

TOWN OF FRANKLIN, CONNECTICUT
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

TOWN OF FRANKLIN, CONNECTICUT

CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-12
Basic Financial Statements	13
Government-wide Financial Statements:	
Statement of Net Position	14-15
Statement of Activities.....	16
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Notes to Basic Financial Statements	22-64
Required Supplementary Information	65
Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund – Budgetary Basis	66-67
Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund – Budgetary Basis.....	68-69
Schedule of the Town's Proportionate Share of Net Pension Liability – Connecticut State Teachers' Retirement System	70
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Post-Employment Benefits Plan	71
Schedule of the Town's Proportionate Share of Net OPEB Liability – Connecticut State Teachers' Retirement System	72
Notes to Required Supplementary Information	73-75

TOWN OF FRANKLIN, CONNECTICUT

CONTENTS

Supplementary Information – Combining and Individual Fund Statements and Schedules	77
Governmental Funds:	
General Fund:	
Schedule of Property Taxes Levied, Collected and Outstanding	78
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	79
Combining Statement of Revenues, Expenditures and Changes In Fund Balances.....	80
Combining Balance Sheet – Special Revenue	81-82
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Special Revenue.....	83-84
Combining Balance Sheet – Permanent Funds.....	85
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Permanent Funds.....	86
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit for Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87-88
Schedule of Findings and Question Costs.....	89-90
Summary Schedule of Prior Year Findings and Questioned Costs.....	91
Corrective Action Plan.....	92-93



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Independent Auditors' Report

To the Honorable First Selectman and
Members of the Board of Finance
Town of Franklin, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Connecticut (Town), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information presented is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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 18, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Providence, RI
December 18, 2025

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

The management of the Town of Franklin, Connecticut (the “Town”) offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,840,483 (net position).
- The Town’s total net position decreased by \$61,021 during the current fiscal year.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$3,448,431, an increase of \$264,185 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$1,534,376 or 21.4% of the fiscal year 2024 General Fund budgetary expenditure appropriations.
- The Town’s total long-term bonded debt decreased by \$248,566 or 5.26% during the current fiscal year due to current year principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include activities such as: general government, public works, public safety, water and sewer, health and welfare and education.

The government-wide financial statements can be found on pages 14 through 16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds

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

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

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 17 through 20 of this report.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 64 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and other supplementary information consisting of combining and individual fund statements and schedules that can be found on pages 65 through 86 of this report.

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government’s financial position. The net position of the Town totaled \$14,840,483 as of June 30, 2024 and \$14,901,504 as of June 30, 2023, and is summarized as follows:

	June 30, 2024	June 30, 2023		
	Governmental	Governmental		
	Activities	Activities	\$ Variance	% Variance
Current and other assets	\$ 5,622,799	\$ 5,622,750	\$ 49	0.00%
Capital assets	<u>16,207,976</u>	<u>16,894,270</u>	<u>(686,294)</u>	-4.06%
Total assets	<u>21,830,775</u>	<u>22,517,020</u>	<u>(686,245)</u>	-3.05%
Deferred outflows of resources	<u>340,155</u>	<u>367,464</u>	<u>(27,309)</u>	-7.43%
Current and other liabilities	1,071,931	1,529,346	(457,415)	-29.91%
Long-term liabilities	<u>4,911,174</u>	<u>5,160,832</u>	<u>(249,658)</u>	-4.84%
Total liabilities	<u>5,983,105</u>	<u>6,690,178</u>	<u>(707,073)</u>	-10.57%
Deferred inflows of resources	<u>1,347,342</u>	<u>1,292,802</u>	<u>54,540</u>	4.22%
Net Position:				
Net investment in capital assets	11,732,374	12,170,102	(437,728)	-3.60%
Restricted	143,972	121,757	22,215	18.25%
Unrestricted	<u>2,964,137</u>	<u>2,609,645</u>	<u>354,492</u>	13.58%
Total net position	<u>\$ 14,840,483</u>	<u>\$ 14,901,504</u>	<u>\$ (61,021)</u>	-0.41%

Total assets of the Town at June 30, 2024 and 2023 were \$21,830,775 and \$22,517,020, respectively, an decrease of 3.1%. The significant components of current assets and other assets are cash, investments, tax receivables, grant receivables, and lease receivables. Capital assets include land, buildings and building improvements, infrastructure, construction in progress, and equipment and vehicles. All capital assets except for land and construction in progress are shown net of accumulated depreciation.

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position (Continued)

Total liabilities of the Town at June 30, 2024 and 2023 were \$5,983,105 and \$6,690,178, respectively, an increase of 10.6%. Current liabilities include accounts payable, accrued liabilities, current portions of long-term liabilities and unearned revenue. Noncurrent liabilities are primarily made up of the long-term portion of debt, accrued compensated absences and OPEB liability.

Deferred inflows and outflows of resources relate to the Town's OPEB liability and deferred inflows for lease receivables. In 2024, the Town's deferred outflows decreased by \$27,309 and deferred inflows increased by \$54,540. These changes are the result of fluctuations in the actuarial valuations of the liabilities.

Net position represents the Town's equity, which is accounted for in three major categories. The first category, net investment in capital assets, represents the Town's equity in land, buildings and building improvements, construction in progress, infrastructure, and equipment, net of related accumulated depreciation and capital debt outstanding. The next net position category is restricted net position; which occurs when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. The last category is unrestricted net position; these funds are available to use for any lawful and prudent purpose of the Town. Unrestricted net position increased by \$354,492, or 13.6%, for the fiscal year.

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position

Changes in net position for the years ended June 30, 2024 and 2023 are as follows:

	June 30, 2024	June 30, 2023		
	Governmental	Governmental		
	Activities	Activities	\$ Variance	% Variance
Revenues				
Program revenues:				
Charges for services	\$ 565,739	\$ 382,528	\$ 183,211	47.89%
Operating grants and contributions	1,556,740	1,711,610	(154,870)	-9.05%
Capital grants and contributions	409,587	275,322	134,265	48.77%
General revenues				
Property taxes	5,895,836	5,640,584	255,252	4.53%
Grants and contributions not restricted to specific programs	1,826	9,738	(7,912)	-81.25%
Unrestricted investment earnings	146,741	155,288	(8,547)	-5.50%
Total revenues	<u>8,576,469</u>	<u>8,175,070</u>	<u>401,399</u>	4.91%
Program expenses:				
General government	1,024,465	1,206,415	(181,950)	-15.08%
Public works	592,146	819,024	(226,878)	-27.70%
Public safety	267,515	337,054	(69,539)	-20.63%
Health and social services	453,307	217,351	235,956	108.56%
Water and sewer	657,577	498,577	159,000	31.89%
Education	5,551,127	5,438,975	112,152	2.06%
Interest expense	91,353	116,076	(24,723)	-21.30%
Total Expenses	<u>8,637,490</u>	<u>8,633,472</u>	<u>4,018</u>	0.05%
Change in net position	<u>\$ (61,021)</u>	<u>\$ (458,402)</u>	<u>\$ 397,381</u>	-86.69%

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

Governmental activities decreased the Town's net position by \$61,021.

Total revenues generated by the Town increased by \$401,399 or 4.9% in comparison to revenues reported in the prior year. The increase in charges for services of \$183 thousand or 47.9% is primarily due to an increase in local source activity including permits school rentals. The Town's property tax revenue also increased \$255,252 or 4.5% compared to the prior year.

Expenses incurred by the Town increased \$4,018 or 0.5% in comparison to expenses reported in the prior year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,448,431. Of this amount, \$1,530,692 is unassigned and available for spending at the discretion of the Town.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,534,376. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 21.4% of the fiscal year 2024 General Fund budgetary expenditure appropriations.

The fund balance of the Town's General Fund increased by \$329,270 during the current fiscal year.

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$329,270. Expenditures, excluding transfers out were \$119,950 more than budgeted and revenues, excluding transfers in were \$626,925 more than budgeted. See pages 66-69 for the detailed comparison of budget versus actual for the year ended June 30, 2024.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town’s investment in capital assets as of June 30, 2024 and 2023 totaled \$16,207,976 and \$16,894,270, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, infrastructure and construction in progress. The total decrease in the Town’s investment in capital assets for the current fiscal year was \$686,294 or 4.1%.

The following table is a two-year comparison of the investment in capital assets:

	Governmental		\$ Variance	% Variance
	Activities			
	2024	2023		
Land	\$ 324,671	\$ 324,671	\$ --	0.00%
Buildings and improvements	11,890,613	11,861,113	29,500	0.25%
Vehicles	1,872,380	1,756,380	116,000	6.60%
Machinery and equipment	239,003	239,003	--	0.00%
Infrastructure	13,333,754	13,138,692	195,062	
Construction in progress	--	65,000	(65,000)	-100.00%
Accumulated depreciation	<u>(11,452,445)</u>	<u>(10,490,589)</u>	<u>(961,856)</u>	9.17%
Total	<u>\$ 16,207,976</u>	<u>\$ 16,894,270</u>	<u>\$ (686,294)</u>	-4.06%

TOWN OF FRANKLIN, CONNECTICUT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$4,475,602. The Town’s total capital debt decreased by \$248,566 or 5.3% during the current fiscal year due to current year principal payments.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is significantly in excess of the Town’s outstanding general obligation debt.

The following table is a two-year comparison of long-term bonded debt, and capital lease debt:

	Governmental		\$ Variance	% Variance
	Activities			
	2024	2023		
General obligation bonds	\$ 4,475,602	\$ 4,724,168	\$ (248,566)	-5.26%

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

At a special meeting held in May, 2024, the Town approved a total budget for 2024-2025 of \$8,219,364 using a mil rate of 20.25 and \$400,000 of the General Fund’s fund balance. The general government portion of the budget totals \$2,682,394 while the education budget is \$5,536,970.

REQUESTS FOR INFORMATION

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 Town of Franklin, 7 Meetinghouse Hill Road, Franklin, CT 06254.

BASIC FINANCIAL STATEMENTS

TOWN OF FRANKLIN, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2024

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 3,878,727
Receivables:	
Property taxes and interest, net	367,205
Lease receivable	41,663
Other	3,298
Loans, net	188,147
Other assets	<u>5,009</u>
Total Current Assets	<u>4,484,049</u>
Noncurrent Assets	
Lease receivable, net	1,138,750
Capital assets not being depreciated	324,671
Capital assets, net of accumulated depreciation	<u>15,883,305</u>
Total Noncurrent Assets	<u>17,346,726</u>
Total Assets	<u>21,830,775</u>
Deferred Outflows of Resources	
OPEB-related deferred outflows	<u>340,155</u>
Total Deferred Outflows of Resources	<u>340,155</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRANKLIN, CONNECTICUT
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2024

	Governmental Activities
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	602,060
Accrued interest	36,617
Unearned revenue	181,088
Current portion of compensated absences	3,600
Current portion of general obligation bonds	248,566
Total Current Liabilities	1,071,931
Noncurrent Liabilities	
Compensated absences, net	30,421
General obligation bonds and notes, net	4,227,036
Total OPEB liability	653,717
Total Noncurrent Liabilities	4,911,174
Total Liabilities	5,983,105
Deferred Inflows of Resources	
Deferred lease receivable	1,104,970
OPEB-related deferred inflows	242,372
Total Deferred Inflows of Resources	1,347,342
Net Position	
Net investment in capital assets	11,732,374
Restricted	143,972
Unrestricted	2,964,137
Total Net Position	\$ 14,840,483

The accompanying notes are an integral part of these financial statements.

TOWN OF FRANKLIN, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Changes in Net Position
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Primary Government Governmental Activities
Governmental Activities:					
General government	\$ 1,024,465	\$ 310,559	\$ 178,510	\$ 63,285	\$ (472,111)
Public works	592,146	90,208	4,035	227,397	(270,506)
Public safety	267,515	1,010	--	--	(266,505)
Health and social services	453,307	12,075	605	--	(440,627)
Water and sewer	657,577	39,381	--	118,905	(499,291)
Education	5,551,127	112,506	1,373,590	--	(4,065,031)
Interest expense	<u>91,353</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(91,353)</u>
Total	<u>\$ 8,637,490</u>	<u>\$ 565,739</u>	<u>\$ 1,556,740</u>	<u>\$ 409,587</u>	<u>(6,105,424)</u>
General Revenues:					
Property taxes					5,895,836
Grants and contributions not restricted to specific programs					1,826
Unrestricted investment earnings					<u>146,741</u>
Total General Revenues and transfers					<u>6,044,403</u>
					Change in net position (61,021)
					Net position - beginning <u>14,901,504</u>
					Net position - ending <u>\$ 14,840,483</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRANKLIN, CONNECTICUT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2024

	General Fund	Capital Reserve Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,503,057	\$ 1,058,132	\$ --	\$ 317,538	\$ 3,878,727
Receivables:					
Property taxes, net	367,205	--	--	--	367,205
Leases	1,180,413	--	--	--	1,180,413
Loans, net	--	--	--	188,147	188,147
Other	--	--	--	3,298	3,298
Due from other funds	2,748	15,581	181,088	--	199,417
Prepaid items	5,009	--	--	--	5,009
Total Assets	<u>\$ 4,058,432</u>	<u>\$ 1,073,713</u>	<u>\$ 181,088</u>	<u>\$ 508,983</u>	<u>\$ 5,822,216</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 535,679	\$ 66,381	\$ --	\$ --	\$ 602,060
Unearned revenue	--	--	181,088	--	181,088
Due to other funds	192,148	--	--	7,269	199,417
Total Liabilities	<u>727,827</u>	<u>66,381</u>	<u>181,088</u>	<u>7,269</u>	<u>982,565</u>
Deferred Inflows of Resources					
Unavailable revenue-property taxes	286,250	--	--	--	286,250
Deferred lease receivable	1,104,970	--	--	--	1,104,970
Total Deferred Inflows of Resources	<u>1,391,220</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,391,220</u>
Fund Balances					
Nonspendable	5,009	--	--	196,324	201,333
Restricted	--	--	--	135,795	135,795
Committed	--	1,007,332	--	--	1,007,332
Assigned	400,000	--	--	173,279	573,279
Unassigned	1,534,376	--	--	(3,684)	1,530,692
Total Fund Balances	<u>1,939,385</u>	<u>1,007,332</u>	<u>--</u>	<u>501,714</u>	<u>3,448,431</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,058,432</u>	<u>\$ 1,073,713</u>	<u>\$ 181,088</u>	<u>\$ 508,983</u>	<u>\$ 5,822,216</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRANKLIN, CONNECTICUT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

JUNE 30, 2024

Total Fund Balances for Governmental Funds		\$	3,448,431
Total Net Position Reported for Governmental Activities in the Statement of Net Position is Different Because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:			
Nondepreciable	\$	324,671	
Depreciable		27,335,750	
Less: accumulated depreciation and amortization		<u>(11,452,445)</u>	
Total Capital Assets, Net			16,207,976
Property tax revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred inflows of resources in the governmental funds.			
			286,250
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 governmental fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:			
Long-Term Debt:			
Bonds and notes payable		(4,475,602)	
Accrued interest payable		(36,617)	
Other Long-Term Assets and Liabilities:			
Compensated absences		(34,021)	
Total OPEB liability		<u>(653,717)</u>	
Total Long-Term Liabilities			(5,199,957)
Deferred outflows and inflows of resources resulting from changes in the components of the net pension and OPEB liabilities are reported in the statement of net position.			
			<u>97,783</u>
Net Position of Governmental Activities		\$	<u>14,840,483</u>

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, 2024

	General Fund	Capital Reserve Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 5,813,710	\$ --	\$ --	\$ --	\$ 5,813,710
Intergovernmental	1,784,296	--	176,816	--	1,961,112
Local sources	494,421	4,035	--	74,324	572,780
Interest	146,740	--	--	1	146,741
Total Revenue	<u>8,239,167</u>	<u>4,035</u>	<u>176,816</u>	<u>74,325</u>	<u>8,494,343</u>
Expenditures					
Current					
General government	728,526	11,333	113,531	11,583	864,973
Public works	538,111	--	--	--	538,111
Public safety	224,877	--	--	--	224,877
Health, welfare and sanitation	453,307	--	--	--	453,307
Water and sewer	118,905	--	--	3,995	122,900
Education	5,300,600	--	--	60,909	5,361,509
Capital outlays	3,152	258,125	63,285	--	324,562
Debt Service					
Principal payments	248,566	--	--	--	248,566
Interest and other charges	91,353	--	--	--	91,353
Total Expenditures	<u>7,707,397</u>	<u>269,458</u>	<u>176,816</u>	<u>76,487</u>	<u>8,230,158</u>
Excess of Revenues over Expenditures	<u>531,770</u>	<u>(265,423)</u>	<u>--</u>	<u>(2,162)</u>	<u>264,185</u>
Other Financing Sources (Uses)					
Transfers in	--	202,500	--	--	202,500
Transfers out	(202,500)	--	--	--	(202,500)
Total Other Financing Sources (Uses)	<u>(202,500)</u>	<u>202,500</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	329,270	(62,923)	--	(2,162)	264,185
Fund Balances - Beginning	<u>1,610,115</u>	<u>1,070,255</u>	<u>--</u>	<u>503,876</u>	<u>3,184,246</u>
Fund Balances - Ending	<u>\$ 1,939,385</u>	<u>\$ 1,007,332</u>	<u>\$ --</u>	<u>\$ 501,714</u>	<u>\$ 3,448,431</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRANKLIN, CONNECTICUT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - for governmental funds \$ 264,185

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

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

Expenditures for capital assets	\$ 324,562	
Depreciation expense	<u>(1,010,856)</u>	
Net adjustment		(686,294)

Certain revenues reported in the statement of activities do not provide current financial resources and, therefore, are reported as deferred inflows in the governmental funds. This amount represents the change in deferred inflows of resources. 82,127

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle 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 obligations is as follows:

Principal repayments:		
Bonds and notes payable	248,566	
Special termination benefits	<u>26,585</u>	
		275,151

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds recognize the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of such items is as follows:

Compensated absences	(17,561)	
Total OPEB liability	18,653	
Accrued interest	<u>32,333</u>	
		33,425

Deferred outflows and inflows of resources resulting from changes in the components of the net pension and OPEB liabilities are amortized as a component of pension and OPEB expense in the statement of activities. (29,615)

Change in net position of governmental activities \$ (61,021)

The accompanying notes are an integral part of these financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Franklin, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental entities. In certain instances, summaries of the Town's significant accounting policies have been presented throughout the notes to the basic financial statements in conjunction with other disclosures to which they relate.

FINANCIAL REPORTING ENTITY

The Town of Franklin, Connecticut (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 financial matters.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Town applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*: Omnibus an amendment of GASB Statements No. 14 and No. 34. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a) The primary government is legally entitled to or can otherwise access the organization's resources.
- b) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c) The primary government is obligated in some manner for the debt of the organization.

Through the application of GASB Statement No. 61 criteria, it is determined that a component unit does not exist within the Town.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the Town as a whole. They include all funds of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the Town's governmental activities. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures/expenses. Funds are organized into one major category: governmental. An emphasis is placed on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the Town are described below:

GOVERNMENTAL FUNDS

Governmental funds are used to account for operations that supply basic governmental services. The Town uses the following types of governmental funds:

General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in other 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 specified purposes other than debt service or capital projects. The ARPA Fund is a special revenue fund that is considered major in the current year.

Capital Project Funds are used to account for and report resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Capital Reserve Fund is a capital projects fund that is considered major in the current year.

MAJOR AND NON-MAJOR FUNDS

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
General Fund:	See above for description.
ARPA Fund	Accounts for the Town’s American Rescue Plan Act award.
Capital Reserve Fund	Accounts for the Town’s revenue and expenditures associated with the construction of Town facilities and infrastructure.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MAJOR AND NON-MAJOR FUNDS (CONTINUED)

Non Major:

Special Revenue Funds: Grant programs including federal grants, state grants, and private grants. The Town currently maintains twelve (12) special revenue funds which have been classified as non-major Governmental Funds. The details of these funds may be found in the combining fund statements in the other supplementary information section of these financial statements.

Permanent Trust Funds: The Town currently maintains three (3) Permanent Trust Funds. The details of these funds may be found in the combining fund statements in the other supplementary information section of these financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

On the Government-wide Statement of Net Position and the Statement of Activities governmental activities are presented using the economic resources measurement focus as defined in item (b) below and the accrual basis of accounting.

In the fund financial statements, the current financial resources measurement focus (modified accrual) or the economic resources measurement focus (full accrual) is used as appropriate:

- (a) All governmental funds utilize a current financial resources measurement focus and a modified accrual basis of accounting. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available for liquidating liabilities of the current period. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (usually 60 days). Revenues not considered to be available are recorded as deferred inflows. Expenditures, including capital outlays, are recognized when a related fund liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when due.

Those revenues susceptible to accrual are property taxes, special assessments, federal impact aid, state aid, meals and hotel taxes collected by the State on behalf of the Town, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash; therefore, they are recognized when received.

Recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made provided they are collected during the year or within 60 days subsequent to year-end. Prior to expenditure, proceeds are recorded as unearned revenues.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents

For purposes of the cash flow statement, all investments with original maturities of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition. The Town maintains deposits in various financial institutions, which are separately displayed in the financial statements as “cash and cash equivalents.”

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 investments 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.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Cash and Cash Equivalents (Continued)

Investments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 is to only allow 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 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.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Accounts Receivable

In the Government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes and intergovernmental receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes collected within 60 days of year-end and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned/measurable but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the Government-wide financial statements in accordance with the accrual basis. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At June 30, 2024 the Town has estimated the allowance for doubtful accounts for delinquent taxes of \$12,303.

Property Taxes and Usage Charges

All property tax and sewer use receivables are shown net of an allowance for uncollectible accounts. The allowance is calculated based upon historical collections and analysis of creditor's ability to pay.

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 with 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.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepays recorded in governmental-type funds do not reflect current appropriated resources and, as such are reported as non-spendable fund balance.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year-end.

Capital Assets

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations and whether they are reported in the Government-wide financial statements.

In the Government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Capital Assets (Continued)

Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The ranges of estimated useful lives by type of asset are as follows:

Asset	Years
Buildings	10-50
Machinery and equipment	5
Vehicles	10
Infrastructure:	
Bridges	40
Water and sewer	20
Roads, sidewalks and drainage	5-20

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The Town reviews the carrying value of its long-lived assets to ensure that any impairment issues are identified and appropriately reflected in the financial statements. Should the expected cash flows be less than the carrying value, an impairment loss would be recognized to reduce the carrying value. There were no impairments reported as of June 30, 2024.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Bond Premiums and Issuance Costs

In the Government-wide statement of net position, bond premiums and discounts are deferred and amortized over the term of the related bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds payable. Bond issuance costs are expensed in the year incurred.

In the governmental funds, bond premiums and issuance costs are treated as period costs in the year the bonds are issued. Bond issuance costs are included in debt service expenditures and bond premiums are reflected as other financing sources in the governmental funds financial statements, while discounts are reported as other financing uses.

Long-term Obligations

In the Government-wide financial statements, long-term debt and other long-term obligations (including compensated absences, and accrued claims and judgements) are reported as liabilities in the statement of net position.

In the governmental fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The face amount of debt issued is reported as other financing sources in the governmental funds financial statements.

Compensated Absences

Under the terms of various contracts and policies, Town employees are granted vacation and sick leave based on length of service. The Town's policy is to recognize the cost of vacation and sick leave in governmental funds when paid. The amount of earned but unpaid vacation and sick leave is recorded as a long-term obligation in the Government-wide financial statements.

Judgments and Claims

Liabilities for legal cases and other claims against Governmental funds are recorded when the ultimate liability can be estimated and such cases are expected to be liquidated with expendable available financial resources.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section 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 that later date. At June 30, 2024 the Town reported \$340,155 of deferred outflows of resources related to OPEB in the Government-wide statement of net position. A deferred outflow of resources related to pension or OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2024 the Town reported \$242,372 of deferred inflows of resources related to OPEB in the Government-wide statement of net position. A deferred inflow of resources related to pension or OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension/OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active employees and inactive employees). The Town also had a deferred inflow relating to its lease receivable of \$1,104,970.

At June 30, 2024 the Town also had an item qualified as a deferred inflow of resources in the governmental funds balance sheet. The unavailable tax revenue of \$286,250 at June 30, 2024 represents property taxes receivables which are assessed on October 31, 2023 and prior and are not collected within 60 days of June 30, 2024.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Interfund Transactions

Interfund activity within and among the funds of the Town have been classified and reported as follows:

Reciprocal interfund activities:

- Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
- Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

Non-reciprocal interfund activities:

- Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.
- Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Transactions between funds have been eliminated in the Government-wide financial statements but fully presented within the governmental fund of financial statements with no elimination made between or within funds.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due from/to other funds” (current portion) or “advances from/to other funds” (noncurrent portion). All other outstanding balances between funds are reported as “due from/to other funds.”

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Net Position/Fund Balance

Government-wide Financial Statements

Net position is classified and displayed in the following three components:

- (a) Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, and deferred inflows of resources, if any, that are attributable to the acquisition, construction, or improvement of those assets, increased by deferred outflows of resources related to those assets, if any.
- (b) Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net position – the remaining net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Governmental Fund Financial Statements

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is classified as non-spendable, restricted, committed, assigned, or unassigned. These categories are defined below:

- Non-spendable – amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash within one year.
- Restricted – includes amounts that are restricted for specific purposes. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Net Position/Fund Balance (Continued)

Governmental Fund Financial Statements (Continued)

- Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectman, with the Board of Finance approval (the highest levels of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action.
- Assigned – Amounts are constrained by the Town’s intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official (Town Finance Director) that has been delegated authority to assign amounts by the Town Charter and in accordance with the Town’s adopted Fund Balance Policy.
- Unassigned – Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. 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.

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

PENSIONS

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement system and additions/deductions from the system's fiduciary net position have been determined on the same basis as they are reported by the retirement system.

OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined by an actuarial valuation conducted by the Town and are accounted for in accordance with the requirements of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

RECENTLY ISSUED ACCOUNTING STANDARDS

During the year ended June 30, did not adopt any new accounting standards that had a material impact on its financial statements.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2025, which is the date these financial statements were available to be issued. There are no events requiring recognition or disclosure into these financial statements.

USE OF ESTIMATES

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, and liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues, expenditures and expenses during the reporting period. Significant items subject to such estimates include the pension and the other postemployment benefit liability. Actual results could differ from those estimates.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 2 – CASH DEPOSITS

CASH DEPOSITS

A reconciliation of the Town’s cash and cash equivalents as of June 30, 2024 is as follows:

Government-wide statement of net position:

Cash and cash equivalents	<u>\$ 3,878,727</u>
Net cash deposits	<u>\$ 3,878,727</u>

CASH DEPOSITS – CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The bank balance of deposits was exposed to custodial risk as follows:

Covered by Federal Depository Insurance	\$ 502,528
Uninsured and uncollateralized	<u>3,748,195</u>
	<u>\$ 4,250,723</u>

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2024 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 324,671	\$ --	\$ --	\$ 324,671
Construction in progress	<u>65,000</u>	<u>--</u>	<u>(65,000)</u>	<u>--</u>
Total capital assets, not being depreciated	<u>389,671</u>	<u>--</u>	<u>(65,000)</u>	<u>324,671</u>
Capital assets, being depreciated:				
Buildings and improvements	11,861,113	29,500	--	11,890,613
Vehicles	1,756,380	165,000	(49,000)	1,872,380
Machinery and equipment	239,003	--	--	239,003
Infrastructure	<u>13,138,692</u>	<u>195,062</u>	<u>--</u>	<u>13,333,754</u>
Total capital assets, being depreciated	<u>26,995,188</u>	<u>389,562</u>	<u>(49,000)</u>	<u>27,335,750</u>
Less accumulated depreciation	<u>(10,490,589)</u>	<u>(1,010,856)</u>	<u>49,000</u>	<u>(11,452,445)</u>
Total capital assets, being depreciated, net	<u>16,504,599</u>	<u>1,400,418</u>	<u>--</u>	<u>15,883,305</u>
Governmental activities capital assets, net	<u>\$ 16,894,270</u>	<u>\$ 1,400,418</u>	<u>\$ (65,000)</u>	<u>\$ 16,207,976</u>

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 218,411
Water and sewer	534,677
Public works	54,035
Public safety	42,638
Education	<u>161,095</u>
Total depreciation expense - governmental activities	<u>\$ 1,010,856</u>

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLE

Interfund receivable and payable balances at June 30, 2024 are as follows:

<u>Funds</u>	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
Capital reserve fund	\$ 15,581	\$ --
ARPA fund	181,088	--
Nonmajor governmental funds	--	7,269
General fund	<u>2,748</u>	<u>192,148</u>
Total due from/to other funds	<u>\$ 199,417</u>	<u>\$ 199,417</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2024 consisted of the following:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds		
Capital reserve fund	\$ 202,500	\$ --
General Fund	<u>--</u>	<u>202,500</u>
Total transfers	<u>\$ 202,500</u>	<u>\$ 202,500</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 4,724,168	\$ --	\$ (248,566)	\$ 4,475,602	\$ 248,566
Other liabilities:					
Special termination benefits	26,585	--	(26,585)	--	--
Compensated absences	16,460	21,161	(3,600)	34,021	3,600
Total OPEB liability	<u>672,370</u>	<u>--</u>	<u>(18,653)</u>	<u>653,717</u>	<u>--</u>
Total governmental activities	<u>\$ 5,439,583</u>	<u>\$ 21,161</u>	<u>\$ (297,404)</u>	<u>\$ 5,163,340</u>	<u>\$ 252,166</u>

TOWN OF FRANKLIN, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

The long-term liabilities above typically have been liquidated by the General Fund.

BONDS AND NOTES PAYABLE

A summary of bonds and notes payable outstanding at June 30, 2024 is as follows:

Governmental Activities:	Year of	Amount		Maturity	Balance			Balance	Amounts
	Issuance	Issued	Interest Rate	Date	Outstanding	Additions	Retirements	Outstanding	Due Within
					June 30, 2023			June 30, 2024	One Year
General Obligation Bonds and Notes Payable:									
Fire department	2005	\$ 1,115,000	4.25%	5/11/2025	\$ 111,500	\$ --	\$ 55,750	\$ 55,750	\$ 55,750
Town hall	2005	900,000	4.25%	5/11/2025	90,000	--	45,000	45,000	45,000
School roof	2010	349,272	3.75%	12/2/2029	139,704	--	17,464	122,240	17,464
Plow truck	2017	169,500	2.75%	12/1/2027	84,750	--	16,950	67,800	16,950
Water and sewer project	2020	<u>4,536,090</u>	1.75%	10/20/2060	<u>4,298,214</u>	<u>--</u>	<u>113,402</u>	<u>4,184,812</u>	<u>113,402</u>
Total Governmental Activities Bonds and Notes Payable		<u>\$ 7,069,862</u>			<u>\$ 4,724,168</u>	<u>\$ --</u>	<u>\$ 248,566</u>	<u>\$ 4,475,602</u>	<u>\$ 248,566</u>

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

BONDS AND NOTES PAYABLE (CONTINUED)

	Principal	Interest	Total
Governmental Activities:			
2025	\$ 248,566	\$ 83,831	\$ 332,397
2026	147,816	76,577	224,393
2027	147,816	73,472	221,288
2028	147,816	70,366	218,182
2029	130,866	67,260	198,126
2030-2034	601,938	298,000	899,938
2035-2039	567,010	245,000	812,010
2040-2044	567,010	195,000	762,010
2045-2049	567,010	145,000	712,010
2050-2054	567,010	95,000	662,010
2055-2059	567,010	45,000	612,010
2060-2061	215,734	4,000	219,734
	\$ 4,475,602	\$ 1,398,506	\$ 5,874,108

Legal Debit Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2024.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Legal Debit Limit (Continued)

The following schedule provides information regarding the Town’s debt limitations:

Total cash collections for the year ended

June 30, 2024:

Taxes	\$ 5,575,422
Interest and lien fees	<u>87,371</u>
Total	5,662,793
Reimbursement for revenue loss:	
Tax relief (CGS 12-129d)	<u> --</u>
Base	<u>\$ 5,662,793</u>

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 12,741,284	\$ --	\$ --	\$ --	\$ --
4-1/2 times base	--	25,482,569	--	--	--
3-3/4 times base	--	--	21,235,474	--	--
3-1/4 times base	--	--	--	18,404,077	--
3 times base	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u>16,988,379</u>
Total debt limitation	<u>12,741,284</u>	<u>25,482,569</u>	<u>21,235,474</u>	<u>18,404,077</u>	<u>16,988,379</u>
Indebtedness:					
Bonds and notes payable	<u>168,550</u>	<u>122,240</u>	<u>4,184,812</u>	<u> --</u>	<u> --</u>
	168,550	122,240	4,184,812	--	--
Debt limitation in excess of outstanding and authorized debt	<u>\$ 12,572,734</u>	<u>\$ 25,360,329</u>	<u>\$ 17,050,662</u>	<u>\$ 18,404,077</u>	<u>\$ 16,988,379</u>
Total capacity of borrowing (7 times base)	<u>\$ 39,639,551</u>				

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 7 – FUND BALANCE

The various components of fund balance at June 30, 2024 are as follows:

	General Funds	Capital Reserve Fund	ARPA Fund	Nonmajor Governmental Funds	Totals
Nonspendable:					
Prepaid items	\$ 5,009	\$ --	\$ --	\$ --	\$ 5,009
Loan receivables	--	--	--	188,147	188,147
Permanent funds	--	--	--	8,177	8,177
Restricted for:					
Permanent funds	--	--	--	2,165	2,165
General government	--	--	--	133,630	133,630
Committed for:					
Capital improvements	--	1,007,332	--	--	1,007,332
Assigned to:					
General government	--	--	--	29,682	29,682
Education	--	--	--	13,771	13,771
Water and sewer	--	--	--	129,826	129,826
Subsequent years budget	400,000	--	--	--	400,000
Unassigned	<u>1,534,376</u>	<u>--</u>	<u>--</u>	<u>(3,684)</u>	<u>1,530,692</u>
	<u>\$ 1,939,385</u>	<u>\$ 1,007,332</u>	<u>\$ --</u>	<u>\$ 501,714</u>	<u>\$ 3,448,431</u>

At June 30, 2024, the following funds had a deficit (negative) fund balance or deficit net position, as applicable:

Governmental Funds:

Cafeteria fund \$ 3,684 *

Total Cumulative Deficits - Governmental Funds \$ 3,684

* Deficit will be covered via an administrative plan

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 – EMPLOYEE RETIREMENT PLANS

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

The faculty and professional personnel of the Town's Board of Education participate in the Teachers' Retirement System (TRS), which is a cost-sharing multiple-employer defined benefit pension plan that provides retirement disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute (CGS) Title 10, Chapter 167a and is administered by the Connecticut State Teachers' Retirement Board (the Board). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports.

Benefit Provisions

The Plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit of 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Benefit Provisions (Continued)

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2% per years of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and worker's compensation cannot exceed 75% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued working until age 60.

Pre-Retirement Death Benefit: The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

In accordance with CGS Section 10-183z, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute 100% of an employer's contribution on behalf of its participating municipalities at an actuarially determined rate. Effective January 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

Administrative Expenses

Administrative costs of the plan are funded by the State.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Basis of Presentation

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2023 based on an actuarial valuation performed as of June 30, 2023. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2023 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2023 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2023. This liability is allocated entirely to the State of Connecticut.

Allocation Methodology

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2019 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Annual Comprehensive Financial Report as of and for the year ended June 30, 2023. The portion of the collective pension expense allocated to the Town totaled \$486,894. The Town has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2024.

The total collective net pension liability of participating employers for the TRS was approximately \$17.007 billion as of June 30, 2023 measurement date. The portion attributed to the Town totaled \$5,247,431 or approximately 0.031% of the total collective net pension liability.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

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 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 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%.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

CONNECTICUT STATE TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

Long-Term Rate of Return (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	37.00%	6.80%
Public credit	2.00%	2.90%
Core fixed income	13.00%	0.40%
Liquidity fund	1.00%	-0.40%
Risk mitigation	5.00%	0.10%
Private equity	15.00%	11.20%
Private credit	10.00%	6.10%
Real estate	10.00%	6.20%
Infrastructure and natural resources	7.00%	7.70%
	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 OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

CONNECTICUT STATE TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

Proportionate Share of the Collective Net Pension Liability

The following presents the proportionate share of the collective net pension liability attributed to the Town as of the June 30, 2023 measurement date, calculated using a discount rate of 6.90%, as well as what the proportionate share of the net pension liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Current Discount 6.90%	1% Increase 7.90%
Town's proportionate share of the State's total net pension liability	\$ 6,563,022	\$ 5,247,431	\$ 4,155,221

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, 2024 there were three (3) participants and the Town made \$1,881 in contributions.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

BOARD OF EDUCATION PLAN

Plan Administration

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.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

BOARD OF EDUCATION PLAN (CONTINUED)

Plan Membership

Membership of the OPEB Plan consisted of the following as of July 1, 2022, the date of the latest actuarial valuation:

Inactive plan members entitled to but not yet receiving benefits	3
Active members	<u>22</u>
Total members	<u><u>25</u></u>

Contributions

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 study 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.

Total OPEB Liability

The Town's OPEB liability reported as of June 30, 2024 totaled \$653,717. The net OPEB liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of July 1, 2022.

Actuarial assumptions – The total OPEB liability as of June 30, 2024 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.93%
Inflation rate	2.40%
Salary increases	2.40%
Healthcare cost trend rate	6.50% initial 4.40% final

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

BOARD OF EDUCATION PLAN (CONTINUED)

Changes in Total OPEB Liability

Balance as of July 1, 2023	\$	672,370
Changes for the year:		
Service cost		3,973
Interest		24,227
Differences between expected and actual experience		1,178
Changes assumptions		(22,591)
Benefit payments, including refunds		<u>(25,440)</u>
Net changes		<u>(18,653)</u>
Balance as of June 30, 2024	\$	<u>653,717</u>

Mortality rates were based on the Pub-2010 public retirement plans amount-weighted mortality tables projected to the valuation date with scale MP-2021.

Discount rate – The discount rate used to measure the total OPEB liability was 3.93%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Town’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the OPEB 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 rates of return on the OPEB Plan’s investments were applied to all periods of projected benefit payments to determine the OPEB Plan’s total OPEB liability.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

BOARD OF EDUCATION PLAN (CONTINUED)

Changes in OPEB Liability (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the Town’s net OPEB liability for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town’s net OPEB liability would be for the OPEB Plan if it were calculated using the discount rate that is 1-percentage-point lower (2.93%) or 1-percentage-point higher (4.93%) than the current rate:

	Discount Rates		
	1% Decrease 2.93%	Current 3.93%	1% Increase 4.93%
Total OPEB Liability	\$ 740,153	\$ 653,717	\$ 581,801

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the Town’s net OPEB liability for the OPEB Plan as well as what the Town’s net OPEB liability would be for the OPEB Plan if it were calculated using a health care trend rate that is 1-percentage-point lower (3.40%) or 1-percentage-point higher (5.40%) than the current rate:

	Healthcare Cost Trend Rates		
	1% Decrease 3.40%	Current 4.40%	1% Increase 5.40%
Total OPEB Liability	\$ 572,066	\$ 653,717	\$ 751,503

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

BOARD OF EDUCATION PLAN (CONTINUED)

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2024, the Town recognized OPEB expense of \$28,542. At June 30, 2024, the Town reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 96,085	\$ 215,454
Differences between expected and actual experience	244,070	26,918
Total	<u>\$ 340,155</u>	<u>\$ 242,372</u>

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

Year Ended June 30,	
2025	\$ 8,202
2026	8,202
2027	8,202
2028	8,202
2029	8,202
Thereafter	<u>56,773</u>
	<u>\$ 97,783</u>

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System (TRS) which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute (CGS) *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the Board). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

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 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 Supplement 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.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Benefit Provisions (Continued)

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).

Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Contributions

Per CGS 10-183z, which reflects Public Act 79-436 (as amended), contribution requirements of active employers 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 Plan costs through an annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

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.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Administrative Expenses

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

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Basis of Presentation

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2023 based on an actuarial valuation performed as of June 30, 2023. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of June 30, 2023 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2023 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2023.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2023.

Allocation Methodology

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2023.

The components associated with the collective OPEB expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2023. The portion of the collective OPEB expense allocated to the Town totaled \$6,626. The Town has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2024.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (CONTINUED)

Allocation Methodology (Continued)

The total collective net OPEB liability of participating employers for the TRS was approximately \$1.593 billion as of the June 30, 2023 measurement date. The portion attributed to the Town totaled \$491,612 or approximately 0.031% of the total collective net OPEB liability.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.50%
Wage inflation	3.00%
Salary increases	3.00%-6.50%, including inflation
Investment rate of return	3.00%, net of investment related expense
Discount rate	3.64%
Healthcare cost trend rates:	
Medicare	Known increases until calendar year 2024, then general trend decrease to an ultimate rate of 4.5% by 2031.

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation of 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 in the market that alters expected returns in the future years.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

CONNECTICUT STATE TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

Long-Term Rate of Return (Continued)

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Treasuries (Cash Equivalents)	100.00%	0.77%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.64%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection’s basis was an actuarial valuation performed as of June 30, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Based on those assumptions, the Plan’s fiduciary net position was projected to be depleted in 2023 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

CONNECTICUT STATE TEACHERS’ RETIREMENT SYSTEM (CONTINUED)

Proportionate Share of the Collective Net OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2023 measurement date, calculated using a discount rate of 3.64%, as well as what the proportionate share of the net OPEB liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (3.64%) than the current rate:

	1% Decrease 2.64%	Current Discount 3.64%	1% Increase 4.64%
Town's proportionate share of the State's total net OPEB liability	\$ 402,673	\$ 491,612	\$ 407,060

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates – The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2023 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates 3.50%	Current Trend Rates 4.50%	1% Increase in Trend Rates 5.50%
Town's proportionate share of the State's total net OPEB liability	\$ 401,628	\$ 491,612	\$ 615,948

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 10 – LEASES

The Town, as lessor, leases real property under the following long-term noncancellable arrangements:

The Town leases a commercial space to a tenant under a lease ending August 31, 2028. The Town recognized approximately \$35,000 of lease income for the year ended June 30, 2024.

The Town leases a cell tower to a tenant under a lease ending, after all extensions, on June 30, 2049. The Town recognized approximately \$42,000 of lease income for the year ended June 30, 2024.

Future minimum principal and interest payments to be received under these leases at June 30, 2024 are as follows:

	Principal	Interest	Total
Governmental Activities:			
2025	\$ 248,566	\$ 83,831	\$ 332,397
2026	147,816	76,577	224,393
2027	147,816	73,472	221,288
2028	147,816	70,366	218,182
2029	130,866	67,260	198,126
2030-2034	601,938	298,000	899,938
2035-2039	567,010	245,000	812,010
2040-2044	567,010	195,000	762,010
2045-2049	567,010	145,000	712,010
2050-2054	567,010	95,000	662,010
2055-2059	567,010	45,000	612,010
2060-2061	215,734	4,000	219,734
	<u>\$ 4,475,602</u>	<u>\$ 1,398,506</u>	<u>\$ 5,874,108</u>

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of assets, damage to and destruction of assets, error and omissions, and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage in the last three years. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 12 – COMMITMENTS AND CONTINGENCIES

GRANTS AND CONTRACTS

The amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already received, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

LITIGATION

The Town is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the Town.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF FRANKLIN, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACTUAL – BUDGETARY BASIS GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Over (Under)
Property Taxes				
Property taxes	\$ 5,592,848	\$ 5,592,848	\$ 5,575,422	\$ (17,426)
Prior taxes	30,000	30,000	80,876	50,876
Interest and lien fees	7,000	7,000	87,371	80,371
Motor vehicle supplement	<u>45,000</u>	<u>45,000</u>	<u>70,041</u>	<u>25,041</u>
Total Property Taxes	<u>5,674,848</u>	<u>5,674,848</u>	<u>5,813,710</u>	<u>138,862</u>
Local Revenues				
Building permits	25,000	25,000	87,577	62,577
Bulky waste fees	3,000	3,000	2,631	(369)
Sale of cemetery lots	1,200	1,200	--	(1,200)
Interest income	20,000	20,000	148,566	128,566
Insurance co-payments	15,000	15,000	10,123	(4,877)
Miscellaneous	10,000	10,000	156,907	146,907
Rent from Tyler Drive tenants	36,100	36,100	44,846	8,746
Tuition	1,000	1,000	18,557	17,557
School income from other schools	1,000	1,000	--	(1,000)
Rental of school gym	85,840	85,840	72,696	(13,144)
Cell tower income	<u>20,000</u>	<u>20,000</u>	<u>23,460</u>	<u>3,460</u>
Total Local Revenue	<u>218,140</u>	<u>218,140</u>	<u>565,363</u>	<u>347,223</u>
Town Clerk Fees				
Town clerk recording fees	9,000	9,000	8,341	(659)
Use of copier	3,000	3,000	2,557	(443)
PZC applications	6,000	6,000	5,946	(54)
ZBA applications	1,000	1,000	90	(910)
IWWC applications	5,000	5,000	4,435	(565)
Conveyance taxes	20,000	20,000	44,007	24,007
Sale of regulations	25	25	--	(25)
Licenses and permits	10	10	284	274
Miscellaneous permits	1,000	1,000	952	(48)
Dog fees	900	900	1,101	201
Vital statistics fee	1,200	1,200	1,510	310
Referenda	2,000	2,000	--	(2,000)
Historic preservation grant	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>--</u>
Total Clerk Fees	<u>55,135</u>	<u>55,135</u>	<u>75,223</u>	<u>20,088</u>

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF FRANKLIN, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACTUAL – BUDGETARY BASIS (CONTINUED) GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Over (Under)
State Education Support				
Education cost sharing	697,564	697,564	746,764	49,200
School grants	110,000	110,000	93,269	(16,731)
Adult education	2,944	2,944	2,980	36
Excess cost	<u>20,000</u>	<u>20,000</u>	<u>37,057</u>	<u>17,057</u>
Total State Education Support	<u>830,508</u>	<u>830,508</u>	<u>880,070</u>	<u>49,562</u>
State Municipal Support				
Pequot fund	9,738	9,738	9,738	--
PILOT program	9,614	9,614	10,664	1,050
Telecommunication tax	6,883	6,883	10,149	3,266
Elderly exemption	--	--	1,000	1,000
Disability exemption	200	200	215	15
Veterans tax relief	800	800	643	(157)
Town aid road fund	128,285	128,285	128,277	(8)
LOCIP grant	16,920	16,920	42,500	25,580
Grants for municipal projects	23,080	23,080	56,620	33,540
Miscellaneous grants	<u>25,666</u>	<u>25,666</u>	<u>32,570</u>	<u>6,904</u>
Total State Municipal Support	<u>221,186</u>	<u>221,186</u>	<u>292,376</u>	<u>71,190</u>
Total Revenues	<u>6,999,817</u>	<u>6,999,817</u>	<u>7,626,742</u>	<u>626,925</u>
Other Financing Sources				
Anticipated use of surplus	<u>174,553</u>	<u>174,553</u>	<u>--</u>	<u>(174,553)</u>
Total Other Financing Sources	<u>174,553</u>	<u>174,553</u>	<u>--</u>	<u>(174,553)</u>
Total Revenues and Other Financing Sources	<u>\$ 7,174,370</u>	<u>\$ 7,174,370</u>	<u>\$ 7,626,742</u>	<u>\$ 452,372</u>

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF FRANKLIN, CONNECTICUT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL - BUDGETARY BASIS GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget (Over) Under
General Government				
Board of selectmen	\$ 147,434	\$ 147,434	\$ 151,875	\$ (4,441)
Board of finance	36,050	36,050	34,920	1,130
Office of the assessor	56,251	56,251	58,317	(2,066)
Board of assessment appeals	843	843	1,003	(160)
Office of the tax collector	39,158	39,158	36,076	3,082
Office of the treasurer	33,081	33,081	32,393	688
Probate court	1,613	1,613	1,613	--
Consulting / legal fees	23,000	23,000	20,982	2,018
Office of the town clerk	64,326	64,326	59,808	4,518
Office of the registrar of voters	38,414	38,414	29,994	8,420
Town hall	107,434	107,434	97,460	9,974
Planning and zoning commission	17,000	17,000	12,802	4,198
Zoning board of appeals	900	900	268	632
Inland wetlands commission	1,500	1,500	942	558
Agriculture and conservation commission	400	400	392	8
Department of public works	473,522	473,522	411,182	62,340
Social security / medicare	51,000	51,000	42,379	8,621
Regional membership	12,100	12,100	10,887	1,213
Insurance	219,322	219,322	230,149	(10,827)
Department of public safety	143,777	143,777	144,634	(857)
Tyler drive	64,300	64,300	74,582	(10,282)
Office of the fire marshal	10,275	10,275	5,658	4,617
Department of code enforcement	19,642	19,642	22,566	(2,924)
Waste disposal / recycling	220,085	220,085	214,709	5,376
Department of public health	13,939	13,939	13,518	421
Welfare	2,004	2,004	196	1,808
Commission on aging	64,044	64,044	55,298	8,746
Animal control	6,983	6,983	6,983	--
Department of recreation	23,050	23,050	14,391	8,659
Computer services / support	25,000	25,000	33,075	(8,075)
Woodward house	12,600	12,600	24,319	(11,719)
Contingency	10,000	10,000	--	10,000
Library	95,010	95,010	101,327	(6,317)
Total General Government	<u>2,034,057</u>	<u>2,034,057</u>	<u>1,944,698</u>	<u>89,359</u>

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF FRANKLIN, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS (CONTINUED)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget (Over) Under
Debt Service				
Principal	248,566	248,566	248,566	--
Interest	<u>91,353</u>	<u>91,353</u>	<u>91,352</u>	<u>1</u>
Total Debt Service	<u>339,919</u>	<u>339,919</u>	<u>339,918</u>	<u>1</u>
Education				
Board of education	4,546,894	4,546,894	4,642,856	(95,962)
School grants	--	--	93,269	(93,269)
School maintenance	<u>51,000</u>	<u>51,000</u>	<u>71,079</u>	<u>(20,079)</u>
Total Education	<u>4,597,894</u>	<u>4,597,894</u>	<u>4,807,204</u>	<u>(209,310)</u>
Total Expenditures	<u>6,971,870</u>	<u>6,971,870</u>	<u>7,091,820</u>	<u>(119,950)</u>
Transfers Out				
Transfer for capital improvement	<u>202,500</u>	<u>202,500</u>	<u>205,652</u>	<u>(3,152)</u>
Total Transfers Out	<u>202,500</u>	<u>202,500</u>	<u>205,652</u>	<u>(3,152)</u>
Total Expenditures and Uses	<u>7,174,370</u>	<u>7,174,370</u>	<u>7,297,472</u>	<u>(123,102)</u>
Excess of Revenues Over				
Over Expenditures - Budgetary Basis	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 329,270</u>	<u>\$ 329,270</u>

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF FRANKLIN, CONNECTICUT

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability attributed to the Town	0.031%	0.031%	0.031%	0.031%	0.031%	0.031%	0.031%	0.031%	0.031%	0.031%
Town's proportionate share of the net pension liability	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability attributed to the Town	<u>5,247,431</u>	<u>5,660,526</u>	<u>4,716,699</u>	<u>5,955,364</u>	<u>5,400,946</u>	<u>4,164,443</u>	<u>4,487,339</u>	<u>4,734,177</u>	<u>3,504,766</u>	<u>3,239,454</u>
Total	<u>\$ 5,247,431</u>	<u>\$ 5,660,526</u>	<u>\$ 4,716,699</u>	<u>\$ 5,955,364</u>	<u>\$ 5,400,946</u>	<u>\$ 4,164,443</u>	<u>\$ 4,487,339</u>	<u>\$ 4,734,177</u>	<u>\$ 3,504,766</u>	<u>\$ 3,239,454</u>
Town's covered payroll	\$ 1,543,890	\$ 1,498,922	\$ 1,255,083	\$ 1,255,667	\$ 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	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.39%	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF FRANKLIN, CONNECTICUT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS TOWN OTHER POST-EMPLOYMENT BENEFITS PLAN

LAST SEVEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 3,973	\$ 7,670	\$ 10,446	\$ 13,147	\$ 9,055	\$ 7,912	\$ 8,132
Interest	24,227	17,002	12,745	13,877	17,144	17,115	15,950
Differences between expected and actual experience	1,178	281,849	(978)	(35,555)	--	--	--
Changes of assumptions	(22,591)	(92,975)	(110,927)	(18,488)	116,122	26,468	(21,064)
Benefit payments, including refunds	<u>(25,440)</u>	<u>(27,296)</u>	<u>(9,491)</u>	<u>(6,821)</u>	<u>(7,002)</u>	<u>(5,939)</u>	<u>(6,169)</u>
Net change in total OPEB liability	(18,653)	186,250	(98,205)	(33,840)	135,319	45,556	(3,151)
Total OPEB liability - beginning	<u>672,370</u>	<u>486,120</u>	<u>584,325</u>	<u>618,165</u>	<u>482,846</u>	<u>437,290</u>	<u>440,441</u>
Total OPEB liability - ending	<u>\$ 653,717</u>	<u>\$ 672,370</u>	<u>\$ 486,120</u>	<u>\$ 584,325</u>	<u>\$ 618,165</u>	<u>\$ 482,846</u>	<u>\$ 437,290</u>
Covered payroll	\$ 1,534,896	\$ 1,498,922	\$ 1,255,083	\$ 1,225,667	\$ 1,376,884	\$ 1,341,993	\$ 1,307,985
Town's net OPEB liability as a percentage of covered payroll	42.59%	44.86%	38.73%	47.67%	44.90%	35.98%	33.43%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF FRANKLIN, CONNECTICUT

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

LAST SEVEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2019
Proportion of the net OPEB liability attributed to the Town	0.031%	0.031%	0.031%	0.031%	0.031%	0.031%	0.031%
Town's proportionate share of the net OPEB liability	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net OPEB liability attributed to the Town	<u>491,612</u>	<u>495,732</u>	<u>513,876</u>	<u>888,243</u>	<u>842,307</u>	<u>832,513</u>	<u>1,154,996</u>
Total	<u>\$ 491,612</u>	<u>\$ 495,732</u>	<u>\$ 513,876</u>	<u>\$ 888,243</u>	<u>\$ 842,307</u>	<u>\$ 832,513</u>	<u>\$ 1,154,996</u>
Town's covered payroll	N/A						
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	11.92%	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – GENERAL FUND

This budget is adopted on a basis consistent with General Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Revenues and expenditures from capital leasing and for renewing long-term debt are included in the budget as the net revenue or expenditure expected; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Payroll is budgeted on a cash basis; 5. Revenues and expenditures from consolidated fund activities are not included in the general Fund budget.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP basis). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2024:

Excess of Revenue and Other Financing Sources Over Expenses and Other Financing Uses - Budgetary Basis	\$ 329,270
Unbudgeted water / sewer project expenditures	118,905
Unbudgeted water / sewer project grant	(118,905)
On-behalf state OPEB contribution - revenue	6,626
On-behalf state OPEB contribution - expenditures	(6,626)
On-behalf state pension contribution - revenue	486,894
On-behalf state pension contribution - expenditures	<u>(486,894)</u>
Excess of Revenue and Other Financing Sources Over Expenses and Other Financing Uses - GAAP Basis	<u>\$ 329,270</u>

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 2 – SCHEDULE OF THE TOWN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CONNECTICUT STATE TEACHERS’ RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2023. This information is utilized by the Town for reporting as of June 30, 2024.

Benefit Changes – There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumptions Changes – There have been no changes in assumptions that have had a significant effect on the measurement of the total pension liability.

NOTE 3 – SCHEDULE OF CHANGES IN NET OPEB LIABILITY – OTHER POST-EMPLOYMENT BENEFITS PLAN

The Town began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, in fiscal year 2017. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

The Town measures the total OPEB liability at the end of each fiscal year using the Entry Age Normal Method.

Benefit Changes – There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

The July 1, 2022 actuarial valuation directly calculated the June 30, 2024 total OPEB liability. The June 30, 2024 total OPEB liability was increased by service cost and interest and decreased by benefit payments to estimate the total OPEB liability as of June 30, 2024.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 – SCHEDULE OF CHANGES IN NET OPEB LIABILITY – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2024:

Actuarial cost method	Entry Age
Amortization method	Level percentage of Salary
Asset valuation method	Market Value
Inflation	2.40%
Discount rate	3.93%
Healthcare cost trend rates	6.50%, current 4.40%, final

NOTE 4 – SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY – CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2023. This information is utilized by the Town for reporting as of June 30, 2024.

Benefit Changes – There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

Assumption Changes – There have been no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

TOWN OF FRANKLIN, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

FOR THE YEAR ENDED JUNE 30, 2024

Grand List Year	Balance Uncollected June 30, 2023	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2024
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2022	\$ --	\$ 5,799,387	\$ 15,560	\$ 33,343	\$ --	\$ 5,781,604	\$ 5,602,972	\$ 63,873	\$ --	\$ 5,666,845	\$ 178,632
2021	80,210	--	7,090	1,346	--	85,954	39,644	14,699	20	54,363	46,310
2020	34,234	--	2,262	604	--	35,892	12,825	4,506	72	17,403	23,067
2019	13,278	--	--	--	--	13,278	4,033	1,515	--	5,548	9,245
2018	14,986	--	209	193	--	15,002	2,191	2,508	--	4,699	12,811
2017	7,027	--	--	221	4,584	2,222	58	56	--	114	2,164
2016	1,932	--	--	--	2,708	(776)	53	61	--	114	(829)
2015	2,339	--	--	--	2,815	(476)	45	61	--	106	(521)
2014	626	--	--	--	558	68	--	--	--	--	68
Prior	2,561	--	--	--	1,428	1,133	--	--	--	--	1,133
	<u>\$ 157,193</u>	<u>\$ 5,799,387</u>	<u>\$ 25,121</u>	<u>\$ 35,707</u>	<u>\$ 12,093</u>	<u>\$ 5,933,901</u>	<u>\$ 5,661,821</u>	<u>\$ 87,279</u>	<u>\$ 92</u>	<u>\$ 5,749,192</u>	<u>272,080</u>

Current year revenue per budget versus actual	5,656,298	Allowance for doubtful accounts	(12,303)
Current year 60 day accrual	35,434	Interest and liens receivable	<u>107,428</u>
Prior year 60 day accrual	<u>29,911</u>	Total receivable for general fund at year end	<u>\$ 367,205</u>
	<u>\$ 5,721,643</u>		

TOWN OF FRANKLIN, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2024

	Special Revenue	Permanent Funds	Total Nonmajor Funds
Assets			
Cash and cash equivalents	\$ 307,196	\$ 10,342	\$ 317,538
Loan receivables	188,147	--	188,147
Other receivables	3,298	--	3,298
Total Assets	\$ 498,641	\$ 10,342	\$ 508,983
Liabilities			
Due to other funds	\$ 7,269	\$ --	\$ 7,269
Total Liabilities	7,269	--	7,269
Fund Balances			
Nonspendable	188,147	8,177	196,324
Restricted	133,630	2,165	135,795
Assigned	173,279	--	173,279
Unassigned	(3,684)	--	(3,684)
Total Fund Balances	491,372	10,342	501,714
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 498,641	\$ 10,342	\$ 508,983

TOWN OF FRANKLIN, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue	Permanent Funds	Total Nonmajor Funds
Revenues			
Local sources	\$ 73,719	\$ 605	\$ 74,324
Interest	1	--	1
Total Revenues	73,720	605	74,325
Expenditures			
General government	11,583	--	11,583
Water and sewer	3,995	--	3,995
Education	60,909	--	60,909
Total Expenditures	76,487	--	76,487
Net change in fund balance	(2,767)	605	(2,162)
Fund Balances - Beginning	494,139	9,737	503,876
Fund Balances - Ending	\$ 491,372	\$ 10,342	\$ 501,714

TOWN OF FRANKLIN, CONNECTICUT

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**

JUNE 30, 2024

	Cafeteria Fund	Dog Fund	Library Fund	School House Project Fund	Memorial Fund	Commission Fund	Scholarship Fund
Assets							
Cash and cash equivalents	\$ 2,064	\$ 9,038	\$ 18,330	\$ 1,718	\$ 645	\$ 1,472	\$ 10,034
Loan receivables	--	--	--	--	--	--	--
Other receivables	--	--	--	--	--	--	--
Total Assets	<u>\$ 2,064</u>	<u>\$ 9,038</u>	<u>\$ 18,330</u>	<u>\$ 1,718</u>	<u>\$ 645</u>	<u>\$ 1,472</u>	<u>\$ 10,034</u>
Liabilities							
Due to other funds	<u>\$ 5,748</u>	<u>\$ 1,521</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Total Liabilities	<u>5,748</u>	<u>1,521</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances							
Nonspendable	--	--	--	--	--	--	--
Restricted	--	--	--	--	--	--	--
Assigned	--	7,517	18,330	1,718	645	1,472	10,034
Unassigned	<u>(3,684)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Fund Balances	<u>(3,684)</u>	<u>7,517</u>	<u>18,330</u>	<u>1,718</u>	<u>645</u>	<u>1,472</u>	<u>10,034</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 2,064</u>	<u>\$ 9,038</u>	<u>\$ 18,330</u>	<u>\$ 1,718</u>	<u>\$ 645</u>	<u>\$ 1,472</u>	<u>\$ 10,034</u>

TOWN OF FRANKLIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS

JUNE 30, 2024

	Unsung Hero Scholarship Fund	Sports Activity Fund	Housing Rehab Program Income Fund	Student Activity Fund	Water and Sewer Fund	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 275	\$ 286	\$ 133,630	\$ 3,176	\$ 126,528	\$ 307,196
Loan receivables	--	--	188,147	--	--	188,147
Other receivables	--	--	--	--	3,298	3,298
Total Assets	<u>\$ 275</u>	<u>\$ 286</u>	<u>\$ 321,777</u>	<u>\$ 3,176</u>	<u>\$ 129,826</u>	<u>\$ 498,641</u>
Liabilities						
Due to other funds	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,269
Total Liabilities	--	--	--	--	--	7,269
Fund Balances						
Nonspendable	--	--	188,147	--	--	188,147
Restricted	--	--	133,630	--	--	133,630
Assigned	275	286	--	3,176	129,826	173,279
Unassigned	--	--	--	--	--	(3,684)
Total Fund Balances	<u>275</u>	<u>286</u>	<u>321,777</u>	<u>3,176</u>	<u>129,826</u>	<u>491,372</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 275</u>	<u>\$ 286</u>	<u>\$ 321,777</u>	<u>\$ 3,176</u>	<u>\$ 129,826</u>	<u>\$ 498,641</u>

TOWN OF FRANKLIN, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2024

	Cafeteria Fund	Dog Fund	Library Fund	School House Project Fund	Memorial Fund	Commission Fund	Scholarship Fund
Revenues							
Local sources	\$ 1,243	\$ 1,010	\$ 9,880	\$ --	\$ --	\$ 2,195	\$ --
Interest	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> 1</u>	<u> --</u>	<u> --</u>
Total Revenues	<u> 1,243</u>	<u> 1,010</u>	<u> 9,880</u>	<u> --</u>	<u> 1</u>	<u> 2,195</u>	<u> --</u>
Expenditures							
General government	--	1,006	--	--	--	1,720	--
Water and sewer	--	--	--	--	--	--	--
Education	<u>38,000</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total Expenditures	<u> 38,000</u>	<u> 1,006</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> 1,720</u>	<u> --</u>
Net change in fund balance	(36,757)	4	9,880	--	1	475	--
Fund Balances - Beginning	<u> 33,073</u>	<u> 7,513</u>	<u> 8,450</u>	<u> 1,718</u>	<u> 644</u>	<u> 997</u>	<u> 10,034</u>
Fund Balances - Ending	<u>\$ (3,684)</u>	<u>\$ 7,517</u>	<u>\$ 18,330</u>	<u>\$ 1,718</u>	<u>\$ 645</u>	<u>\$ 1,472</u>	<u>\$ 10,034</u>

TOWN OF FRANKLIN, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2024

	Unsung Hero Scholarship Fund	Sports Activity Fund	Housing Rehab Program Income Fund	Student Activity Fund	Water and Sewer Fund	Total Nonmajor Special Revenue Funds
Revenues						
Local sources	\$ 50	\$ 4,060	\$ --	\$ 15,900	\$ 39,381	\$ 73,719
Interest	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1</u>
Total Revenues	<u>50</u>	<u>4,060</u>	<u>--</u>	<u>15,900</u>	<u>39,381</u>	<u>73,720</u>
Expenditures						
General government	--	--	8,857	--	--	11,583
Water and sewer	--	--	--	--	3,995	3,995
Education	<u>4</u>	<u>7,545</u>	<u>--</u>	<u>15,360</u>	<u>--</u>	<u>60,909</u>
Total Expenditures	<u>4</u>	<u>7,545</u>	<u>8,857</u>	<u>15,360</u>	<u>3,995</u>	<u>76,487</u>
Net change in fund balance	46	(3,485)	(8,857)	540	35,386	(2,767)
Fund Balances - Beginning	<u>229</u>	<u>3,771</u>	<u>330,634</u>	<u>2,636</u>	<u>94,440</u>	<u>494,139</u>
Fund Balances - Ending	<u>\$ 275</u>	<u>\$ 286</u>	<u>\$ 321,777</u>	<u>\$ 3,176</u>	<u>\$ 129,826</u>	<u>\$ 491,372</u>

TOWN OF FRANKLIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR PERMANENT GOVERNMENTAL FUNDS

JUNE 30, 2024

	Cemetery Fund	Edgerton Education Trust Fund	Anthony Carboni Fund	Total Nonmajor Permanent Funds
Assets				
Cash and cash equivalents	\$ 4,319	\$ 2,528	\$ 3,495	\$ 10,342
Total Assets	<u>\$ 4,319</u>	<u>\$ 2,528</u>	<u>\$ 3,495</u>	<u>\$ 10,342</u>
Fund Balances				
Nonspendable	3,268	2,161	2,748	8,177
Restricted	<u>1,051</u>	<u>367</u>	<u>747</u>	<u>2,165</u>
Total Fund Balances	<u>4,319</u>	<u>2,528</u>	<u>3,495</u>	<u>10,342</u>
Total Liabilities and Fund Balance	<u>\$ 4,319</u>	<u>\$ 2,528</u>	<u>\$ 3,495</u>	<u>\$ 10,342</u>

TOWN OF FRANKLIN, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2024

	Cemetery Fund	Edgerton Education Trust Fund	Anthony Carboni Fund	Total Nonmajor Permanent Funds
Revenues				
Local Sources	\$ 602	\$ 1	\$ 2	\$ 605
Total Revenues	<u>602</u>	<u>1</u>	<u>2</u>	<u>605</u>
Expenditures				
General government	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	602	1	2	605
Fund Balances - Beginning	<u>3,717</u>	<u>2,527</u>	<u>3,493</u>	<u>9,737</u>
Fund Balances - Ending	<u><u>\$ 4,319</u></u>	<u><u>\$ 2,528</u></u>	<u><u>\$ 3,495</u></u>	<u><u>\$ 10,342</u></u>

**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 Honorable First Selectman and
Members of the Board of Finance
Town of Franklin, Connecticut

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Connecticut (Town) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued our report thereon dated December 18, 2025.

Report on 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 deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 of Franklin’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures over the Town’s response to the finding identified in our audit and is described in the accompanying schedule of findings and questioned costs. Town’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

CBIZ CPAs P.C.

Providence, RI
December 18, 2025

TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

INTERNAL CONTROL OVER FINANCIAL REPORTING FINDING

Current Year Findings

Material Weaknesses:

2024-001: Financial Reporting: Month-End and Year-End Closing Process

Criteria: An effective internal control system over the financial reporting closing process provides reasonable assurance that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations. Monthly and year-end closing procedures should be documented, communicated and monitored by the Town.

Condition: During our fiscal 2024 audit, we noted deficiencies in the Town's internal controls over the financial reporting process:

- The Town's financial records were not closed in a timely manner in order to produce monthly and year-end financial statements resulting in delays in the audit process.
- Opening balances did not reconcile to the prior year audited financial statements.
- The Town's bank reconciliations did not reconcile between its book balance and bank balance resulting in material adjustments to the reconciliations.
- The Town was not posting activity to its financial reporting system related to its tax receivables throughout the year resulting in material year end entries.
- The Town did not initially identify capital asset addition for capital purchases in the current year above its capitalization threshold.

Cause: The Town's lack of internal control policies and procedures to allow for an appropriate month-end and year-end closing process and related review and reconciliation of accounting data and financial information used to prepare financial statements that are fairly presented in accordance with accounting principles general accepted in the United States of America.

Effect: Lack of an established and effective internal control system as well as ensuring management review/oversight over the financial reporting closing process increases the risk of potential misstatement of the Town's financial information.

Prior Year Finding: Yes

Recommendation: We recommend that the Town review its current financial reporting closing process and implement and follow adequate policies and procedures (including checklists and documented workflows) to document and ensure that ongoing review and management oversight over the month-end and year-end close takes place.

Views of responsible officials and Planned Corrective Action: See management's corrective action plan.

TOWN OF FRANKLIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

INTERNAL CONTROL OVER FINANCIAL REPORTING FINDING (CONTINUED)

Current Year Finding (Continued):

Material Weaknesses (Continued):

2024-002: Internal Controls

Criteria: An effective internal control system requires controls to be in place to prevent the potential for management override within an entity's financial reporting system.

Condition: During our fiscal 2024 audit we noted various deficiencies in the Town's internal control processes:

- The Town did not establish clear roles and responsibilities for accounting and finance personnel leading to inadequate segregation of duties and lack of accountability within the finance department.
- The Town lacked formal documentation of internal control processes of key transaction cycles.
- The Town and Board of Education do not reconcile on a regular basis.
- The Board of Education could not produce documentation supporting the existence of employees due to a loss of data.
- The Board of Education did not maintain its cafeteria fund and student activity funds in a formal general ledger.

Cause: The Town's internal control policies and related procedures are insufficient and should be enhanced to ensure to allow for appropriate documentation of roles, responsibilities and segregation of duties.

Effect: Lack of an established and effective internal control system as well as ensuring adequate management review/oversight over financial reporting increases the risk of potential misstatement of the Town's financial information or misappropriation of assets.

Prior Year Finding: No

Recommendation: We recommend that the Town implement and follow formal internal control policies and procedures to rectify the conditions noted above.

Views of responsible officials and Planned Corrective Action: See management's corrective action plan.

TOWN OF FRANKLIN, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

INTERNAL CONTROL OVER FINANCIAL REPORTING FINDING

Prior Year Findings:

2021-001: General Ledger Systems for All Funds

Condition: For the year ended June 30, 2023, the following funds of the Town of Franklin were not being maintained in a general ledger system. As such there was no readily available integrated reports to report the financial activities of the funds during the fiscal year or the ending balances at fiscal year end related to the Cafeteria fund and Student Activity Fund.

Status: Modified and repeated as finding 2024-001.

2019-002: Financial Statement Adjustments

Condition: During 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. Capital Improvement Fund – to gross up budget transfers and project expenditures for GAAP presentation

Status: Modified and repeated as finding 2024-001.

TOWN OF FRANKLIN, CONNECTICUT

CORRECTIVE ACTION PLAN

Corrective Action Plan:

2024-001: Financial Reporting: Month-End and Year-End Closing Process

Corrective Action Plan

Objective: To establish a robust internal control framework that ensures accurate financial reporting, prevents management override, and complies with GAAP and state regulations.

Action 1: Hire a Financial Director

- **Description:** Recruit and appoint a qualified Financial Director to oversee all financial operations, including monthly reconciliations, year-end closing, and internal control compliance.
- **Responsible Party:** Town Administrator
- **Effective** immediatly

Action 2: Document and Implement Closing Procedures

- **Description:** Develop comprehensive monthly and year-end closing procedures, including detailed checklists, timelines, and review protocols.
- **Responsible Party:** Financial Director (upon appointment)

Action 3: Strengthen Internal Monitoring and Segregation of Duties

- **Description:** Establish an internal review process to monitor compliance with closing procedures and reconciliations. Implement segregation of duties to reduce risk of management override.
- **Responsible Party:** Financial Director and Town Administrator

Action 4: Staff Training and Communication

- **Description:** Provide training to all finance staff on updated procedures and internal control requirements.
- **Responsible Party:** Financial Director, Town Administrator
- **Timeline:**
- **Effective** immediately

TOWN OF FRANKLIN, CONNECTICUT

CORRECTIVE ACTION PLAN

2024-002: Internal Controls

Corrective Action Plan

Objective: To establish a robust internal control framework that ensures accurate financial reporting, prevents management override, and complies with GAAP and state regulations.

Action 1: Hire a Financial Director

- **Description:** Recruit and appoint a qualified Financial Director to oversee all financial operations, including monthly reconciliations, year-end closing, and internal control compliance.
- **Responsible Party:** Town Administrator
- **Effective** immediatly

Action 2: Document and Implement Closing Procedures

- **Description:** Develop comprehensive monthly and year-end closing procedures, including detailed checklists, timelines, and review protocols.
- **Responsible Party:** Financial Director (upon appointment)

Action 3: Strengthen Internal Monitoring and Segregation of Duties

- **Description:** Establish an internal review process to monitor compliance with closing procedures and reconciliations. Implement segregation of duties to reduce risk of management override.
- **Responsible Party:** Financial Director and Town Administrator

Action 4: Staff Training and Communication

- **Description:** Provide training to all finance staff on updated procedures and internal control requirements.
- **Responsible Party:** Financial Director, Town Administrator
- **Timeline:**
- **Effective** immediately



TOWN OF FRANKLIN, CONNECTICUT

**INDEPENDENT AUDITORS' REPORTS 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 AND REPORTING ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE
*CONNECTICUT STATE SINGLE AUDIT ACT***

FOR THE YEAR ENDED JUNE 30, 2024

TOWN OF FRANKLIN, CONNECTICUT

CONTENTS

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 <i>Government Auditing Standards</i>	1-2
Independent Auditors' Report on Compliance for Each Major State Program, Report on Internal Control over Compliance, and Report on the Schedule of Expenditures of State Financial Assistance Required by the Connecticut State Single Audit Act.....	3-6
Schedule of Expenditures of State Financial Assistance	7-8
Notes to Schedule of Expenditures of State Financial Assistance	9
Schedule of State Findings and Questioned Costs.....	10-14
Corrective Action Plan.....	15-17



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**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 Honorable First Selectman and
Members of the Board of Finance
Town of Franklin, Connecticut

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Connecticut (Town) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued our report thereon dated December 18, 2025.

Report on 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 deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 of Franklin's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures over the Town's response to the finding identified in our audit and is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

CBIZ CPAs P.C.

Providence, RI
December 18, 2025



CBIZ CPAs P.C.

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Providence, RI 02903

P: 401.600.4500

Independent Auditors' Report on Compliance for Each Major State Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of State Financial Assistance Required by the Connecticut State Single Audit Act

To the Honorable First Selectman and
Members of the Board of Finance
Town of Franklin, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Franklin, Connecticut's (Town) compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Town's major state programs for the year ended June 30, 2024. Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the State Single Audit Act (C.G.S Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of Town's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003, to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2024 and related notes to the financial statements. We have issued our report thereon dated December 18, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.

Providence, RI

February 2, 2026 (Except for our audit opinion on the schedule of expenditures of State financial assistance which is dated December 18, 2025)

TOWN OF FRANKLIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2024

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core- CT Number	Passed Through to Subrecipients	State Expenditures
Nonexempt Programs			
Office of Policy and Management			
Reimburse of Property Tax - Disability Exemption	11000-OPM20600-17011	\$ --	\$ 215
Tiered Payment in Lieu of Taxes (PILOT)	11000-OPM20600-17111	--	10,576
MSRA Tiered PILOT	12060-OPM20600-35691	--	23,080
Property tax Relief for Veterans	11000-OPM20600-17024	--	33,540
Local Capital Improvement	12050-OPM20600-40254	--	643
Municipal Grants in Aid	12052-OPM20600-43587	--	42,500
Total Office of Policy and Management		--	110,554
Department of Education			
Talent Development - TEAM	11000-SDE64370-12552	--	408
Adult Education	11000-SDE64000-17030	--	2,980
Total Department of Education		--	3,388
Department of Transportation			
Town Aid Road Grants Transportation Fund - Municipal	13033-DOT57131-43455	--	64,138
Toain Aid Road - STO	13033-DOT57131-43459	--	64,138
Total Department of Transportation		--	128,276
Department of Energy and Environmental Protection			
Community conservation and development	13019-DEP43310-41239	--	58,405
Total Department of Energy and Environmental Protection		--	58,405
Judicial Branch			
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	--	500
Total Judicial Branch		--	500
Connecticut State Library			
Historic Documents Preservation Grants	12060-CSL66094-35150	--	6,000
Connecticard Payments	12060-CSL66051-17010	--	99
Total Connecticut State Library		--	6,099
Total State Financial Assistance Before Exempt Programs		\$ --	\$ 307,222

See notes to schedule of expenditures of state financial assistance.

TOWN OF FRANKLIN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
(CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2024

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Passed Through to Subrecipients	State Expenditures
Exempt Programs			
Office of Policy and Management			
Direct:			
Municipal Stabilization Grant	11000-OPM20600-17104	\$ --	\$ 25,666
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	--	9,738
Total Office of Policy and Management		<u>--</u>	<u>35,404</u>
Department of Education			
Education Cost Sharing	11000-SDE64370-17041	--	746,764
Excess Costs Student Based and Equity	11000-SDE64000-17047	--	9,635
Total Department of Education		<u>--</u>	<u>756,399</u>
Total Exempt Programs		<u>--</u>	<u>791,803</u>
Total Expenditures of State Financial Assistance		<u>\$ --</u>	<u>\$ 1,099,025</u>

See notes to schedule of expenditures of state financial assistance.

TOWN OF FRANKLIN, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Franklin, Connecticut (Town) under programs of the State of Connecticut for the fiscal year ended June 30, 2024. 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. Because the schedule presents only a selected portion of the operations of the Town, it is not intended and does not present the financial position, changes in fund balance, changes in net position, or cash flows of the Town.

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

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

BASIS OF ACCOUNTING

Expenditures reported on the Schedule of Expenditures of State Financial Assistance are presented on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to 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.

TOWN OF FRANKLIN, CONNECTICUT

SUMMARY OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2024

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

State Financial Assistance

Internal control over major state programs:	
Material weakness(es) identified?	<u> </u> Yes <u> X </u> No
Significant deficiency(ies) identified	<u> X </u> Yes <u> </u> None reported
Type of auditors' report issued on compliance for major state 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?	<u> X </u> Yes <u> </u> No

The Following schedule reflects the major state programs included in the audit:

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
Department of Transportation:		
Town Aid Road Grants Transportation Fund - Municipal	13033-DOT57131-43455	\$ 64,138
Toain Aid Road - STO	13033-DOT57131-43459	64,138
Department of Energy and Environmental Protection:		
Community conservation and development	13019-DEP43310-41239	58,405
Dollar threshold used to distinguish between Type A and Type B programs:		<u> \$ 100,000 </u>

TOWN OF FRANKLIN, CONNECTICUT

SUMMARY OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2024

I. II. FINANCIAL STATEMENT FINDINGS

Current Year Findings:

Material Weaknesses:

2024-001: Financial Reporting: Month-End and Year-End Closing Process

Criteria: An effective internal control system over the financial reporting closing process provides reasonable assurance that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations. Monthly and year-end closing procedures should be documented, communicated and monitored by the Town.

Condition: During our fiscal 2024 audit, we noted deficiencies in the Town's internal controls over the financial reporting process:

- The Town's financial records were not closed in a timely manner in order to produce monthly and year-end financial statements resulting in delays in the audit process.
- Opening balances did not reconcile to the prior year audited financial statements.
- The Town's bank reconciliations did not reconcile between its book balance and bank balance resulting in material adjustments to the reconciliations.
- The Town was not posting activity to its financial reporting system related to its tax receivables throughout the year resulting in material year end entries.
- The Town did not initially identify capital asset additions for capital purchases in the current year above its capitalization threshold.

Cause: The Town's lack of internal control policies and procedures to allow for an appropriate month-end and year-end closing process and related review and reconciliation of accounting data and financial information used to prepare financial statements that are fairly presented in accordance with accounting principles general accepted in the United States of America.

Effect: Lack of an established and effective internal control system as well as ensuring management review/oversight over the financial reporting closing process increases the risk of potential misstatement of the Town's financial information.

Prior Year Finding: Yes

Recommendation: We recommend that the Town review its current financial reporting closing process and implement and follow adequate policies and procedures (including checklists and documented workflows) to document and ensure that ongoing review and management oversight over the month-end and year-end close takes place.

Views of responsible officials and Planned Corrective Action: See management's corrective action plan.

TOWN OF FRANKLIN, CONNECTICUT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Current Year Findings (Continued):

Material Weaknesses (Continued):

2024-002: Internal Controls

Criteria: An effective internal control system requires controls to be in place to prevent the potential for management override within an entity's financial reporting system.

Condition: During our fiscal 2024 audit we noted various deficiencies in the Town's internal control processes:

- The Town did not establish clear roles and responsibilities for accounting and finance personnel leading to inadequate segregation of duties and lack of accountability within the finance department.
- The Town lacked formal documentation of internal control processes of key transaction cycles.
- The Town and Board of Education do not reconcile on a regular basis.
- The Board of Education could not produce documentation supporting the existence of employees due to a loss of data.
- The Board of Education did not maintain its cafeteria fund and student activity funds in a formal general ledger.

Cause: The Town's internal control policies and related procedures are insufficient and should be enhanced to ensure to allow for appropriate documentation of roles, responsibilities and segregation of duties.

Effect: Lack of an established and effective internal control system as well as ensuring adequate management review/oversight over financial reporting increases the risk of potential misstatement of the Town's financial information or misappropriation of assets.

Prior Year Finding: No

Recommendation: We recommend that the Town implement and follow formal internal control policies and procedures to rectify the conditions noted above.

Views of responsible officials and Planned Corrective Action: See management's corrective action plan.

TOWN OF FRANKLIN, CONNECTICUT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

II. STATE AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings:

2024-003: Reporting

Significant Deficiency

Major Program – Town Aid Road Grants

Criteria: Pursuant to subsection c of C.G.S Sec. 13a-175a, each Town that received Town Aid Road Grant funds in the preceding fiscal year shall submit a report by September 1 to the Commission of Transportation detailing the amount of expenditures for each of the usages enumerated in subsection a or approved pursuant to subsection b.

Condition: The Town filed the required reporting on October 7, 2024 which was beyond the required deadline.

Cause: Lack of timely reconciliation of financial reporting.

Effect: Lack of timely reconciliation of financial reporting resulted in the deadline being missed. Untimely filing hinders the timely administration and assessment of results by grantor officials.

Prior Year Finding: No

Recommendation: We recommend that the Town implement formal internal control policies and procedures to rectify the condition noted above.

Views of responsible officials and Planned Corrective Action: See management's corrective action plan.

TOWN OF FRANKLIN, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

III. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINANCIAL STATEMENT FINDINGS

Prior Year Findings:

2021-001: General Ledger Systems for All Funds

Condition: For the year ended June 30, 2023, the following funds of the Town of Franklin were not being maintained in a general ledger system. As such there was no readily available integrated reports to report the financial activities of the funds during the fiscal year or the ending balances at fiscal year end related to the Cafeteria fund and Student Activity Fund.

Status: Modified and repeated as finding 2024-001.

2019-002: Financial Statement Adjustments

Condition: During 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. Capital Improvement Fund – to gross up budget transfers and project expenditures for GAAP presentation

Status: Modified and repeated as finding 2024-001.

TOWN OF FRANKLIN, CONNECTICUT

CORRECTIVE ACTION PLAN

Corrective Action Plan:

2024-001: Financial Reporting: Month-End and Year-End Closing Process

Objective: To establish a robust internal control framework that ensures accurate financial reporting, prevents management override, and complies with GAAP and state regulations.

Action 1: Hire a Financial Director

- Description: Recruit and appoint a qualified Financial Director to oversee all financial operations, including monthly reconciliations, year-end closing, and internal control compliance.
- Responsible Party: Town Administrator
- Timeline: Effective immediately

Action 2: Document and Implement Closing Procedures

- Description: Develop comprehensive monthly and year-end closing procedures, including detailed checklists, timelines, and review protocols.
- Responsible Party: Financial Director (upon appointment)
- Timeline: Effective immediately

Action 3: Strengthen Internal Monitoring and Segregation of Duties

- Description: Establish an internal review process to monitor compliance with closing procedures and reconciliations. Implement segregation of duties to reduce risk of management override.
- Responsible Party: Financial Director, Town Administrator
- Timeline: Effective immediately

Action 4: Staff Training and Communication

- Description: Provide training to all finance staff on updated procedures and internal control requirements.
- Responsible Party: Financial Director, Town Administrator
- Timeline: Effective immediately

TOWN OF FRANKLIN, CONNECTICUT

CORRECTIVE ACTION PLAN

2024-002: Internal Controls

Objective: To establish a robust internal control framework that ensures accurate financial reporting, prevents management override, and complies with GAAP and state regulations.

Action 1: Hire a Financial Director

- Description: Recruit and appoint a qualified Financial Director to oversee all financial operations, including monthly reconciliations, year-end closing, and internal control compliance.
- Responsible Party: Town Administrator
- Timeline: Effective immediately

Action 2: Document and Implement Closing Procedures

- Description: Develop comprehensive monthly and year-end closing procedures, including detailed checklists, timelines, and review protocols.
- Responsible Party: Financial Director (upon appointment)
- Timeline: Effective immediately

Action 3: Strengthen Internal Monitoring and Segregation of Duties

- Description: Establish an internal review process to monitor compliance with closing procedures and reconciliations. Implement segregation of duties to reduce risk of management override.
- Responsible Party: Financial Director, Town Administrator
- Timeline: Effective immediately

Action 4: Staff Training and Communication

- Description: Provide training to all finance staff on updated procedures and internal control requirements.
- Responsible Party: Financial Director, Town Administrator
- Timeline: Effective immediately

TOWN OF FRANKLIN, CONNECTICUT

CORRECTIVE ACTION PLAN

2024-003: Reporting

Objective: To establish a robust internal control framework that ensures accurate financial reporting and complies with GAAP and state regulations.

Action 1: Hire a Financial Director

- Description: Recruit and appoint a qualified Financial Director to oversee all financial operations, including monthly reconciliations, year-end closing, and internal control compliance.
- Responsible Party: Town Administrator
- Timeline: Effective immediately

Action 2: Document and Implement Closing Procedures

- Description: Develop comprehensive monthly and year-end closing procedures, including detailed checklists, timelines, and review protocols.
- Responsible Party: Financial Director (upon appointment)
- Timeline: Effective immediately

Action 3: Staff Training and Communication

- Description: Provide training to all finance staff on updated procedures and internal control requirements.
- Responsible Party: Financial Director, Town Administrator
- Timeline: Effective immediately

Action 4: Grant Documentation and Recordkeeping

- Description: Create a recordkeeping process for grant documentation, establish a checklist for grant timelines and reporting requirements, review monthly.
- Responsible Party: Financial Director (upon appointment), Treasurer
- Timeline: Effective immediately