

TOWN OF FRANKLIN, CONNECTICUT

**BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2020**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORTS,**

**REQUIRED SUPPLEMENTARY
INFORMATION,**

**OTHER SUPPLEMENTARY
INFORMATION**

AND

STATE SINGLE AUDIT REPORTS



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INDEPENDENT AUDITORS' REPORT

Draft

INDEPENDENT AUDITORS' REPORT

The Board of Finance
Town of Franklin, Connecticut

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Connecticut (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town'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.

AUDITORS' 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 auditors' 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 auditors consider 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, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CORRECTION OF ERROR

As described in *Note 15* to the financial statements, management has changed its opening net position and fund balance to properly account for rehabilitation program notes receivable principal balances outstanding at the beginning of the fiscal year.

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 4 – 11, and the budgetary comparison information, other postemployment benefit, and Connecticut Teachers' Retirement System schedules on pages 53 – 60, 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 Town's basic financial statements. The combining financial statements, supplementary schedules and the Schedule of Expenditures of State Awards as required by the Connecticut Single Audit Act are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining other governmental fund, special revenue fund and permanent fund financial statements and supplementary schedules, and the schedule of expenditures of state financial assistance as required by the State of Connecticut Single Audit Act, 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 other governmental fund, special revenue fund and permanent fund financial statements and supplementary schedules, and the schedule of expenditures of state financial assistance as required by the State of Connecticut Single Audit Act, 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 December 8, 2020, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

December 8, 2020

Draft

MANAGEMENT'S DISCUSSION AND ANALYSIS

Draft

TOWN OF FRANKLIN, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

Our discussion and analysis of Town of Franklin, Connecticut's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's financial statements, which begin with the Government Wide Statement of Net Position.

FINANCIAL HIGHLIGHTS

The following are the Town's significant financial highlights for the year ended June 30, 2020:

- Total net position *increased* by \$5,121,836 from operations mostly as a result of a capital grant from the Connecticut Department of Energy and Environmental Protection ("DEEP") used to finance a sewer and water main extension project.
- Total fund balance *decreased* by \$1,657,112. This includes a \$1,377,989 *decrease* in the General Fund, a \$287,032 *decrease* in the Capital Reserve Fund and a \$7,909 *increase* in Other Governmental Funds.
- General Fund unassigned fund balance is approximately 44% of that fund's total fund balance.
- The Town had a final fiscal-year 2020 expenditure budget totaling \$6,849,114 with additional appropriations of \$84,698. Total revenues came in \$233,168 *ahead* of budget. Total expenditures came in \$177,440 *under* budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with the Governmental Funds Balance Sheet. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

TOWN OF FRANKLIN, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

Reporting the Town as a Whole

Our analysis of the Town as a whole begins with the Statement of Net Position. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's *net position* and changes in them. You can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town. In the Statement of Net Position and the Statement of Activities, the Town shows the following activity:

- Governmental activities—The Town's basic services are reported here, including education, public works, public safety, health, welfare and sanitation, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins in the section titled "The Town's Funds". The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's uses governmental funds to report on all its funds:

- *Governmental funds*—The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides.

**TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Reporting the Town's Most Significant Funds (Continued)

Governmental funds (Continued) - Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.

The Town as Trustee

The Town is the trustee, or *fiduciary*, for the activity funds at the school and performance bond funds in the general government. These funds do not belong to the Town. The Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Town as a Whole – Governmental Activities – Statement of Net Position

Table 1 - Net Position

	Governmental Activities		Increase (Decrease)
	2020	2019*	
Current and other assets	\$ 9,539,019	\$ 8,996,184	\$ 542,835
Capital assets, net	17,219,885	9,875,197	7,344,688
Deferred outflows of resources	131,957	6,389	125,568
Total assets and deferred outflows of resources	\$ 26,890,861	\$ 18,877,770	\$ 8,013,091
Other liabilities	\$ 2,370,512	\$ 425,235	\$ 1,945,277
Long-term debt outstanding	8,511,581	7,582,692	928,889
Total liabilities	10,882,093	8,007,927	2,874,166
Deferred inflows of resources	17,089	-	17,089
Net position			
Net investment in capital assets	9,388,439	3,057,423	6,331,016
Restricted	60,298	34,931	25,367
Unrestricted	6,542,942	7,777,489	(1,234,547)
Total net position	15,991,679	10,869,843	5,121,836
Total liabilities, deferred inflows of resources, and net position	\$ 26,890,861	\$ 18,877,770	\$ 8,013,091

*Restated for Adjustment (See Note 15).

**TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**The Town as a Whole – Governmental Activities – Statement of Net Position
(Continued)**

The net position of the Town's Governmental Activities *increased* \$5,121,836 from operations from a year ago. Current and other assets in Governmental Activities *increased* \$542,835 from the prior year, primarily because the \$6,000,000 Bond Anticipation Note was renewed at \$7,000,000 and was largely unspent at year-end. Capital assets *increased* by \$7,344,688 largely from the *increase* in the water and sewer project construction in process. A total of \$4,731,299 of the costs which were sewer related were covered by a grant from DEEP, as mentioned earlier. Other liabilities and long-term debt outstanding in Governmental Activities *increased* \$1,945,277 and \$928,889, respectively from the prior year from the *increase* construction payables and in bonds outstanding used to finance the water and sewer project previously mentioned.

The Town as a Whole – Combined Statement of Activities

Table 2 - Change in Net Position

	Governmental Activities		Increase (Decrease)
	2020	2019*	
Revenues			
Program revenues			
Charges for services	\$ 292,057	\$ 255,305	\$ 36,752
Operating grants and contributions	1,909,715	1,920,252	(10,537)
Capital grants and contributions	4,731,299	-	4,731,299
General revenues:			
Property taxes, interest, and liens	5,560,159	5,606,987	(46,828)
Unrestricted grants and contributions	9,738	9,738	-
Unrestricted interest and investment earnings	109,407	155,023	(45,616)
Gain on sale of capital asset	6,000	-	6,000
Total revenues	<u>12,618,375</u>	<u>7,947,305</u>	<u>4,671,070</u>
Program expenses			
General government	1,162,187	1,111,220	50,967
Public works	608,155	633,980	(25,825)
Public safety	222,089	184,265	37,824
Health, welfare and sanitation	198,288	184,081	14,207
Education	5,117,918	5,192,103	(74,185)
Interest on long-term debt	187,902	45,586	142,316
Total expenses	<u>7,496,539</u>	<u>7,351,235</u>	<u>145,304</u>
Change in net position	5,121,836	596,070	4,525,766
Net position, beginning of year*	<u>10,869,843</u>	<u>10,273,773</u>	<u>596,070</u>
Net position, end of year	<u>\$ 15,991,679</u>	<u>\$ 10,869,843</u>	<u>\$ 5,121,836</u>

*Restated for Adjustment (See Note 15).

**TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

The Town as a Whole – Combined Statement of Activities (Continued)

As mentioned earlier, the Town's net position *increased* by \$5,21,836 from operations largely as a result of the \$4,731,299 in DEEP grant funding during the year ended June 30, 2020.

Governmental Activities – Total and Net Cost of Activities

The schedule below presents the cost of each of the Town's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions:

Table 3 - Total and Net Cost of Services

	Total Cost of Services		Increase (Decrease)	Net Cost (Revenue) of Services		Increase (Decrease)
	2020	2019		2020	2019	
Governmental Activities						
General Government	1,162,187	\$ 1,111,220	4.59%	\$ (3,905,841)	\$ 839,525	-565.24%
Public works	608,155	633,980	-4.07%	436,220	481,722	-9.45%
Public safety	222,089	184,265	20.53%	222,089	184,265	20.53%
Health, welfare and sanitation	198,288	184,081	7.72%	195,025	180,505	8.04%
Education	5,117,918	5,192,103	-1.43%	3,428,073	3,444,075	-0.46%
Interest on long-term debt	187,902	45,586	312.19%	187,902	45,586	312.19%
Totals	\$ 7,496,539	\$ 7,351,235	1.98%	\$ 563,468	\$ 5,175,678	-89.11%

Because the DEEP grant covered costs that were capitalized as construction in process and not expensed, the \$4,731,299 of grant funding actually created a net revenue for the general government portion of the Town's governmental activities.

THE TOWN'S FUNDS

As the year showed a \$5,121,836 *increase* in net position from operations, it also showed a \$1,657,112 *decrease* in fund balance in the governmental funds as presented in governmental funds financial statements. The difference in the amounts is primarily from the treatment of long-term debt and capital assets, as well as deferred inflows. In the fund financial statements, debt issuances are an increase in fund balance and principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net position on the government-wide statements. Likewise, purchases of capital assets are reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net position on the government-wide statements.

**TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

THE TOWN'S FUNDS (Continued)

The significant *decrease* in fund balance is due to the capital outlay of \$7,810,770 during the fiscal year, the majority of which was related to the water and sewer project.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Town's budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. This requirement has been temporarily suspended by the Connecticut Governor's Executive Order issued in response to the 2020 Coronavirus outbreak. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

The Town overall spent conservatively during the year due to uncertainties regarding the previously mentioned Coronavirus pandemic and also potential State budget cuts. To counter any possible reductions in state education and municipal support, the general government *under* spent their general government expenditure budget by \$170,653. The town's education budget was *underspent* by a lesser amount of \$6,787.

Table 4 - General Fund - Budget Summary

Revenues	Final Budget	Actual	Variance
Tax Collector	\$ 5,414,986	\$ 5,479,597	\$ 64,611
Local Revenues	195,863	305,870	110,007
Town Clerk Fees	41,725	60,035	18,310
State Education Support	851,907	885,792	33,885
State Municipal Support	222,401	228,756	6,355
Total Revenues	6,726,882	6,960,050	233,168
Expenditures			
General Government	2,666,469	2,495,816	170,653
Education	4,182,645	4,175,858	6,787
Total Expenditures	6,849,114	6,671,674	177,440
Increase (Decrease) in Fund Balance	\$ (122,232)	\$ 288,376	\$ 410,608

**TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$25,214,578 invested in government activity capital assets as shown in Table 5:

Table 5 - Capital Assets

	Governmental Activities	
	2020	2019
Land	\$ 324,671	\$ 324,671
Construction in progress	8,216,661	946,843
Buildings and improvements	11,725,303	11,646,559
Vehicles	1,756,380	1,664,836
Machinery and equipment	239,003	239,003
Infrastructure	2,952,560	2,805,562
Totals	\$ 25,214,578	\$ 17,627,474

This amount represents a net *increase* (including additions and deductions) of \$7,587,104 from last year. Significant capital additions included continued construction in process for the water and sewer project, the school fuel tank replacement, and public works vehicle replacement. More detailed information about the Town's capital assets is presented in the notes to the financial statements.

Debt

At year end, the Town had \$8,511,581 in long-term liabilities outstanding. This is an *increase* over the prior year. This net increase includes the addition of \$7,000,000 of bond anticipation notes due (and subsequently partially refinanced) in August 2020. More detailed information about the Town's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At a special meeting held in June 2020, the Town approved a total budget for 2020-2021 of \$6,764,350 using a mil rate of 23.22. The general government portion of the budget totals \$2,673,675 while the education budget is \$4,000,675.

**TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at the Town of Franklin, Connecticut, 7 Meetinghouse Hill Road, Franklin CT 06254.

Draft

BASIC FINANCIAL STATEMENTS

Draft

TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS		
Cash and cash equivalents	\$ 8,292,180	\$ 8,292,180
Restricted cash	50,372	50,372
Receivables, net	1,194,840	1,194,840
Inventories	1,627	1,627
Capital assets		
Non-depreciable	8,541,332	8,541,332
Depreciable, net	8,678,553	8,678,553
Total assets	26,758,904	26,758,904
DEFERRED OUTFLOWS OF RESOURCES		
OPEB - changes of assumptions	131,957	131,957
Total deferred outflows of resources	131,957	131,957
Total assets and deferred outflows of resources	\$ 26,890,861	\$ 26,890,861

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES		
Accounts payable	\$ 2,252,912	\$ 2,252,912
Accrued expenses	57,109	57,109
Unearned revenue	20,837	20,837
Due to others	39,654	39,654
Noncurrent liabilities		
Due within one year	7,156,948	7,156,948
Due in more than one year	1,354,633	1,354,633
Total liabilities	10,882,093	10,882,093
DEFERRED INFLOWS OF RESOURCES		
OPEB - changes of assumptions	17,089	17,089
Total deferred inflows of resources	17,089	17,089
Total liabilities and deferred inflows of resources	10,899,182	10,899,182
NET POSITION		
Invested in capital assets, net of related debt	9,388,439	9,388,439
Restricted - nonexpendable	58,848	58,848
Restricted - expendable	1,450	1,450
Unrestricted	6,542,942	6,542,942
Total net position	15,991,679	15,991,679
Total liabilities, deferred inflows of resources, and net position	\$ 26,890,861	\$ 26,890,861

The accompanying notes are an integral part of these financial statements

**TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ (1,162,187)	\$ 267,465	\$ 69,264	\$ 4,731,299	\$ 3,905,841	\$ 3,905,841
Public works	(608,155)	-	171,935	-	(436,220)	(436,220)
Public safety	(222,089)	-	-	-	(222,089)	(222,089)
Health, welfare and sanitation	(198,288)	3,263	-	-	(195,025)	(195,025)
Education	(5,117,918)	21,329	1,668,516	-	(3,428,073)	(3,428,073)
Interest on long-term debt	(187,902)	-	-	-	(187,902)	(187,902)
Total governmental activities	<u>\$ (7,496,539)</u>	<u>\$ 292,057</u>	<u>\$ 1,909,715</u>	<u>\$ 4,731,299</u>	<u>(563,468)</u>	<u>(563,468)</u>
GENERAL REVENUES						
Property taxes, interest, and liens					5,560,159	5,560,159
Unrestricted grants and contributions					9,738	9,738
Unrestricted interest and investment earnings					109,407	109,407
Gain on sale of capital asset					6,000	6,000
Total general revenues					<u>5,685,304</u>	<u>5,685,304</u>
Change in net position					5,121,836	5,121,836
NET POSITION, beginning of year, as originally reported					10,561,316	10,561,316
ADJUSTMENT (Note 15)					<u>308,527</u>	<u>308,527</u>
NET POSITION, beginning of year, as restated					10,869,843	10,869,843
NET POSITION, end of year					<u>\$ 15,991,679</u>	<u>\$ 15,991,679</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF FRANKLIN, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	ASSETS			
	<u>GENERAL FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 8,236,776	\$ 14,757	\$ 40,647	\$ 8,292,180
Restricted cash	-	-	50,372	50,372
Receivables, net	898,796	-	296,044	1,194,840
Due from other funds	6,389	700,000	-	706,389
Inventories	-	-	1,627	1,627
Total current assets	<u>\$ 9,141,961</u>	<u>\$ 714,757</u>	<u>\$ 388,690</u>	<u>\$ 10,245,408</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES				
Accounts payable	\$ 2,245,721	\$ 7,337	\$ -	\$ 2,253,058
Accrued expenses	56,963	-	-	56,963
Due to other funds	739,654	-	6,389	746,043
Unearned revenue	20,837	-	-	20,837
Total current liabilities	<u>3,063,175</u>	<u>7,337</u>	<u>6,389</u>	<u>3,076,901</u>
DEFERRED INFLOWS OF RESOURCES				
Revenue - unavailable	347,773	-	-	347,773
Total deferred inflows of resources	<u>347,773</u>	<u>-</u>	<u>-</u>	<u>347,773</u>
Total liabilities and deferred inflows of resources	<u>3,410,948</u>	<u>7,337</u>	<u>6,389</u>	<u>3,424,674</u>
FUND BALANCES				
Nonspendable	-	-	293,263	293,263
Restricted	3,191,186	-	51,828	3,243,014
Committed	-	706,561	-	706,561
Assigned	-	859	37,503	38,362
Unassigned	2,539,827	-	(293)	2,539,534
Total fund balances	<u>5,731,013</u>	<u>707,420</u>	<u>382,301</u>	<u>6,820,734</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,141,961</u>	<u>\$ 714,757</u>	<u>\$ 388,690</u>	<u>\$ 10,245,408</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF FRANKLIN, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balances for governmental funds		\$ 6,820,734
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		17,219,885
Other assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Deferred inflows - unavailable revenues	347,773	
Deferred inflows - changes of assumptions	(17,089)	
Deferred outflows - changes of assumptions	131,957	
		462,641
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:		
General obligation bonds and notes payable	(7,831,446)	
Compensated absence	(11,970)	
Other post employment benefits	(618,165)	
Special termination benefits	(50,000)	
		(8,511,581)
Net position of governmental activities		\$ 15,991,679

The accompanying notes are an integral part of these financial statements

TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL FUND	CAPITAL RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Property taxes, interest, lien fees	\$ 5,479,597	\$ -	\$ -	\$ 5,479,597
Intergovernmental revenues	6,396,704	21,927	58,013	6,476,644
Local revenue	365,905	13,325	22,234	401,464
Total revenues	<u>12,242,206</u>	<u>35,252</u>	<u>80,247</u>	<u>12,357,705</u>
EXPENDITURES				
Current				
General government	913,285	-	984	914,269
Public works	569,421	-	-	569,421
Public safety	182,826	-	-	182,826
Health, welfare and sanitation	198,288	-	-	198,288
Education	4,900,823	-	71,354	4,972,177
Debt service				
Principal	6,185,164	-	-	6,185,164
Interest	187,902	-	-	187,902
Capital outlay	7,272,486	538,284	-	7,810,770
Total expenditures	<u>20,410,195</u>	<u>538,284</u>	<u>72,338</u>	<u>21,020,817</u>
Excess (deficiency) of revenues over expenditures	<u>(8,167,989)</u>	<u>(503,032)</u>	<u>7,909</u>	<u>(8,663,112)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	-	6,000	-	6,000
Proceeds from issuance of long-term bonds and notes	7,000,000	-	-	7,000,000
Transfers in	-	210,000	-	210,000
Transfers out	(210,000)	-	-	(210,000)
Total other financing sources (uses)	<u>6,790,000</u>	<u>216,000</u>	<u>-</u>	<u>7,006,000</u>
Net changes in fund balances	<u>(1,377,989)</u>	<u>(287,032)</u>	<u>7,909</u>	<u>(1,657,112)</u>
FUND BALANCE, beginning of year, as originally reported	7,109,002	994,452	65,865	8,169,319
ADJUSTMENT (Note 15)	-	-	308,527	308,527
FUND BALANCE, beginning of year, as restated	<u>7,109,002</u>	<u>994,452</u>	<u>374,392</u>	<u>8,477,846</u>
FUND BALANCES, end of year	<u>\$ 5,731,013</u>	<u>\$ 707,420</u>	<u>\$ 382,301</u>	<u>\$ 6,820,734</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF FRANKLIN, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net changes in fund balances - total governmental funds \$ (1,657,112)

Total change in net position reported for governmental activities in the statement of activities is different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount by which depreciation expense exceeded capital additions in the current period is as follows:

Expenditures for capital assets	7,741,933	
Depreciation expense	(397,245)	
	7,344,688	7,344,688

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in revenues - unavailable		254,670
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt obligations is as follows:

Debt issued or incurred:		
General obligation bonds and notes payable	(7,000,000)	
Principal repayments:		
General obligation bonds and notes payable	6,185,164	
	(814,836)	(814,836)

Some expenses 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. This amount represents the effect of such items:

Deferred outflows - changes of assumptions	125,568	
Deferred inflows - changes of assumptions	(17,089)	
Special termination benefits	25,000	
Compensated absences	(3,734)	
Other post employment benefits	(135,319)	
	(5,574)	(5,574)

Changes in net position of governmental activities		\$ 5,121,836
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TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>AGENCY FUNDS</u>
Assets	
Cash and cash equivalents	\$ 30,742
Due from other funds	<u>39,654</u>
Total assets	<u><u>\$ 70,396</u></u>
Liabilities	
Due to others	<u><u>\$ 70,396</u></u>

The accompanying notes are an integral part of these financial statements

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF ORGANIZATION

The Town of Franklin, Connecticut (the Town) is a municipal corporation governed by a selectmen-town meeting form of government. Under this form of government, the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three-member Board of Selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. The elected Board of Finance is the budget making authority and supervises the Town's financial matters.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

REPORTING ENTITY

The reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be incomplete or misleading as set forth by GASB.

In evaluating how to define the reporting entity for financial statement reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues and expenses/expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses. There are currently no funds in the Town which meet the criteria for being reported as a proprietary fund.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles, as follows:

Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:
 - General Fund - This fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.
 - Capital Reserve Fund – This fund is a capital projects fund and is used to account for revenues and expenditures associated with the construction of Town facilities and infrastructure.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (*Continued*)

a. Governmental Funds (*Continued*)

The Town also reports the following non-major governmental funds:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

Cafeteria Fund – The Cafeteria fund is used to account for the cafeteria at the elementary school.

Dog Fund – The Dog Fund is used to account for activity for animal control.

Library Fund – The Library Fund is used to account for donations given to the Library for specific purposes.

Pautipaug Schoolhouse Project Fund – The Pautipaug Schoolhouse Project Fund is used to account for activity to preserve the historic schoolhouse.

Veteran’s Park Memorial Fund – The Veteran’s Park Memorial Fund is used to account for installation of a monument in the park.

Recreation Commission Fund – The Recreation Commission Fund is used to account for the transactions of the Parks & Recreation Commission.

Unsung Hero Scholarship Fund – The Unsung Hero Scholarship Fund is used to account for awarding scholarships for 8th grade graduation.

Scholarship Fund – The Scholarship Fund is used to account for donations and scholarship distributions for 8th grade graduation.

Sports Activity Fund – The Sports Activity Fund is used to account for pay-to-play activities.

Housing Rehabilitation Program Income Fund – The Housing Rehabilitation Program Income Fund is used to account for income (loan repayments) received from housing rehabilitation grant monies loaned to various property owners. These funds are restricted for additional housing rehabilitation projects within the Town.

The Town also reports the following non-major capital projects fund:

Museum Building Fund – This fund is used to account for contributions and expenditures for improvements to the Ashbel Woodward Museum.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (*Continued*)

a. Governmental Funds (*Continued*)

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

The Town also reports the following permanent funds:

Cemetery Fund – The Cemetery Fund is used to account for and report the proceeds of donations and investment earnings that are restricted to expenditures for cemetery upkeep.

Edgerton Education Trust Fund – This fund is used to account for awarding scholarships for 8th grade graduation.

Phyllis J. Konow Fund – This fund is used to account for awarding scholarships for 8th grade graduation.

Anthony Carboni Fund - This fund is used to account for awarding scholarships for 8th grade graduation.

- b. Fiduciary Funds (Not Included in Government-Wide Financial Statements) – The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Agency funds. The Agency Funds are primarily utilized to account for monies held as custodian for outside party and consist of the Student Activity Fund and the Performance Bond Fund.

MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Funds have no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION (*Continued*)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCES

DEPOSITS, INVESTMENTS AND RISK DISCLOSURES

Cash and equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months. Restricted cash includes cash and equivalents which are restricted for providing housing rehabilitation loans to qualifying homeowners.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

The Short-Term Investment Fund (STIF) is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and reports its investments at amortized cost (which approximates fair value). The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCES (*Continued*)

DEPOSITS, INVESTMENTS AND RISK DISCLOSURES (*Continued*)

Investments - The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

The Town follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quote prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investments are stated at fair value.

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCES (*Continued*)

TAXES RECEIVABLE

Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

An allowance for uncollectible taxes of \$17,371 has been recorded net with taxes and interest receivable as of June 30, 2020.

OTHER RECEIVABLES

Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate. Receivables also include loans made to qualifying property owners for the purpose of housing rehabilitation. Such loans are secured with by liens filed in the Town's land records and are due upon transfer of title.

DUE FROM/TO OTHER FUNDS

During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

INVENTORIES

Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventorable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCES (*Continued*)

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Intangible assets lack physical substance, is nonfinancial in nature and its useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is considered inexhaustible and, therefore, not depreciated. Construction in Progress has not yet been placed into services and, therefore, not depreciated. Property, plant and equipment of the Town is depreciated or amortized using the straight-line method over the following estimated useful lives:

Assets	Years	Capitalization Threshold
Land	N/A	\$ 5,000
Buildings and improvements	10-50	5,000
Vehicles	10	5,000
Machinery and equipment	5	5,000
Infrastructure:		
Bridges	40	5,000
Roads, sidewalks and drainage	5-20	5,000

UNEARNED REVENUES

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCES (*Continued*)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 that time.

Deferred inflows of resources in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not “available” pursuant to generally accepted accounting principles.

LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, and debt payments, are reported as expenditures.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCES (*Continued*)

NET POSITION

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

FUND BALANCE

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. A motion at a Town meeting is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCES (*Continued*)

FUND BALANCE (*Continued*)

- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

ENCUMBRANCES

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCES (*Continued*)

RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts in the Management's Discussion and Analysis and beginning balances in certain footnotes to conform to the 2020 presentation.

SUBSEQUENT EVENTS EVALUATION BY MANAGEMENT

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which was dated December 8, 2020.

NOTE 2- STEWARDSHP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET BASIS

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teachers' Retirement** – The Town does not recognize as income or expenditures payments made for the teachers' retirement or other postemployment benefits by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement Number 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Bad Debt Expense** – Changes in the allowance for doubtful accounts related to the Town's receivables are not included in the annual General Fund budget.
- **Long-term Debt and Lease Financing** – Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Water/Sewer Project Revenue and Expenditures** - Revenues and Expenditures for the new water/sewer project are not included in the annual General Fund budget.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - STEWARDSHP, COMPLIANCE, AND ACCOUNTABILITY (*Continued*)

BUDGET CALENDAR

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

BUDGET CONTROL

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. In response to the COVID-19 pandemic, the governor of the State of Connecticut has issued Executive Orders which temporarily suspend certain public meeting requirements relating to additional appropriations.

ADDITIONAL APPROPRIATIONS

For the year ended June 30, 2020, the Town made several line item budget transfers as well as an additional \$56,042 appropriation to the Board of Education budget and \$28,656 to the School Grants budget.

EXPENDITURES IN EXCESS OF BUDGET

Total expenditures were not in excess of total appropriations for the 2018-2020 fiscal year and no individual line items were over-budget.

**THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - STEWARDSHP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

FUND DEFICITS

The Phyllis J. Konow Fund has unassigned deficit fund balance in the amount of \$293. The Town is expected to fund these deficits in the next fiscal year.

APPLICATION OF ACCOUNTING STANDARDS

For the year ended June 30, 2020, the following accounting pronouncements became effective. The Town implemented such pronouncements, where applicable:

GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of a construction period. Management has elected to early adopt this standard.

GASB Statement 90, *Majority Equity Interests – and amendment of GASB Statements No. 14 and 61*. This statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement delays the effective date of specifically referenced pronouncements.

NOTE 3 - CASH, CERTIFICATES OF DEPOSIT, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and restricted cash of the Town consist of the following at June 30, 2020:

Government-wide statement of net position	
Cash and cash equivalents	\$ 8,292,180
Restricted cash	50,372
Statement of fiduciary net position	
Cash and cash equivalents	30,742
	\$ 8,373,294

Cash and Cash Equivalents and Restricted Cash - As of June 30, 2020, the carrying amount of the Town’s deposits with financial institutions was:

Cash and Cash Equivalents and Restricted Cash	
Deposits with financial institutions	\$ 1,640,190
Plus external investment pools	6,733,104
	\$ 8,373,294

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - CASH, CERTIFICATES OF DEPOSIT, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The bank balance of the deposits was \$1,084,351 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$	273,261
Collateralized		156,765
Uninsured and uncollateralized		1,410,886
		\$ 1,840,912

NOTE 4 - RECEIVABLES, DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

At June 30, 2020, receivables consisted of the following:

	Fund Financials		Government-Wide Financials
	General Fund	Other Governmental Funds	Governmental Activities
Receivables			
Property taxes	\$ 219,775	\$ -	\$ 219,775
Interest, liens and fees	11,846	-	11,846
Rehabilitation notes	-	283,166	283,166
Intergovernmental	684,546	12,878	697,424
Receivables, gross	916,167	296,044	1,212,211
Allowance for doubtful accounts	(17,371)	-	(17,371)
Receivables, net	\$ 898,796	\$ 296,044	\$ 1,194,840

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2020. The Town had \$20,837 of unearned revenue at year end. Governmental funds report deferred inflows of resources in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The Town reports property taxes not received within 60 days of the year end as *deferred inflows of resources*.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - RECEIVABLES, DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE (Continued)

At June 30, 2020, the Town's deferred inflows of resources relating to receivables consisted of the following:

	Fund Financials		Government-Wide Financials
	General Fund	Other Governmental Funds	Governmental Activities
Deferred inflows of resources			
Revenue - unavailable	\$ 347,773	\$ -	\$ -

NOTE 5 - INTERFUND TRANSACTIONS

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

At June 30, 2020, these were summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Cafeteria Fund	\$ 5,748
General Fund	Dog Fund	641
Capital Reserve Fund	General Fund	700,000
Performance Bond Fund	General Fund	39,654
		\$ 746,043

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2020 were as follows:

	Transfers into Capital Reserve Fund
Transfers out of:	
General Fund	\$ 210,000

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - CAPITAL ASSETS

Changes in the Town's capital assets used in the governmental activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 324,671	\$ -	\$ -	\$ 324,671
Construction in progress	946,843	7,269,818	-	8,216,661
Total capital assets, not being depreciated	<u>1,271,514</u>	<u>7,269,818</u>	<u>-</u>	<u>8,541,332</u>
Capital assets, being depreciated				
Buildings and improvements	11,646,559	78,744	-	11,725,303
Vehicles	1,664,836	246,373	(154,829)	1,756,380
Machinery and equipment	239,003	-	-	239,003
Infrastructure	2,805,562	146,998	-	2,952,560
Total capital assets, being depreciated	<u>16,355,960</u>	<u>472,115</u>	<u>(154,829)</u>	<u>16,673,246</u>
Less: accumulated depreciation				
Buildings and improvements	(4,924,598)	(246,616)	-	(5,171,214)
Vehicles	(1,483,625)	(32,115)	154,829	(1,360,911)
Machinery and equipment	(211,620)	(6,204)	-	(217,824)
Infrastructure	(1,132,434)	(112,310)	-	(1,244,744)
Total accumulated depreciation	<u>(7,752,277)</u>	<u>(397,245)</u>	<u>154,829</u>	<u>(7,994,693)</u>
Total capital assets, being depreciated, net	<u>8,603,683</u>	<u>74,870</u>	<u>-</u>	<u>8,678,553</u>
Governmental activities capital assets, net	<u>\$ 9,875,197</u>	<u>\$ 7,344,688</u>	<u>\$ -</u>	<u>\$ 17,219,885</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	\$ 179,082
Public works	38,733
Public safety	39,263
Education	140,167
	<u>\$ 397,245</u>

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LONG-TERM LIABILITIES

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct borrowings and direct placements:					
Bond anticipation notes	\$ 6,000,000	\$ 7,000,000	\$ 6,000,000	\$ 7,000,000	\$ 7,000,000
Other liabilities:					
General obligation bonds	1,016,610	-	185,164	831,446	135,164
Special termination benefits	75,000	-	25,000	50,000	20,000
Other post employment benefits - BOE	482,846	135,319	-	618,165	-
Compensated absences	8,236	3,734	-	11,970	1,784
	<u>\$ 7,582,692</u>	<u>\$ 7,139,053</u>	<u>\$ 6,210,164</u>	<u>\$ 8,511,581</u>	<u>\$ 7,156,948</u>

Each governmental funds' liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations is expensed to the respective fund, primarily the General Fund.

NOTE 8 - GENERAL OBLIGATION BONDS/BOND ANTICIPATION NOTES

The Town issues general obligation bonds and bond anticipation notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and bond anticipation notes are direct obligations of the Town and pledge the full faith and credit of the Town. General obligation bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. Bond anticipation notes represent short-term funding in anticipation of permanent funding for construction projects. General obligation bonds and bond anticipation note outstanding as of June 30, 2020 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Fire department	2005	\$ 1,115,000	5/11/2025	4.25%	\$ 278,750
Town hall	2005	900,000	5/11/2025	4.25%	225,000
School roof	2010	349,272	12/2/2029	3.75%	192,096
Plow truck	2017	169,500	12/1/2027	2.75%	135,600
Water & Sewer project	2019	7,000,000	8/19/2020	1.78%	7,000,000
					<u>\$ 7,831,446</u>

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - GENERAL OBLIGATION BONDS/BOND ANTICIPATION NOTES (Continued)

Payments to maturity on the general obligation bonds and notes payable are as follows:

Year End	Notes from Direct Borrowings and Direct Placements		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 7,000,000	\$ 124,254	\$ 135,164	\$ 32,341
2022	-	-	135,164	26,940
2023	-	-	135,164	21,537
2024	-	-	135,164	16,134
2025	-	-	135,164	10,731
2026 and thereafter	-	-	155,626	16,547
	<u>\$ 7,000,000</u>	<u>\$ 124,254</u>	<u>\$ 831,446</u>	<u>\$ 124,230</u>

For the year ended June 30, 2020, interest incurred on general obligation bonds and bond anticipation notes totaled \$187,902.

Subsequent to year end, the Town refunded its \$7,000,000 water and sewer project bond anticipation note. The new bond anticipation note issuance, dated August 19, 2020, was for \$3,000,000 and bears interest at 1.50%.

NOTE 9 - OTHER LONG-TERM DEBT

Special Termination Benefits

Periodically, the Board of Education offers temporary retirement incentive packages to teachers that meet special requirements. A teacher must meet the criterion and apply to the Superintendent for consideration. During the fiscal year ended June 30, 2020, certain teachers were entitled to receive such benefits. The total future payments to these teachers amounts to \$50,000.

Compensated Absences

Long-term liabilities for compensated absences are reported for certain employees of the Board of Education and consist of unpaid, but earned sick pay balances. Liabilities for compensated absences are reported in the government-wide financial statements. Expenditures and liabilities related to these obligations are recognized in the governmental fund financial statements when they mature such as upon the termination of employment. Compensated absences are reported as noncurrent liabilities in the statement of net position and amounted to \$11,970 for the year ended June 30, 2020.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - LEGAL DEBT LIMIT

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Franklin, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	\$ 5,447,648
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	-
Debt limitation base	<u>\$ 5,447,648</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation					
2 1/4 times base	\$ 12,257,208	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	24,514,416	-	-	-
3 3/4 times base	-	-	20,428,680	-	-
3 1/4 times base	-	-	-	17,704,856	-
3 times base	-	-	-	-	16,342,944
Total debt limitation	<u>12,257,208</u>	<u>24,514,416</u>	<u>20,428,680</u>	<u>17,704,856</u>	<u>16,342,944</u>
Indebtedness					
Bonds and notes payable	<u>639,350</u>	<u>192,096</u>	<u>7,000,000</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 11,617,858</u>	<u>\$ 24,322,320</u>	<u>\$ 13,428,680</u>	<u>\$ 17,704,856</u>	<u>\$ 16,342,944</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 38,133,536

NOTE 11 - NET POSITION

The components of net position are as detailed below:

Net Investment in Capital Assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – the component of net position that reflects funds set aside in accordance with laws, regulations, grants and other agreements that must be kept intact and cannot be spent. This is made up of \$9,926 in permanent fund principal and earnings as shown below:

	<u>Cemetery Fund</u>	<u>Edgerton Education Trust Fund</u>	<u>Phyllis J. Konow Fund</u>	<u>Anthony Carboni Fund</u>	<u>Total Permanent Funds</u>	<u>Special Revenue Housing Rehabilitation Program Income Fund</u>	<u>Total</u>
Restricted Net Position	\$ 3,712	\$ 2,515	\$ 293	\$ 3,406	\$ 9,926	\$ 50,372	\$ 60,298

Unrestricted – all other amounts that do not meet the definition of “restricted” or “net investment in capital assets”.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 - FUND BALANCES

As discussed in *Note 1*, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Not in spendable form				
Long-term receivables	\$ -	\$ -	\$ 283,166	\$ 283,166
Inventories	-	-	1,627	1,627
Required to be maintained				
Trust principal	-	-	8,470	8,470
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,263</u>	<u>\$ 293,263</u>
Restricted				
General Government	\$ 3,191,186	\$ -	\$ 50,816	\$ 3,242,002
Education	-	-	1,012	1,012
	<u>\$ 3,191,186</u>	<u>\$ -</u>	<u>\$ 51,828</u>	<u>\$ 3,243,014</u>
Committed				
Capital Projects	<u>\$ -</u>	<u>\$ 706,561</u>	<u>\$ -</u>	<u>\$ 706,561</u>
Assigned				
General Government	\$ -	\$ -	\$ 6,045	\$ 6,045
Education	-	-	29,776	29,776
Culture and Recreation	-	-	1,666	1,666
Capital Projects	-	859	16	875
	<u>\$ -</u>	<u>\$ 859</u>	<u>\$ 37,503</u>	<u>\$ 38,362</u>
Unassigned	<u>\$ 2,539,827</u>	<u>\$ -</u>	<u>\$ (293)</u>	<u>\$ 2,539,534</u>

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM

Plan Description - Teachers and certain other certified personnel in the Town are eligible to participate in the Connecticut State Teachers' Retirement System ("TRS"), a cost-sharing multiple employer public employee retirement system described in the Connecticut General Statutes, Chapter 167a. The TRS has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The Teachers' Retirement System is administered by the Teachers' Retirement Board ("TRB"). The TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Plan Membership — All teachers, principals, superintendents or supervisors engaged in service of public schools are eligible for participation.

Plan Benefits — Plan provisions are set by statute of the State of Connecticut. The Teachers' Retirement System provides retirement benefits, as well as death and disability benefits. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary. A minimum monthly benefit of \$1,200 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

A member is eligible to receive an early retirement benefit who (1) has attained any age and has accumulated twenty-five years of credited service, at least twenty years of which are service in the public schools of Connecticut or (2) has reached the age of fifty-five and has accumulated twenty years of credited service, at least fifteen years of which are service in the public schools of Connecticut.

The early retirement benefit is reduced six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reductions for individuals with 30 or more years of service is three percent per year by which retirement precedes normal retirement date.

Benefits are fully vested after ten years of service. Benefits are payable at age sixty and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (Continued)

TEACHERS' RETIREMENT SYSTEM (Continued)

Funding Policy - In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an *amount* that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

The Town is not required to make contributions to the plan. The statutes require the State of Connecticut to make contributions on-behalf of the Town in an actuarially determined amount.

Members are required to contribute six percent of their annual salary for the pension benefit. Effective January 1, 2018, the required contribution increased to seven percent of annual pensionable salary.

The Town's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions - The following assumptions were used in the pension valuations, prepared as of June 30, 2018 (the Valuation Date) measured as of June 30, 2019 (the Measurement Date) for use in the June 30, 2020 financial statements (Reporting Date):

Experience study dates	July 1, 2010 – June 30, 2015
Inflation	2.50%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	6.90%, net of investment related expense, including inflation
Administrative Expenses	\$0 assumption as expenses are paid for by the General Assembly.

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (Continued)

TEACHERS' RETIREMENT SYSTEM (Continued)

Target Asset Allocation and Rates of Return — The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity - US equity	20.00%	8.10%
Public equity - International developed equity	11.00%	8.50%
Public equity - emerging markets equity	9.00%	10.40%
Fixed income - core fixed income	16.00%	4.60%
Fixed income - inflation linked bonds	5.00%	3.60%
Fixed income - high yield	6.00%	6.50%
Fixed income - emerging market debt	5.00%	5.20%
Private equity	10.00%	9.80%
Real estate	10.00%	7.00%
Alternative investments - real assets	4.00%	8.20%
Alternative investments - hedge funds	3.00%	5.40%
Liquidity fund	1.00%	2.90%
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 6.90%. 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 the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town's Proportionate Share of the Collective Net Pension Liability — Connecticut school teachers participate in the TRS pursuant to Section 10-183b et seq. of the Connecticut General Statutes (the "Teachers' Retirement Act"). The Teachers' Retirement Act governs the pension benefits and eligibility of the active and retired teachers of the Franklin Public Schools. The Teachers' Retirement Act requires the Connecticut General Assembly, not any town, city or local school district, to appropriate the funds necessary to pay the pension benefits due to retirees under the System. The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State of Connecticut pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

**THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (Continued)

TEACHERS' RETIREMENT SYSTEM (Continued)

Town's Proportionate Share of the Collective Net Pension Liability (Continued)

Town of Franklin's Net Pension Liability	\$	-
State of Connecticut's Net Pension Liability for the Town of Franklin		5,400,946
Net Pension Liability		\$ 5,400,946
Portion of the State of Connecticut's Net Pension Liability		
which is related to the Town of Franklin employees		0.031635%
On-behalf payments revenue and pension expense	\$	663,328
Proportion Basis		Employee contributions
Change in proportion since prior measurement date		None

Sensitivity Analysis – The following presents the net pension liability (asset) of the Town of Franklin, Connecticut's proportionate share of the plan, calculated using the current discount rate, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
State's Net Pension Liability	\$ 6,737,160	\$ 5,400,946	\$ 4,277,590

Support Provided by Nonemployer Contributing Entity (State) — The Town has a special funding situation whereby the State is obligated to pay the pension costs of the Teachers' Retirement System and the Town is not required to pay any of the costs. However, the Town must record the costs paid by the State on behalf of the Town's employees as revenue and expense in its GAAP financial statements which amounted to \$663,328.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)

SIMPLE IRA

The Town has established a non-elective employer contribution plan wherein the Town contributes 3.5% of each participating employee's basic pay into individual SIMPLE IRA accounts established in the employee's name. For the year ended June 30, 2020, there were three (3) participants and the Town made \$6,188 in contributions.

OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System - a cost sharing multiemployer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS *(Continued)*

OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM
(Continued)

Benefit Provisions *(Continued)*

Employees are eligible to retire at age sixty with twenty years of credited service in Connecticut, or thirty-five years of credited service including at least twenty-five years of service in Connecticut.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of the plan costs through an annual appropriation in the General Fund.

Employer

School district employers are not required to make contributions to the Plan.

Employees/Retirees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Administrative Expenses

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.75%
Wage Inflation	3.25%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (Continued)

OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM
(Continued)

Actuarial Assumptions (Continued)

Municipal bond index rate (measurement date)	3.50%
Municipal bond index rate (prior)	3.87%
Single equivalent interest rate (measurement date)	3.50% (net of investment exp, incl. inflation)
Single equivalent interest rate (prior)	3.87% (net of investment exp, incl. inflation)
Healthcare cost trend rates (pre-Medicare)	5.95% for 2018 decreasing to 4.75% by 2025
Healthcare cost trend rates (Medicare)	5.00% for 2018 decreasing to 4.75% by 2028

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is 0.41%. Price inflation is expected to be 2.50% while the expected rate of return is 3.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made.

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS *(Continued)*

OTHER POST-EMPLOYMENT BENEFITS – TEACHERS' RETIREMENT SYSTEM
(Continued)

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

The State of Connecticut's proportionate share of the net OPEB liability associated with the Town is 0.0316349% or \$842,307. The Town recognized on-behalf revenues and expenditures of \$61,637 in connection with this plan.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION

From an accrual accounting perspective, the cost of post-employment health care benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of Franklin, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement, and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

At July 1, 2018, plan membership consisted of 22 participants, of which 20 were active employees and 2 were retirees.

**THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (Continued)

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)

Funding Policy

Retired teachers and their spouses must be allowed to continue their health insurance benefits, in the same health insurance plan offered to active teachers, through their last employing Town. The Town does not contribute to the retirees' health insurance. The retirees pay 100% of the premiums in accordance with the Connecticut General Statutes and the various collective bargaining agreements. Since the Town's liability is solely from the implicit rate subsidy calculation, the Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines.

Actuarial Methods and Significant Assumptions

The Town's annual post employment benefit expense is calculated based using the Entry Age Normal Cost Method. Under this method, the total normal cost is the sum of amounts necessary to fund each active member's normal retirement benefit if paid annually from entry age to assumed retirement age. Entry age is the age at which the employee would have been first eligible for the plan, if it had always been in effect. The normal cost for each participant is expected to remain a level percentage of the employee's salary. The normal cost for the plan is the difference between the total normal cost for the year and the anticipated member contributions for that year.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Investment Rate of Return	2.21%
Payroll Growth Rate	2.60%
Inflation	2.60%
Healthcare Cost Trend Rates	7.00% for 2018, decreasing 0.5% per year, to an ultimate rate of 4.60% for 2023 and later
Asset Valuation Method	N/A

**THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (Continued)

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)

Actuarial Methods and Significant Assumptions (Continued)

Mortality	Pub-2010 Public Retirement Plans Mortality Tables (for Teachers) with separate tables for non-annuitants and annuitants, projected to the valuation date with Scale MP-2018.
Retirement	As used in the Connecticut State Teachers' Retirement System 2016 Pension Valuation
Utilization	60% of current active members will elect medical coverage at retirement.
Spousal Coverage	50% of males and 50% of females assumed married and elect spousal benefits at retirement with wives assumed to be three years younger than their husbands

The discount rate used to measure the total OPEB liability was 2.21% and was based on the published Bond Buyer General Obligation 20-Bond Municipal Index effective as of June 30, 2020.

Total OPEB expense recognized for this Plan for the year ended June 30, 2020 was \$26,840.

Changes in the OPEB Liability

Changes in the OPEB liability for the year ended June 30, 2020 are as follows:

Balance as of June 30, 2019	\$482,846
Changes for the year:	
Service cost	9,055
Interest	17,144
Changes of assumptions	116,122
Benefit payments	<u>(7,002)</u>
Net changes	<u>135,319</u>
Balance as of June 30, 2020	<u><u>\$618,165</u></u>

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (Continued)

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)

Sensitivity Analysis

The following presents the total OPEB liability of the Town, calculated using the current discount rate of 2.21% as well as what the Town’s net OPEB liability if it were calculated using a discount rate that is 1 percentage lower (1.21%) or 1 percentage higher (3.21%)

	1% Decrease 1.21 %	Current Discount Rate 2.21%	1% Increase 3.21%
Total OPEB liability as of June 30, 2020	<u>\$ 735,405</u>	<u>\$ 618,165</u>	<u>\$ 525,852</u>

The following presents the total OPEB liability of the Town, calculated using the current health care cost trend rate of 7.00% decreasing to 4.60% as well as what the Town’s net OPEB liability if it were calculated using a health care cost trend rate that is 1 percentage lower (6.00% decreasing to 3.60%) or 1 percentage higher (8.00% decreasing to 5.60%).

	6.00% decreasing to 3.60%	7.00% decreasing to 4.60%	8.00% decreasing to 5.60%
Total OPEB liability as of June 30, 2020	<u>\$ 515,692</u>	<u>\$ 618,165</u>	<u>\$ 748,249</u>

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

As of June 30, 2020, the Town reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	131,957	(17,089)
Total	<u>\$ 131,957</u>	<u>\$ (17,089)</u>

**THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – PENSION AND OTHER POST RETIREMENT PLANS (Continued)

OTHER POST-EMPLOYMENT BENEFITS – BOARD OF EDUCATION (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year ended June 30,	
2021	\$ 7,643
2022	7,643
2023	7,643
2024	7,643
2025	7,643
2026 and thereafter	76,653
	\$ 114,868

NOTE 14 – CONTINGENT LIABILITIES AND RISK MANAGEMENT

LITIGATION

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town’s counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

CONTINGENCIES

Grants – The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial. One such grant is the Janet C. Calvert Library Trust grant. Under the terms of the charitable trust agreement, the Town received a gift of \$100,000 for the purpose of creating and equipping a suitable public library for the Town and to honor the memory of Janet C. Calvert. Should the library cease to be a memorial because of a name change, the \$100,000 gift will revert to another named beneficiary.

RISK MANAGEMENT

The Town is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years. The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-749a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member’s obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

THE TOWN OF FRANKLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – ADJUSTMENT

Management has restated its July 1, 2019 opening net position and fund balance by \$308,527 to properly include notes receivable under the Town's housing rehabilitation program.

NOTE 16 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 84 – *Fiduciary Activities* – This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and is effective for periods beginning after December 15, 2019 (the Town's year ending June 30, 2021).
- GASB Statement 87 – *Leases* - This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for reporting periods beginning after June 15, 2021 (the District's year ending June 30, 2022).
- GASB Statement 91 – *Conduit Debt Obligations* – This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 92 – *Omnibus*- This statement enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing various practice issues identified in the implementation of certain pronouncements. Certain requirements of this statement are effective upon issuance while other requirements are effective for reporting periods beginning after June 15, 2021 (the Town's year ending June 30, 2022).
- GASB Statement 93 - *Replacement of Interbank Offered Rates* - This statement addresses accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate), the most prevalent being the LIBOR (London Interbank Offered Rate). Provisions of the statement are effective for reporting periods beginning after June 15, 2021 and reporting periods ending after December 31, 2021 (the Town's years ending June 30, 2022 and 2023).
- GASB Statement 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for fiscal years beginning after June 15, 2022 (the Town's year ending June 30, 2023).
- GASB Statement 96 - *Subscription-Based Information Technology Arrangements* - This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 (the Town's year ending June 30, 2023).

REQUIRED SUPPLEMENTARY INFORMATION

Draft

TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	ADDITIONAL APPROPRIATIONS AND TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES					
Tax Collector					
Current Year's Taxes	\$ 5,376,986	\$ -	\$ 5,376,986	5,323,244	\$ (53,742)
Prior Year's Taxes	30,000	-	30,000	63,282	33,282
Interest and lien fees	7,000	-	7,000	34,734	27,734
Motor Vehicle Supplement	1,000	-	1,000	58,337	57,337
	<u>5,414,986</u>	<u>-</u>	<u>5,414,986</u>	<u>5,479,597</u>	<u>64,611</u>
Local Revenues					
Building Permits	30,000	-	30,000	18,582	(11,418)
Town Hall Rental	50	-	50	-	(50)
Bulky Waste Fees	3,000	-	3,000	3,263	263
Sale of Cemetery Lots	300	-	300	2,400	2,100
Interest Income	40,000	-	40,000	109,398	69,398
Insurance Co-payments	8,027	-	8,027	6,461	(1,566)
Miscellaneous	4,000	-	4,000	58,960	54,960
Tuition	3,000	-	3,000	200	(2,800)
Rental of School Gym	77,750	-	77,750	78,470	720
Calvert Library Fines	25	-	25	-	(25)
Cell Tower Income	17,711	-	17,711	18,136	425
WPCA	2,000	-	2,000	-	(2,000)
Rent from Tyler Drive Tenants	10,000	-	10,000	10,000	-
	<u>195,863</u>	<u>-</u>	<u>195,863</u>	<u>305,870</u>	<u>110,007</u>
Town Clerk Fees					
Town Clerk Recording Fees	12,000	-	12,000	12,797	797
Use of Copier	3,000	-	3,000	2,704	(296)
PZC Applications	3,000	-	3,000	9,890	6,890
ZBA Applications	1,000	-	1,000	0	(1,000)
IWWC Applications	1,000	-	1,000	605	(395)
Conveyance Taxes	14,000	-	14,000	24,227	10,227
Sale of Regulations	25	-	25	-	(25)
Licenses and Permits	100	-	100	93	(7)
Miscellaneous Permits	1,000	-	1,000	2,796	1,796
Dog Fees	900	-	900	-	(900)
Vital Statistics Fee	1,200	-	1,200	1,423	223
Historic Preservation Grant	4,500	-	4,500	5,500	1,000
	<u>41,725</u>	<u>-</u>	<u>41,725</u>	<u>60,035</u>	<u>18,310</u>
State Education Support					
Education Cost Sharing	784,087	-	784,087	784,084	(3)
School Grants	65,318	-	65,318	89,177	23,859
Adult Education	2,502	-	2,502	2,554	52
Excess Cost	-	-	-	9,977	9,977
	<u>851,907</u>	<u>-</u>	<u>851,907</u>	<u>885,792</u>	<u>33,885</u>
State Municipal Support					
Pequot Fund	9,738	-	9,738	9,738	-
PILOT Program	9,390	-	9,390	9,434	44
Telecommunication Tax	6,698	-	6,698	6,602	(96)
Disability Exemption	200	-	200	180	(20)
Veterans Tax Relief	800	-	800	1,139	339
Town Aid Road Fund	129,178	-	129,178	129,041	(137)
LOCIP Grant	17,651	-	17,651	19,814	2,163
Grants for Municipal Projects	23,080	-	23,080	23,080	-
Miscellaneous Grants	25,666	-	25,666	29,728	4,062
	<u>222,401</u>	<u>-</u>	<u>222,401</u>	<u>228,756</u>	<u>6,355</u>
Total revenues	<u>6,726,882</u>	<u>-</u>	<u>6,726,882</u>	<u>6,960,050</u>	<u>233,168</u>

Continued

TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

EXPENDITURES	ORIGINAL BUDGET	ADDITIONAL APPROPRIATIONS AND TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
General Government					
Board of Selectman					
First Selectman Salary	51,112	366	51,478	51,478	-
Selectmen Salaries	6,129	44	6,173	6,173	-
Mileage, Payroll, Etc.	4,500	1,910	6,410	6,410	-
Payroll services Town	2,300	-	2,300	2,196	104
WPCA	5,000	-	5,000	2,668	2,332
Administrative Assistant	32,344	-	32,344	32,090	254
Conferences	500	-	500	400	100
Postage	4,500	-	4,500	2,261	2,239
Copier	7,000	(2,320)	4,680	1,807	2,873
Grant Expenditures	1	-	1	-	1
Human Resource Manager	1	-	1	-	1
	113,387	-	113,387	105,483	7,904
Board of Finance					
Annual Town Report	50	-	50	-	50
Advertising/Auditor	32,350	218	32,568	32,568	-
Contingency	2,000	(218)	1,782	-	1,782
Inventory Management	50	-	50	-	50
	34,450	-	34,450	32,568	1,882
Office of the Assessor					
Assessor Salary	35,589	255	35,844	35,844	-
Clerk	585	-	585	-	585
Supplies/Miscellaneous Costs	1,900	(255)	1,645	1,034	611
Computer License and Support	12,480	-	12,480	11,859	621
Renter's Rebate	25	-	25	-	25
	50,579	-	50,579	48,737	1,842
Board of Assessment Appeals					
Clerk	454	-	454	177	277
Advertising/Miscellaneous Costs	100	-	100	-	100
	554	-	554	177	377
Office of the Tax Collector					
Tax Collector Salary	23,713	170	23,883	23,883	-
Assistant Tax Collector	699	-	699	-	699
Advertising/Tax Services/Etc.	9,671	(170)	9,501	6,016	3,485
Tax Refund Request	500	-	500	-	500
	34,583	-	34,583	29,899	4,684
Office of the Treasurer					
Treasurer Salary	9,540	130	9,670	9,670	-
Assistant Treasurer	338	(278)	60	-	60
Mileage	500	-	500	432	68
Bookkeeper	19,416	148	19,564	19,564	-
	29,794	-	29,794	29,666	128
Probate Court					
Probate Court Fees	1,500	-	1,500	1,368	132
	1,500	-	1,500	1,368	132
Consulting/Legal Fees					
Consulting Fees	20,000	(4,153)	15,847	2,825	13,022
Legal Fees	10,000	2,900	12,900	12,900	-
Land Use Fees	10,000	-	10,000	588	9,412
	40,000	(1,253)	38,747	16,313	22,434
Office of the Town Clerk					
Town Clerk Salary	34,786	383	35,169	35,169	-
Assistant Town Clerk	2,631	(499)	2,132	2,132	-
Land Records/Mileage/Meetings	3,200	(793)	2,407	2,407	-
Computer Support	8,119	1,112	9,231	9,231	-
Historic Preservation	4,500	1,050	5,550	5,550	-
	53,236	1,253	54,489	54,489	-
Office of the Registrar of Voters					
Registrars Expenses	2,690	278	2,968	2,968	-
Registrar Wages	18,546	(278)	18,268	9,026	9,242
Deputy Registrar Wages	556	-	556	-	556
Election Expenses	5,621	-	5,621	4,981	640
Election Wages	4,178	-	4,178	1,033	3,145
	31,591	-	31,591	18,008	13,583

Continued

TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	ADDITIONAL APPROPRIATIONS AND TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Town Hall					
Maintenance and Supplies	25,000	33,653	58,653	58,653	-
Custodian	13,387	(2,847)	10,540	10,540	-
Telephone	5,000	2,139	7,139	7,139	-
Electricity	10,000	4,070	14,070	14,070	-
Heat/Propane	6,000	(3,029)	2,971	2,971	-
Land Use Administrative Assistant/Clerk Salary	35,580	255	35,835	35,835	-
Land Use Computer Software	1,000	615	1,615	1,615	-
Website Coordinator	1,338	422	1,760	1,760	-
	<u>97,305</u>	<u>35,278</u>	<u>132,583</u>	<u>132,583</u>	<u>-</u>
Planning and Zoning Commission					
Advertising/Miscellaneous	2,000	-	2,000	1,158	842
Town Planner	14,000	-	14,000	13,412	588
	<u>16,000</u>	<u>-</u>	<u>16,000</u>	<u>14,570</u>	<u>1,430</u>
Zoning Board of Appeals					
Advertising/Supplies	900	-	900	165	735
	<u>900</u>	<u>-</u>	<u>900</u>	<u>165</u>	<u>735</u>
Inland Wetlands Commission					
Advertising/Miscellaneous	750	-	750	65	685
Town Planner	5,000	-	5,000	4,086	914
	<u>5,750</u>	<u>-</u>	<u>5,750</u>	<u>4,151</u>	<u>1,599</u>
Agriculture and Conservation Commission					
Advertising/Miscellaneous	150	-	150	-	150
Open Space Fund	250	-	250	-	250
	<u>400</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>400</u>
Department of Public Works					
Telephone	1,400	-	1,400	916	484
Electricity	2,200	-	2,200	1,772	428
Heating Fuel	5,000	-	5,000	2,028	2,972
Garage Maintenance	8,000	6,247	14,247	14,247	-
Miscellaneous	2,000	216	2,216	2,216	-
Union Contract Benefits	7,735	-	7,735	6,744	991
Foreman	56,374	418	56,792	56,792	-
Laborer	96,254	342	96,596	96,362	234
Retirement/IRA	7,500	-	7,500	6,188	1,312
Summer Help	25	-	25	-	25
Overtime	25,000	-	25,000	12,546	12,454
Temporary Help Snow Removal	3,000	-	3,000	2,255	745
Highway Materials	180,000	(20,185)	159,815	159,815	-
Sand/Salt	36,000	(3,910)	32,090	16,755	15,335
Equipment/Materials/Supplies	16,000	9,953	25,953	25,953	-
Equipment Repairs	70,000	-	70,000	64,436	5,564
Gasoline and Diesel	16,000	-	16,000	11,275	4,725
School Bus Fuel	20,000	-	20,000	9,127	10,873
Tree Removal	16,000	6,919	22,919	22,919	-
Purchase of Cemetery Plots	1,200	-	1,200	-	1,200
Street Lights and Signals	7,500	-	7,500	2,026	5,474
	<u>577,188</u>	<u>-</u>	<u>577,188</u>	<u>514,372</u>	<u>62,816</u>
Social Security/Medicare					
Social Security/Medicare	42,900	-	42,900	41,339	1,561
	<u>42,900</u>	<u>-</u>	<u>42,900</u>	<u>41,339</u>	<u>1,561</u>
Regional Membership					
Membership	7,500	-	7,500	4,434	3,066
Various Donations	4,500	-	4,500	3,850	650
	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>8,284</u>	<u>3,716</u>
Insurance					
Town Workers Compensation	28,730	-	28,730	27,393	1,337
School Workers Compensation	19,965	-	19,965	19,837	128
Town Liability and Umbrella	33,327	-	33,327	32,403	924
School Liability and Umbrella	23,520	4,622	28,142	28,142	-
Life Insurance	600	56	656	656	-
Bonds	1,000	-	1,000	614	386
Foreman	25,500	5,407	30,907	30,907	-
Laborer	37,838	(10,085)	27,753	24,142	3,611
First Selectman	20,000	-	20,000	14,266	5,734
	<u>190,480</u>	<u>-</u>	<u>190,480</u>	<u>178,360</u>	<u>12,120</u>
Department of Public Safety					
Emergency Preparedness	2,000	470	2,470	2,470	-
Director of Emergency Preparedness	4,856	(283)	4,573	4,573	-
Firefighters Pension	3,000	(3,000)	-	-	-
911 Service	14,225	(1,206)	13,019	13,019	-
Burning Officials Salary	1,120	8	1,128	1,128	-
Telephone	5,000	(511)	4,489	4,489	-
Dues and Supplies	3,000	(1,327)	1,673	1,673	-
Equipment	30,000	8,382	38,382	38,382	-
Repairs and Maintenance	25,000	5,735	30,735	30,735	-
Insurance	26,500	(2,134)	24,366	24,366	-
Physicals	5,000	(847)	4,153	4,153	-
Accessory Equipment Repair	2,000	(1,111)	889	889	-
Training	15,000	(4,928)	10,072	10,072	-
Medical Supplies	6,000	1,807	7,807	7,807	-
Turnout Gear	11,000	8,895	19,895	19,895	-
Retention	3,500	(978)	2,522	2,522	-
Supplies & Services FD. Building	1,500	(70)	1,430	1,430	-
	<u>158,701</u>	<u>8,902</u>	<u>167,603</u>	<u>167,603</u>	<u>-</u>

Continued

TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	ADDITIONAL APPROPRIATIONS AND TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Tyler Drive					
Maintenance	15,000	14,873	29,873	29,873	-
Electricity	18,000	(316)	17,684	17,684	-
Heat	22,000	(4,277)	17,723	17,723	-
Tower Maintenance	1,000	(650)	350	350	-
Custodian	5,000	(1,106)	3,894	3,894	-
	<u>61,000</u>	<u>8,524</u>	<u>69,524</u>	<u>69,524</u>	<u>-</u>
Office of the Fire Marshal					
Fire Marshal Salary	5,289	38	5,327	5,327	-
Deputy Fire Marshal Salary	2,149	202	2,351	2,351	-
Supplies/Training	2,500	(240)	2,260	1,421	839
	<u>9,938</u>	<u>-</u>	<u>9,938</u>	<u>9,099</u>	<u>839</u>
Department of Code Enforcement					
State Percentage of Building Fees	500	-	500	447	53
Building Official Salary	14,050	100	14,150	14,150	-
Assistant Building Official	169	-	169	-	169
Office Supplies	-	173	173	173	-
Seminars	300	-	300	135	165
Zoning Enforcement Officer	6,270	45	6,315	6,315	-
Wetlands Enforcement Salary	4,489	(318)	4,171	1,120	3,051
	<u>25,778</u>	<u>-</u>	<u>25,778</u>	<u>22,340</u>	<u>3,438</u>
Waste Disposal/Recycling					
Waste Disposal/Recycling	185,391	-	185,391	182,566	2,825
Public Works Overtime-Transfer Station	2,500	-	2,500	1,042	1,458
	<u>187,891</u>	<u>-</u>	<u>187,891</u>	<u>183,608</u>	<u>4,283</u>
Department of Public Health					
District Costs	12,850	-	12,850	12,850	-
	<u>12,850</u>	<u>-</u>	<u>12,850</u>	<u>12,850</u>	<u>-</u>
Welfare					
General Assistance	1,000	(13)	987	60	927
Director of Social Services Salary	1,757	13	1,770	1,770	-
	<u>2,757</u>	<u>-</u>	<u>2,757</u>	<u>1,830</u>	<u>927</u>
Commission on Aging					
Transit System	30,000	-	30,000	20,607	9,393
Program/Trips	2,400	(612)	1,788	1,145	643
Municipal Agent Salary	5,792	41	5,833	5,833	-
Meal Site Manager Salary	3,574	26	3,600	3,600	-
Program Coordinator Salary	11,613	83	11,696	11,696	-
Senior Center Custodian	-	-	-	0	-
Clerk	578	-	578	503	75
Senior Center Telephone	1,500	-	1,500	1,280	220
Supplies & Service Senior Center	500	317	817	817	-
Other	-	145	145	145	-
	<u>55,957</u>	<u>-</u>	<u>55,957</u>	<u>45,626</u>	<u>10,331</u>
Animal Control					
Pound/Service	6,222	-	6,222	6,124	98
	<u>6,222</u>	<u>-</u>	<u>6,222</u>	<u>6,124</u>	<u>98</u>
Department of Recreation					
Recreation Commission	15,550	-	15,550	7,902	7,648
Miscellaneous/Memorial Day	2,000	-	2,000	12	1,988
	<u>17,550</u>	<u>-</u>	<u>17,550</u>	<u>7,914</u>	<u>9,636</u>
Computer Services/Support					
Computer Cost	10,000	11,792	21,792	21,792	-
Web Coordinator	25	(25)	-	-	-
	<u>10,025</u>	<u>11,767</u>	<u>21,792</u>	<u>21,792</u>	<u>-</u>
Woodward House					
Maintenance and Repair	5,000	(1,234)	3,766	1,408	2,358
Operational Expenses	1,000	-	1,000	714	286
Electricity	2,000	957	2,957	2,957	-
Heat	3,000	237	3,237	3,237	-
Telephone	750	40	790	790	-
	<u>11,750</u>	<u>-</u>	<u>11,750</u>	<u>9,106</u>	<u>2,644</u>
Contingency	70,771	(70,425)	346	-	346
Library					
Library Costs	12,336	(3,771)	8,565	8,565	-
Librarian	33,808	242	34,050	34,050	-
Librarian Assistant	1,000	(1,000)	-	-	-
Library Aide	583	(583)	-	-	-
Library Aide	7,921	(2,095)	5,826	5,509	317
Library Aide	7,921	4,575	12,496	12,496	-
Telephone	2,000	-	2,000	1,550	450
Computer Services	6,944	1,356	8,300	8,300	-
Library Custodian	-	-	-	0	-
Supplies & Services Library	400	1,276	1,676	1,676	-
	<u>72,913</u>	<u>-</u>	<u>72,913</u>	<u>72,146</u>	<u>767</u>
Subtotal General Government	<u>2,036,700</u>	<u>(5,954)</u>	<u>2,030,746</u>	<u>1,860,094</u>	<u>170,652</u>

Continued

TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	ADDITIONAL APPROPRIATIONS AND TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Financial Obligations					
School Roof Bond Principal	17,464	-	17,464	17,464	-
School Roof Bond Interest	7,859	-	7,859	7,859	-
2005 Bond Town Hall Principal	45,000	-	45,000	45,000	-
2005 Bond Town Hall Interest	11,475	-	11,475	11,475	-
2005 Bond Firehouse Principal	55,750	-	55,750	55,750	-
2005 Bond Firehouse Interest	14,217	-	14,217	14,216	1
School Boiler Bond Principal	50,000	-	50,000	50,000	-
School Boiler Bond Interest	813	-	813	813	-
PW Plow Truck Bond Principal	16,950	-	16,950	16,950	-
PW Plow Truck Bond Interest	4,195	-	4,195	4,195	-
Water/Sewer Principal	202,000	-	202,000	202,000	-
	<u>425,723</u>	<u>-</u>	<u>425,723</u>	<u>425,722</u>	<u>1</u>
Transfers for Capital Improvement					
Power Dump Truck	20,000	-	20,000	20,000	-
Major Road Improvement	50,000	-	50,000	50,000	-
Resurface walking trail	10,000	-	10,000	10,000	-
Repair ET 225	5,000	-	5,000	5,000	-
Tyler Drive Parking Lot Re-surface	10,000	-	10,000	10,000	-
Woodward House & Barn Paint	10,000	-	10,000	10,000	-
Replace Fuel Tank School	5,000	-	5,000	5,000	-
Town Hall Roof	20,000	-	20,000	20,000	-
Mason Dump	80,000	-	80,000	80,000	-
	<u>210,000</u>	<u>-</u>	<u>210,000</u>	<u>210,000</u>	<u>-</u>
Total General Government	<u>2,672,423</u>	<u>(5,954)</u>	<u>2,666,469</u>	<u>2,495,816</u>	<u>170,653</u>
Board of Education					
Board of Education Operations	2,052,917	131,595	2,184,512	2,183,679	833
Board of Education Payroll	1,947,758	(75,553)	1,872,205	1,872,205	-
	<u>4,000,675</u>	<u>56,042</u>	<u>4,056,717</u>	<u>4,055,884</u>	<u>833</u>
School Grants					
School Grants	65,318	28,656	93,974	88,020	5,954
	<u>65,318</u>	<u>28,656</u>	<u>93,974</u>	<u>88,020</u>	<u>5,954</u>
School Maintenance					
School Maintenance	25,000	6,954	31,954	31,954	-
School Gym Maintenance	1,000	(1,000)	-	-	-
	<u>26,000</u>	<u>5,954</u>	<u>31,954</u>	<u>31,954</u>	<u>-</u>
Total Education	<u>4,091,993</u>	<u>90,652</u>	<u>4,182,645</u>	<u>4,175,858</u>	<u>6,787</u>
Total Expenditures	<u>6,764,416</u>	<u>84,698</u>	<u>6,849,114</u>	<u>6,671,674</u>	<u>177,440</u>
Excess (deficiency) of revenues over expenditures - Budgetary Basis	<u>\$ (37,534)</u>	<u>\$ (84,698)</u>	<u>\$ (122,232)</u>	<u>\$ 288,376</u>	<u>\$ 410,608</u>
Adjustments to Generally Accepted Accounting Principals (GAAP):					
On behalf revenues from teacher's retirement pension and OPEB netted in budget				724,965	
On behalf expenditures from teacher's retirement pension and OPEB netted in budget				(724,965)	
Bad debt expense				(6,394)	
Proceeds from issuance of long-term debt				7,000,000	
Retirement of Water/Sewer bond payable - principal and interest				(5,947,344)	
DEEP grant income - sewer project				4,557,191	
Water/Sewer project expenditures				(7,269,818)	
Excess (deficiency) of revenues over expenditures - GAAP Basis				<u>\$ (1,377,989)</u>	

See independent auditors' report

**TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
CONNECTICUT TEACHERS' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability	\$ 5,400,946	\$ 4,164,443	\$ 4,487,339	\$ 4,734,177	\$ 3,504,766	\$ 3,239,454
Town's covered payroll *	\$ 1,376,884	\$ 1,341,993	\$ 1,307,985	\$ 1,440,956	\$ 1,418,855	\$ 1,397,491
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

NOTES TO THE SCHEDULE:

* Covered payroll is an estimated figure.

The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2020 is based on a June 30, 2018 actuarial valuation and a June 30, 2019 measurement date).

Benefit changes: There were no changes in benefit terms that affected the measurement of the total pension liability.

Changes in assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50% (Decreased from 2.75%)
Salary increase	3.25-6.5%, including inflation (No change)
Investment rate of return	6.90%, (Decreased from 8.00%) net of pension plan investment expenses, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

**TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF THE CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS PLAN
BOARD OF EDUCATION
LAST THREE FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 482,846	\$ 437,290	\$ 440,441
Changes for the year:			
Service cost	9,055	7,912	8,132
Interest	17,144	17,115	15,950
Changes of assumptions	116,122	26,468	(21,064)
Benefit payments	(7,002)	(5,939)	(6,169)
Net changes	<u>135,319</u>	<u>45,556</u>	<u>(3,151)</u>
Ending Balance	<u>\$ 618,165</u>	<u>\$ 482,846</u>	<u>\$ 437,290</u>
Town's covered payroll	\$ 1,376,884	\$ 1,341,993	\$ 1,307,985
Total OPEB liability as a percentage of its covered payroll	44.90%	35.98%	33.43%

NOTES TO SCHEDULE

There are no assets being accumulated in a trust to pay benefits that meet the criteria of GASB 75.

Changes in Actuarial Assumptions

Investment Rate of Return 2.21% as of June 30, 2020 (Prior was 3.51%).

Rate of Compensation Increase 2.60% (No change).

Inflation 2.60% (No change).

Mortality Pub-2010 Public Retirement Plans Mortality Tables (for Teachers) with separate tables for non-annuitants and annuitants, projected to the valuation date with Scale MP-2018.

Mortality Improvement Projected to date of decrement using Scale MP-2018.

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
TEACHERS' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net OPEB liability	0.0%	0.0%	0.0%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>\$ 842,307</u>	<u>\$ 832,513</u>	<u>\$ 1,154,996</u>
Total proportionate share of the collective net pension liability	<u>\$ 842,307</u>	<u>\$ 832,513</u>	<u>\$ 1,154,996</u>
Town's covered payroll	\$ 1,376,884	\$ 1,341,993	\$ 1,307,985
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	2.08%	1.49%	1.79%

NOTES TO THE SCHEDULE:

Changes in assumptions: The discount rate was decreased from 3.87% to 3.50% to reflect the change in the Municipal Bond Index rate. Additionally, expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that become effective on January 1, 2019. Further, the expected rate of inflation was decreased and the Real Wage Growth assumption as increased.

Valuation Date:	June 30, 2019
Inflation	2.50% (Decreased from 2.75%)
Real wage growth	0.75% (Increased from 0.5%)
Wage inflation	3.25% (No change)
Salary increases	3.25-6.5%, including inflation (No change)
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation (No change)

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

Draft

**TOWN OF FRANKLIN, CONNECTICUT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2020**

ASSETS

	SPECIAL REVENUE FUNDS	CAPITAL PROJECT MUSEUM BUILDING FUND	PERMANENT FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 30,998	\$ 16	\$ 9,633	\$ 40,647
Restricted cash	50,372	-	-	50,372
Receivables	296,044	-	-	296,044
Inventories	1,627	-	-	1,627
Total current assets	<u>\$ 379,041</u>	<u>\$ 16</u>	<u>\$ 9,633</u>	<u>\$ 388,690</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

LIABILITIES				
Due to other funds	\$ 6,389	\$ -	\$ -	\$ 6,389
Total current liabilities	<u>6,389</u>	<u>-</u>	<u>-</u>	<u>6,389</u>
DEFERRED INFLOWS OF RESOURCES				
Revenue - unavailable	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>6,389</u>	<u>-</u>	<u>-</u>	<u>6,389</u>
FUND BALANCE				
Nonspendable	\$ 284,793	\$ -	\$ 8,470	\$ 293,263
Restricted	50,372	-	1,456	51,828
Assigned	37,487	16	-	37,503
Unassigned	-	-	(293)	(293)
Total fund balance	<u>372,652</u>	<u>16</u>	<u>9,633</u>	<u>382,301</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 379,041</u>	<u>\$ 16</u>	<u>\$ 9,633</u>	<u>\$ 388,690</u>

**TOWN OF FRANKLIN, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

	SPECIAL REVENUE FUNDS	CAPITAL PROJECT MUSEUM BUILDING FUND	PERMANENT FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES				
Intergovernmental revenues	\$ 58,013	\$ -	\$ -	\$ 58,013
Local revenue	22,228	-	6	22,234
Total revenues	<u>80,241</u>	<u>-</u>	<u>6</u>	<u>80,247</u>
EXPENDITURES				
Current				
General government	954	30	-	984
Education	71,354	-	-	71,354
Total expenditures	<u>72,308</u>	<u>30</u>	<u>-</u>	<u>72,338</u>
Excess (deficiency) of revenues over expenditures	7,933	(30)	6	7,909
FUND BALANCE, beginning of year, as originally reported	56,192	46	9,627	65,865
ADJUSTMENT (Note 15)	<u>308,527</u>	<u>-</u>	<u>-</u>	<u>308,527</u>
FUND BALANCE, beginning of year, as restated	<u>364,719</u>	<u>46</u>	<u>9,627</u>	<u>374,392</u>
FUND BALANCE, end of year	<u>\$ 372,652</u>	<u>\$ 16</u>	<u>\$ 9,633</u>	<u>\$ 382,301</u>

**TOWN OF FRANKLIN, CONNECTICUT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2020**

ASSETS

	CAFETERIA FUND	DOG FUND	LIBRARY FUND	PAUTIPAUG SCHOOL HOUSE PROJECT FUND	VETERAN'S PARK MEMORIAL FUND	RECREATION COMMISSION FUND	UNSONG HERO SCHOLARSHIP FUND
ASSETS							
Cash and cash equivalents	\$ 411	\$ 6,686	\$ 8,500	\$ 1,718	\$ 644	\$ 1,022	\$ 377
Restricted cash	0	-	-	-	-	-	-
Receivables	12,878	-	-	-	-	-	-
Inventories	1,627	-	-	-	-	-	-
Total current assets	<u>\$ 14,916</u>	<u>\$ 6,686</u>	<u>\$ 8,500</u>	<u>\$ 1,718</u>	<u>\$ 644</u>	<u>\$ 1,022</u>	<u>\$ 377</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

LIABILITIES							
Due to other funds	\$ 5,748	\$ 641	\$ -	\$ -	\$ -	\$ -	\$ -
Total current liabilities	<u>5,748</u>	<u>641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Revenue - unavailable	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	<u>5,748</u>	<u>641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE							
Nonspendable	1,627	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Assigned	7,541	6,045	8,500	1,718	644	1,022	377
Total fund balance	<u>9,168</u>	<u>6,045</u>	<u>8,500</u>	<u>1,718</u>	<u>644</u>	<u>1,022</u>	<u>377</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 14,916</u>	<u>\$ 6,686</u>	<u>\$ 8,500</u>	<u>\$ 1,718</u>	<u>\$ 644</u>	<u>\$ 1,022</u>	<u>\$ 377</u>

Continued

**TOWN OF FRANKLIN, CONNECTICUT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2020**

ASSETS

	SCHOLARSHIP FUND	SPORTS ACTIVITY FUND	HOUSING REHABILITATION PROGRAM INCOME FUND	TOTAL SPECIAL REVENUE FUNDS
ASSETS				
Cash and cash equivalents	\$ 11,388	\$ 252	\$ -	\$ 30,998
Restricted cash	-	-	50,372	50,372
Receivables	-	-	283,166	296,044
Inventories	-	-	-	1,627
Total assets	<u>\$ 11,388</u>	<u>\$ 252</u>	<u>\$ 333,538</u>	<u>\$ 379,041</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ 6,389
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,389</u>
DEFERRED INFLOWS OF RESOURCES				
Revenue - unavailable	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,389</u>
FUND BALANCE				
Nonspendable	-	-	283,166	284,793
Restricted	-	-	50,372	50,372
Assigned	11,388	252	-	37,487
Total fund balance	<u>11,388</u>	<u>252</u>	<u>333,538</u>	<u>372,652</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 11,388</u>	<u>\$ 252</u>	<u>\$ 333,538</u>	<u>\$ 379,041</u>

See independent auditors' report

**TOWN OF FRANKLIN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	CAFETERIA FUND	DOG FUND	LIBRARY FUND	PAUTIPAUG SCHOOL HOUSE PROJECT FUND	VETERAN'S PARK MEMORIAL FUND	RECREATION COMMISSION FUND	UNSUNG HERO SCHOLARSHIP FUND
REVENUES							
Intergovernmental revenues	\$ 57,759	\$ -	\$ 254	\$ -	\$ -	\$ -	\$ -
Local revenue	21,308	899	-	-	-	-	-
Total revenues	<u>79,067</u>	<u>899</u>	<u>254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Current							
General Government	-	954	-	-	-	-	-
Education	71,279	-	-	-	-	-	50
Total expenditures	<u>71,279</u>	<u>954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>
Excess (deficiency) of revenues over expenditures	7,788	(55)	254	-	-	-	(50)
FUND BALANCE, beginning of year, as originally reported	1,380	6,100	8,246	1,718	644	1,022	427
ADJUSTMENT (Note 15)	-	-	-	-	-	-	-
FUND BALANCE, beginning of year, as restated	<u>1,380</u>	<u>6,100</u>	<u>8,246</u>	<u>1,718</u>	<u>644</u>	<u>1,022</u>	<u>427</u>
FUND BALANCE, end of year	<u>\$ 9,168</u>	<u>\$ 6,045</u>	<u>\$ 8,500</u>	<u>\$ 1,718</u>	<u>\$ 644</u>	<u>\$ 1,022</u>	<u>\$ 377</u>

Continued

**TOWN OF FRANKLIN, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

	SCHOLARSHIP FUND	SPORTS ACTIVITY FUND	HOUSING REHABILITATION PROGRAM INCOME FUND	TOTAL SPECIAL REVENUE FUNDS
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 58,013
Local revenue	21	-	-	22,228
Total revenues	<u>21</u>	<u>-</u>	<u>-</u>	<u>80,241</u>
EXPENDITURES				
Current				
General Government	-	-	-	954
Education	25	-	-	71,354
Total expenditures	<u>25</u>	<u>-</u>	<u>-</u>	<u>72,308</u>
Excess (deficiency) of revenues over expenditures	(4)	-	-	7,933
FUND BALANCE, beginning of year, as originally reported	11,392	252	25,011	56,192
ADJUSTMENT (<i>Note 15</i>)	<u>-</u>	<u>-</u>	<u>308,527</u>	<u>308,527</u>
FUND BALANCE, beginning of year, as restated	<u>11,392</u>	<u>252</u>	<u>333,538</u>	<u>364,719</u>
FUND BALANCE, end of year	<u>\$ 11,388</u>	<u>\$ 252</u>	<u>\$ 333,538</u>	<u>\$ 372,652</u>

See independent auditors' report

**TOWN OF FRANKLIN, CONNECTICUT
COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2019**

ASSETS

	<u>CEMETERY FUND</u>	<u>EDGERTON EDUCATION TRUST FUND</u>	<u>PHYLLIS J. KONOW FUND</u>	<u>ANTHONY CARBONI FUND</u>	<u>TOTAL PERMANENT FUNDS</u>
ASSETS					
Cash and cash equivalents	\$ 3,712	\$ 2,515	\$ -	\$ 3,406	\$ 9,633
Total current assets	<u>\$ 3,712</u>	<u>\$ 2,515</u>	<u>\$ -</u>	<u>\$ 3,406</u>	<u>\$ 9,633</u>

LIABILITIES AND FUND BALANCE

LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Nonspendable	3,268	2,161	293	2,748	8,470
Restricted	444	354	-	658	1,456
Unassigned	-	-	(293)	-	(293)
Total fund balance	<u>3,712</u>	<u>2,515</u>	<u>-</u>	<u>3,406</u>	<u>9,633</u>
Total liabilities and fund balance	<u>\$ 3,712</u>	<u>\$ 2,515</u>	<u>\$ -</u>	<u>\$ 3,406</u>	<u>\$ 9,633</u>

See independent auditors' report

**TOWN OF FRANKLIN, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

	CEMETERY FUND	EDGERTON EDUCATION TRUST FUND	PHYLLIS J. KONOW FUND	ANTHONY CARBONI FUND	TOTAL PERMANENT FUNDS
REVENUES					
Local revenue	\$ 1	\$ 5	\$ -	\$ -	\$ 6
Total revenues	<u>1</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>6</u>
EXPENDITURES					
Current					
Education	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1	5	-	-	6
FUND BALANCE, beginning of year	3,711	2,510	-	3,406	9,627
FUND BALANCE, end of year	<u>\$ 3,712</u>	<u>\$ 2,515</u>	<u>\$ -</u>	<u>\$ 3,406</u>	<u>\$ 9,633</u>

TOWN OF FRANKLIN, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2020

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>ENDING BALANCE</u>
Student Activity Fund				
Assets				
Cash and cash equivalents	\$ 7,676	\$ 64,002	\$ 45,013	\$ 26,665
Due from other funds	-	-	-	-
Total assets	<u>\$ 7,676</u>	<u>\$ 64,002</u>	<u>\$ 45,013</u>	<u>\$ 26,665</u>
Liabilities				
Due to others	<u>\$ 7,676</u>	<u>\$ 64,002</u>	<u>\$ 45,013</u>	<u>\$ 26,665</u>
Performance Bond Fund				
Assets				
Cash and cash equivalents	\$ 4,075	\$ 2	\$ -	\$ 4,077
Due from other funds	54,865	-	15,211	39,654
Total assets	<u>58,940</u>	<u>2</u>	<u>15,211</u>	<u>43,731</u>
Liabilities				
Due to others	<u>\$ 58,940</u>	<u>\$ 2</u>	<u>\$ 15,211</u>	<u>\$ 43,731</u>
Combined Total				
Assets				
Cash and cash equivalents	\$ 11,751	\$ 64,004	\$ 45,013	\$ 30,742
Due from other funds	54,865	-	15,211	39,654
Total assets	<u>\$ 66,616</u>	<u>\$ 64,004</u>	<u>\$ 60,224</u>	<u>\$ 70,396</u>
Liabilities				
Due to others	<u>\$ 66,616</u>	<u>\$ 64,004</u>	<u>\$ 60,224</u>	<u>\$ 70,396</u>

See independent auditors' report

**TOWN OF FRANKLIN, CONNECTICUT
REPORT OF THE PROPERTY TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2020**

Grand List	Taxes	Current	Lawful Corrections		Net	Collections During the Year			Taxes
	Receivable	Year	Additions	Deductions	Taxes	Taxes	Interest & Liens	Total	Receivable
	July 01, 2019	Levy							
2018	\$ -	\$ 5,539,777	\$ 8,732	\$ 15,199	\$ 5,533,310	\$ 5,360,915	\$ 16,890	\$ 5,377,805	\$ 172,395
2017	67,446	-	-	1,681	65,765	36,397	14,297	50,694	29,368
2016	20,725	-	407	-	21,132	15,025	1,666	16,691	6,107
2015	5,692	-	256	-	5,948	396	142	538	5,552
2014	2,780	-	250	-	3,030	217	-	217	2,813
2013	3,754	-	-	-	3,754	1,470	233	1,703	2,284
2012	213	-	1	-	214	-	-	-	214
2011	190	-	-	-	190	-	-	-	190
2010	199	-	2	-	201	-	-	-	201
2009	201	-	-	-	201	-	-	-	201
2008	199	-	-	-	199	-	-	-	199
Prior	251	-	-	-	251	-	-	-	251
	<u>\$ 101,650</u>	<u>\$ 5,539,777</u>	<u>\$ 9,648</u>	<u>\$ 16,880</u>	<u>\$ 5,634,195</u>	<u>\$ 5,414,420</u>	<u>\$ 33,228</u>	<u>\$ 5,447,648</u>	<u>\$ 219,775</u>

See independent auditors' report

TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF CHANGES IN FUND BALANCE - BY PROJECT
CAPITAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	BEGINNING BALANCE	TRANSFERS IN BUDGET ADDITIONS (REDUCTIONS)	ADDITIONS (REVENUES POSTED)	REDUCTIONS (EXPENDITURES POSTED)	ENDING BALANCE
Committed fund balance					
Revaluation	\$ 10,277	\$ -	\$ -	\$ -	\$ 10,277
Upgrade to Woodward House	23,000	-	-	-	23,000
Power Dump Truck	163,716	8,877	-	(172,593)	-
Open Space	950	-	-	-	950
School Emergency Generator	55,000	-	-	-	55,000
Computer/Software Upgrade	4,064	-	-	-	4,064
Replace Fuel Tank-School	49,646	29,098	-	(78,744)	-
Replacement Salt/Sand Shed	(578)	-	578	-	-
Emergency Shelter Supplies	3,029	-	-	-	3,029
Major Road Improvements	351,775	50,000	21,927	(146,999)	276,703
Mason Dump	-	67,780	6,000	(73,780)	-
Town Hall Parking Lot Repair	28,326	-	-	-	28,326
Senior League Field Repairs	15,558	-	-	-	15,558
Woodward Museum Barn	2,500	-	-	(650)	1,850
Resurface Walking Trail	25,000	10,000	-	-	35,000
Park Playscape Replacement	24,544	-	-	-	24,544
School Parking Lot Repairs	5,389	-	-	-	5,389
Improvement to Tyler Drive	21,825	12,868	-	(34,693)	-
Tyler Drive Parking Lot Resurfacing	107,471	10,000	-	-	117,471
Giddings Park Upgrades	17,400	-	-	-	17,400
WPCA	15,000	-	-	-	15,000
Replace ET225	20,000	5,000	-	-	25,000
Painting Woodward Museum/Barn	24,500	10,000	-	(26,500)	8,000
Town Hall Improvements	440	3,885	-	(4,325)	-
Town Hall Roof	20,000	20,000	-	-	40,000
Total committed fund balance	<u>988,832</u>	<u>227,508</u>	<u>28,505</u>	<u>(538,284)</u>	<u>706,561</u>
Assigned fund balance					
General government	5,620	(17,508)	12,747	-	859
Total assigned fund balance	<u>5,620</u>	<u>(17,508)</u>	<u>12,747</u>	<u>-</u>	<u>859</u>
Total fund balance	<u>\$ 994,452</u>	<u>\$ 210,000</u>	<u>\$ 41,252</u>	<u>\$ (538,284)</u>	<u>\$ 707,420</u>

See independent auditors' report

STATE SINGLE AUDIT REPORTS

Draft

STATE SINGLE AUDIT REPORTS

Draft

**STATE INTERNAL CONTROL AND
COMPLIANCE REPORTS**

Draft

**INDEPENDENT AUDITORS' 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 Board of Finance
Town of Franklin, Connecticut

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, each major fund, and the aggregate remaining fund information of the Town of Franklin, Connecticut (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 8, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of state findings and questioned costs as MW-2020-001 and MW-2019-002 that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

TOWN'S RESPONSE TO FINDINGS

The Town's response to the findings identified in our audit is described in the accompanying schedule of state findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut
December 8, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE STATE SINGLE AUDIT ACT**

To the Board of Finance
Town of Franklin, Connecticut

REPORT COMPLIANCE FOR EACH MAJOR STATE PROGRAM

We have audited Town of Franklin, Connecticut's (the Town) compliance with the types of compliance requirements described in the Office of Policy and Management's Compliance Supplement that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2020. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about the Town'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 state program. However, our audit does not provide a legal determination of the Town's compliance.

OPINION ON EACH MAJOR STATE PROGRAM

In our opinion, the Town 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 state programs for the year ended June 30, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town'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 state 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 state 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 state 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 and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

December 8, 2020

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE**

Draft

TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020

State Grantor; Pass-through Grantor; Program Title	State Grant Program Core-CT Number	Expenditures
NONEXEMPT PROGRAMS		
CONNECTICUT STATE LIBRARY		
Connecticard Payments	11000-CSL66051-17010	\$ 254
Historic Documents Preservation Grants	12060-CSL66094-35150	5,500
Total Connecticut State Library		<u>5,754</u>
DEPARTMENT OF TRANSPORTATION		
Town Aid Road Grants Transportation Program	12052-DOT57131-43455	64,521
Town Aid Road Grants Transportation Program	13033-DOT57131-43459	64,521
Bus Operations	12001-DOT57931-12175	3,808
Total Department of Transportation		<u>132,850</u>
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION		
Community Conservation and Development	13019-DEP43720-41239	4,731,299
DEPARTMENT OF JUSTICE		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	910
OFFICE OF POLICY AND MANAGEMENT		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	9,390
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	180
Property Tax Relief for Veterans	11000-OPM20600-17024	1,139
Local Capital Improvement Program (LOCIP)	12052-OPM20600-40254	19,814
Municipal Purposes and Projects	12052-OPM20600-43587	23,080
Total Office of Policy and Management		<u>53,603</u>
DEPARTMENT OF EDUCATION		
Talent Development	11000-SDE64370-12552	1,157
Child Nutrition State Match	11000-SDE64370-16211	692
Health Foods Initiative	11000-SDE64370-16212	1,092
Adult Education	11000-SDE64370-17030	2,554
School Breakfast Program	11000-SDE64370-17046	2,867
Total Department of Education		<u>8,362</u>
Total State Financial Assistance before Exempt Programs		<u>4,932,778</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Education Cost Sharing	11000-SDE64370-17041	784,084
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	9,977
Total Department of Education		<u>794,061</u>
OFFICE OF POLICY AND MANAGEMENT		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	9,738
Municipal Stabilization Grant	11000-OPM20600-17104	25,666
Total Office of Policy and Management		<u>35,404</u>
Total Exempt Programs		<u>829,465</u>
Total State Financial Assistance		<u>\$ 5,762,243</u>

The accompanying notes are an integral part of this schedule

**TOWN OF FRANKLIN, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A - ACCOUNTING BASIS

GENERAL

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Franklin, Connecticut (the Town) under programs of the State of Connecticut for the fiscal year ended June 30, 2020. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the schedule of expenditures of state financial assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

BASIS OF ACCOUNTING

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for business-type activities are prepared on the full accrual basis of accounting.

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period.
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).
- For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.
- For performance-based awards, revenues are recognized to the extent of performance achieved during the period.

The expenditures reported on the schedule of expenditures of state financial assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**SCHEDULE OF STATE FINDINGS
AND QUESTIONED COSTS**

Draft

**TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued:	Unmodified	
Internal control over financial reporting:		
○ Material weakness(es) identified?	Yes <u> √ </u>	No <u> </u>
○ Significant deficiency(ies) identified?	Yes <u> </u>	None reported <u> √ </u>
Noncompliance material to financial statements noted?	Yes <u> </u>	No <u> √ </u>

STATE FINANCIAL ASSISTANCE

Internal control over major programs:		
○ Material weakness(es) identified?	Yes <u> </u>	No <u> √ </u>
○ Significant deficiency(ies) identified?	Yes <u> </u>	None reported <u> √ </u>
Type of auditors’ report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	Yes <u> </u>	No <u> √ </u>

The following schedule reflects the major programs included in the audit:

<i>State Grantor/Program</i>	State Grant Program Identification Number	Expenditures
Department of Energy and Environmental Protection:		
Community Conservation and Development	13019-DEP43720-41239	\$4,731,299
Dollar threshold used to distinguish between Type A and Type B program:		\$200,000

**TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS
REQUIRED UNDER *GOVERNMENT AUDITING STANDARDS***

- We issued a report dated December 8, 2020 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed the following material weaknesses:

MW-2020-001 – REVIEW BANK RECONCILIATIONS

Management of the Town of Franklin has recently completed official written job descriptions and related procedures. These documents assign the responsibility of preparing bank reconciliations to an individual, but not the equally important role of reviewing bank reconciliations. We recommend the written job descriptions and procedures be amended to require an individual who has no other cash receipts or disbursements duties to review and approve all bank reconciliations maintained or controlled by the Town of Franklin (including the Board of Education). The timely review of bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. We also recommend the reviews be documented by having the reconciliations signed and dated by the reviewer.

Management response:

MW-2019-002 – FINANCIAL STATEMENT ADJUSTMENTS

During our audit testing, the following material adjustments were required to be made to the Town's financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America:

- 1) General Fund - Property taxes receivable/Deferred inflows of resources to adjust the accounts to actual.
- 2) General Fund – to adjust the allowance for doubtful accounts at year-end.
- 3) General Fund – to record year-end sewer project payables and DEEP grant receivables.
- 4) Capital Improvement Fund - to record budget transfers per meeting minutes.
- 5) Other Special Revenue Funds – to record notes receivable for housing rehab.

Management response:

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATING TO STATE FINANCIAL
ASSISTANCE**

None

**TOWN OF FRANKLIN, CONNECTICUT
SUMMARY SCHEDULE OF THE STATUS OF
PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

The following prior year audit findings have been repeated this year:

MW-2019-002 – FINANCIAL STATEMENT ADJUSTMENTS

The following prior year audit findings have been resolved this year:

MW-2017-001 – INFORMATION AND COMMUNICATION – POLICY AND
PROCEDURE MANUAL

MW-2019-001 – GENERAL LEDGER SYSTEMS FOR ALL FUNDS

Draft