
For the Fiscal Year Ended June 30, 2015

	Odell Park	Other General Trusts	Library Buswell Trust	Other Library Trusts	Total Permanent Funds
Revenues					
Revenues Gov Funds					
Interest/Dividends	$ 12,294	$ 4,347	$ 21,418	$ 22,275	$ 60,334
Change in Fair Value	(13,144)	(4,932)	4,026	(24,829)	(38,879)
Miscellaneous	-	-	-	-	-
Total revenues	(850)	(585)	25,444	(2,554)	21,455
Expenditures:					
Functional Expenditures					
General government	54	19	14,192	96	14,361
Total expenditures	54	19	14,192	96	14,361
Excess of revenues over expenditures	(904)	(604)	11,252	(2,651)	7,094
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	(3,700)	-	(35,134)	(11,781)	(50,615)
Total other financing sources (uses)	(3,700)	-	(35,134)	(11,781)	(50,615)
Net change in fund balances	(4,604)	(604)	(23,882)	(14,432)	(43,521)
Fund balances, beginning	183,278	87,878	856,774	348,360	1,476,289
Fund balances, ending	$ 178,674	$ 87,274	$ 832,892	$ 333,928	$ 1,432,768

FEDERAL AWARDS SUPPLEMENTARY INFORMATION

GRZELAK AND COMPANY, P.C.

Certified Public Accountants

Members – American Institute of CPA's (AICPA)
Member – AICPA Government Audit Quality Center (GAQC)
Member – AICPA Private Company Practice Section (PCPS)
Members – 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, 2015, 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 12, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Grzelak and Co., P.C.

GRZELAK & COMPANY, P.C., CPA's
Laconia, New Hampshire
April 12, 2016

GRZELAK AND COMPANY, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited City of Franklin's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Franklin's major federal programs for the year ended June 30, 2015. City of Franklin's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Franklin's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Franklin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, 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, 2015.

Report on Internal Control Over Compliance

Management of City of Franklin, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Franklin's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Franklin's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Grzelak and Co., P.C.

GRZELAK & COMPANY, P.C., CPA's
Laconia, New Hampshire
April 12, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Through 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	13-154-CDPF	$ 409,750
			409,750
U.S. DEPARTMENT OF JUSTICE			
Direct			
Violence Against Women Formula Grants	16.588	2014W098	15,000
Violence Against Women Formula Grants	16.588	2015W098	5,000
Violence Against Women Formula Grants	16.588	2015W098	9,000
			29,000
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the NH Highway Safety Agency			
State and Community Highway Safety	20.600	315-15B-011	1,412
State and Community Highway Safety	20.600	315-14B-032	539
State and Community Highway Safety	20.600	304-15B-025	1,478
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	308-14B-076	715
			4,144
U.S. ENVIRONMENTAL PROTECTION AGENCY OFFICE OF WATER			
Passed through the NH Department of Environmental Services			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0851010-04	20,925
Capitalization Grants for Drinking Water State Revolving Funds	66.468	AM-177390-B002	15,000
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	96163301	3,923
			39,848
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the NH Department of Emergency Management			
Homeland Security Grant Program	97.067	EMW-2013-SS-00041	4,582
Homeland Security Grant Program	97.067	EMW-2013-SS-0001	45,562
			50,144
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the NH Department of Health and Human Services			
Drug-Free Communities Support Program Grants	93.276	1H79SP017024-01	133,589
			133,589
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 666,475

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The schedule of expenditures of federal awards is prepared in accordance with the regulations defined in the Office of Management and Budget's (OMB), Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The schedule of expenditures of federal awards is prepared for the period covered by the related financial statements, the year ended June 30, 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The operating activities of all federal awards are accounted for within the governmental funds (general and special revenue) of the City. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The expenditures reported in the schedule are based on requirements defined in OMB Circular A-133 and include, but are not limited to, expenditure/expense transactions associated with grants, cost reimbursement contracts, the receipt or use of program income and the distribution or consumption of food commodities. During the year ended June 30, 2015 the City expended funds associated with grants, received surplus commodities and received cost reimbursements for meals served.

Expenditures associated with grants are made on a reimbursement basis and any excess of expenditures over receipts are recorded as an accounts receivable at year-end.

2. RECONCILIATION TO FINANCIAL STATEMENT AMOUNT

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	$ 666,475
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Major Funds	
General Fund	
VAWA Grants	$ 29,000
Drug and Alcohol Task Force	133,589
Storage Tank	20,925
DWI Patrols	715
EPA Grant	3,923
Safe Commute	1,952
Seat Belt	1,478
Water Fund - Asset Management Grant	15,000
Nonmajor Funds	
Grants Fund - CDBG	459,893
	$ 666,475

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Findings and Questioned Costs
1 - Summary of Auditor's Results
June 30, 2015

Financial Statements

The type of auditor's report issued – Unmodified.

Internal control over financial reporting:

- Material weaknesses identified – No.
- Significant deficiencies identified – No.
- Noncompliance material to 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 programs - Unmodified.

Are there any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 – No.

Identification of major programs:

- CFDA # 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Dollar Threshold used to distinguish between type A and type B Programs - $300,000.

Auditee qualified as a low-risk auditee – No.