

**TOWN OF FRANCONIA,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2020**

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**TABLE OF CONTENTS**

	<u>PAGES</u>
<i>INDEPENDENT AUDITOR'S REPORT</i> .....	1 - 2
 <b><i>BASIC FINANCIAL STATEMENTS</i></b> 	
<b>Government-wide Financial Statements</b>	
A Statement of Net Position .....	3
B Statement of Activities .....	4
<b>Fund Financial Statements</b>	
<i>Governmental Funds</i>	
C-1 Balance Sheet .....	5
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	6
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	7
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	8
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	9
<i>Proprietary Funds</i>	
E-1 Statement of Net Position .....	10
E-2 Statement of Revenues, Expenses, and Changes in Net Position .....	11
E-3 Statement of Cash Flows .....	12
<i>Fiduciary Funds</i>	
F-1 Statement of Fiduciary Net Position.....	13
F-2 Statement of Changes in Fiduciary Net Position .....	14
<b><i>NOTES TO THE BASIC FINANCIAL STATEMENTS</i></b> .....	15 - 39
 <b><i>REQUIRED SUPPLEMENTARY INFORMATION</i></b> 	
G Schedule of the Town's Proportionate Share of Net Pension Liability .....	40
H Schedule of Town Contributions – Pensions .....	41
<b><i>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY</i></b> .....	42
I Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability .....	43
J Schedule of Town Contributions – Other Postemployment Benefits .....	44
K Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios .....	45
<b><i>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY</i></b> .....	46

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**TABLE OF CONTENTS**

**PAGES**

**COMBINING AND INDIVIDUAL FUND SCHEDULES**

<b>Governmental Funds</b>		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	47
2	Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis) .....	48 - 49
3	Schedule of Changes in Unassigned Fund Balance.....	50
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet .....	51
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	52
<i>Custodial Funds</i>		
6	Combining Schedule of Fiduciary Net Position .....	53
7	Combining Schedule of Changes in Fiduciary Net Position .....	54
 <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN  AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  WITH GOVERNMENT AUDITING STANDARDS</b>		
	.....	55 - 57



# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Board of Selectmen  
Town of Franconia  
Franconia, New Hampshire

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Franconia as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Franconia, as of December 31, 2020, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

**Management's Discussion and Analysis** – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental

***Town of Franconia  
Independent Auditor's Report***

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. Our opinion on the basic financial statements is not affected by the missing information.

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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

**Other Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Franconia's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund 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 August 5, 2021, on our consideration of the Town of Franconia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Franconia's internal control over financial reporting and compliance.

*Plodyk & Sanderson  
Professional Association*

August 5, 2021

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2020**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,260,664	\$ 93,918	\$ 1,354,582
Investments	2,737,080	106,663	2,843,743
Taxes receivables (net)	227,934	-	227,934
Account receivables (net)	25,959	115,166	141,125
Intergovernmental receivable	24,706	-	24,706
Internal balances	(273)	273	-
Tax deeded property, subject to resale	112,372	-	112,372
Capital assets:			
Land	814,334	118,516	932,850
Other capital assets, net of depreciation	3,211,862	3,505,268	6,717,130
Total assets	<u>8,414,638</u>	<u>3,939,804</u>	<u>12,354,442</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	208,186	-	208,186
Amounts related to other postemployment benefits	33,575	-	33,575
Total deferred outflows of resources	<u>241,761</u>	<u>-</u>	<u>241,761</u>
<b>LIABILITIES</b>			
Accrued salaries and benefits	6,880	-	6,880
Accrued interest payable	7,318	1,045	8,363
Intergovernmental payable	8,910	-	8,910
Long-term liabilities:			
Due within one year	93,515	73,682	167,197
Due in more than one year	2,141,371	1,540,461	3,681,832
Total liabilities	<u>2,257,994</u>	<u>1,615,188</u>	<u>3,873,182</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	8,479	-	8,479
Amounts related to pensions	55,123	-	55,123
Amounts related to other postemployment benefits	46,997	-	46,997
Total deferred inflows of resources	<u>110,599</u>	<u>-</u>	<u>110,599</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,821,245	2,009,641	4,830,886
Restricted	537,988	314,975	852,963
Unrestricted	2,928,573	-	2,928,573
Total net position	<u>\$ 6,287,806</u>	<u>\$ 2,324,616</u>	<u>\$ 8,612,422</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT B**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Statement of Activities*  
For the Fiscal Year Ended December 31, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
General government	\$ 716,223	\$ 2,588	\$ -	\$ (713,635)	\$ -	\$ (713,635)
Public safety	635,225	86,466	10,500	(538,259)	-	(538,259)
Highways and streets	347,977	-	53,780	(294,197)	-	(294,197)
Sanitation	275,595	167,526	-	(108,069)	-	(108,069)
Health	25,180	-	-	(25,180)	-	(25,180)
Welfare	1,720	-	-	(1,720)	-	(1,720)
Culture and recreation	212,792	16,073	-	(196,719)	-	(196,719)
Conservation	310	-	-	(310)	-	(310)
Interest on long-term debt	35,488	-	-	(35,488)	-	(35,488)
Total governmental activities	<u>2,250,510</u>	<u>272,653</u>	<u>64,280</u>	<u>(1,913,577)</u>	<u>-</u>	<u>(1,913,577)</u>
<b>Business-type activities:</b>						
Water	353,195	332,121	-	-	(21,074)	(21,074)
Total business-type activities	<u>353,195</u>	<u>332,121</u>	<u>-</u>	<u>-</u>	<u>(21,074)</u>	<u>(21,074)</u>
Total	<u>\$ 2,603,705</u>	<u>\$ 604,774</u>	<u>\$ 64,280</u>	<u>(1,913,577)</u>	<u>(21,074)</u>	<u>(1,934,651)</u>
<b>General revenues:</b>						
Taxes:						
Property				1,835,462	-	1,835,462
Other				111,054	-	111,054
Motor vehicle permit fees				297,068	-	297,068
Licenses and other fees				17,327	-	17,327
Grants and contributions not restricted to specific programs				141,200	-	141,200
Unrestricted investment earnings				140,602	(36,259)	104,343
Miscellaneous				219,546	-	219,546
Total general revenues				<u>2,762,259</u>	<u>(36,259)</u>	<u>2,726,000</u>
Transfers				(38,100)	38,100	-
Total general revenues, contributions, and transfers				<u>2,724,159</u>	<u>1,841</u>	<u>2,726,000</u>
Change in net position				810,582	(19,233)	791,349
Net position, beginning				5,477,224	2,343,849	7,821,073
Net position, ending				<u>\$ 6,287,806</u>	<u>\$ 2,324,616</u>	<u>\$ 8,612,422</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-1**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2020**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,191,748	\$ 2,226	\$ 1,193,974
Investments	6,708	321,066	327,774
Receivables, net of allowance for uncollectible:			
Taxes	302,934	-	302,934
Accounts	25,959	-	25,959
Intergovernmental receivable	24,706	-	24,706
Interfund receivable	-	4,250	4,250
Tax deceded property, subject to resale	112,372	-	112,372
Restricted assets:			
Cash and cash equivalents	66,690	-	66,690
Investments	2,409,306	-	2,409,306
Total assets	<u>\$ 4,140,423</u>	<u>\$ 327,542</u>	<u>\$ 4,467,965</u>
<b>LIABILITIES</b>			
Accrued salaries and benefits	\$ 6,880	\$ -	\$ 6,880
Intergovernmental payable	8,910	-	8,910
Interfund payable	4,523	-	4,523
Total liabilities	<u>20,313</u>	<u>-</u>	<u>20,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	67,370	-	67,370
<b>FUND BALANCES</b>			
Nonspendable	112,372	120,526	232,898
Restricted	416,138	29,845	445,983
Committed	2,079,681	177,171	2,256,852
Unassigned	1,444,549	-	1,444,549
Total fund balances	<u>4,052,740</u>	<u>327,542</u>	<u>4,380,282</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,140,423</u>	<u>\$ 327,542</u>	<u>\$ 4,467,965</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-2**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
**December 31, 2020**

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 4,380,282
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 6,816,162	
Less accumulated depreciation	<u>(2,789,966)</u>	
		4,026,196
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 208,186	
Deferred inflows of resources related to pensions	(55,123)	
Deferred outflows of resources related to OPEB	33,575	
Deferred inflows of resources related to OPEB	<u>(46,997)</u>	
		139,641
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (4,250)	
Payables	<u>4,250</u>	
Property taxes not collected within 60 days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.		
Deferred property taxes	\$ 58,891	
Allowance for uncollectible taxes	<u>(75,000)</u>	
		(16,109)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(7,318)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Notes	\$ 1,204,951	
Legal settlement	18,408	
Compensated absences	66,221	
Net pension liability	735,171	
Other postemployment benefits	<u>210,135</u>	
		<u>(2,234,886)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 6,287,806</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-3**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2020**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,923,218	\$ 4,250	\$ 1,927,468
Licenses and permits	314,395	-	314,395
Intergovernmental	315,583	-	315,583
Charges for services	272,653	-	272,653
Miscellaneous	243,426	6,619	250,045
Total revenues	<u>3,069,275</u>	<u>10,869</u>	<u>3,080,144</u>
<b>EXPENDITURES</b>			
Current:			
General government	704,033	-	704,033
Public safety	508,868	-	508,868
Highways and streets	549,805	-	549,805
Sanitation	272,523	-	272,523
Health	25,180	-	25,180
Welfare	1,720	-	1,720
Culture and recreation	217,779	-	217,779
Conservation	250	60	310
Debt service:			
Principal	78,903	-	78,903
Interest	35,947	-	35,947
Capital outlay	55,170	-	55,170
Total expenditures	<u>2,450,178</u>	<u>60</u>	<u>2,450,238</u>
Excess of revenues over expenditures	<u>619,097</u>	<u>10,809</u>	<u>629,906</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,083	-	1,083
Transfers out	(38,100)	(1,083)	(39,183)
Total other financing sources (uses)	<u>(37,017)</u>	<u>(1,083)</u>	<u>(38,100)</u>
Net change in fund balances	582,080	9,726	591,806
Fund balances, beginning	3,470,660	317,816	3,788,476
Fund balances, ending	<u>\$ 4,052,740</u>	<u>\$ 327,542</u>	<u>\$ 4,380,282</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-4**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended December 31, 2020**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 591,806
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 359,431	
Depreciation expense	<u>(203,692)</u>	155,739
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (1,083)	
Transfers out	<u>1,083</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ (5,952)	
Change in allowance for uncollectible taxes	<u>25,000</u>	19,048
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Repayment of bond principal	\$ 78,903	
Repayment of legal settlement	<u>18,407</u>	97,310
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 459	
Increase in compensated absences payable	(2,298)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(47,254)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(4,228)</u>	(53,321)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 810,582</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT D**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
*For the Fiscal Year Ended December 31, 2020*

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,810,368	\$ 1,810,368	\$ 1,942,266	\$ 131,898
Licenses and permits	299,000	299,000	314,395	15,395
Intergovernmental	256,039	256,039	315,583	59,544
Charges for services	230,000	230,000	271,868	41,868
Miscellaneous	45,700	45,700	47,403	1,703
Total revenues	<u>2,641,107</u>	<u>2,641,107</u>	<u>2,891,515</u>	<u>250,408</u>
<b>EXPENDITURES</b>				
Current:				
General government	768,446	770,007	704,033	65,974
Public safety	528,882	541,315	508,868	32,447
Highways and streets	299,216	509,617	549,805	(40,188)
Sanitation	318,656	318,656	272,523	46,133
Health	25,380	25,380	25,180	200
Welfare	8,140	8,140	1,720	6,420
Culture and recreation	227,457	227,457	190,779	36,678
Conservation	1,000	1,000	250	750
Debt service:				
Principal	93,051	93,051	78,903	14,148
Interest	63,399	63,399	35,947	27,452
Capital outlay	58,000	58,000	55,170	2,830
Total expenditures	<u>2,391,627</u>	<u>2,616,022</u>	<u>2,423,178</u>	<u>192,844</u>
Excess of revenues over expenditures	<u>249,480</u>	<u>25,085</u>	<u>468,337</u>	<u>443,252</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	52,000	276,395	264,395	(12,000)
Transfers out	(575,715)	(575,715)	(613,815)	(38,100)
Total other financing sources (uses)	<u>(523,715)</u>	<u>(299,320)</u>	<u>(349,420)</u>	<u>(50,100)</u>
Net change in fund balances	<u>\$ (274,235)</u>	<u>\$ (274,235)</u>	118,917	<u>\$ 393,152</u>
Increase in restricted fund balance			(25,022)	
Unassigned fund balance, beginning			1,334,545	
Unassigned fund balance, ending			<u>\$ 1,428,440</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-1**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Net Position**  
**December 31, 2020**

	Enterprise Fund
	Water
<b>ASSETS</b>	
Cash and cash equivalents	\$ 93,918
Investments	106,663
Receivables, net of allowance for uncollectible:	
Accounts	115,166
Internal balances	273
Capital assets:	
Land	118,516
Other capital assets, net of depreciation	3,505,268
Total assets	3,939,804
<b>LIABILITIES</b>	
Current liabilities:	
Accrued interest payable	1,045
Long term liabilities:	
Due within one year	73,682
Due in more than one year	1,540,461
Total liabilities	1,615,188
<b>NET POSITION</b>	
Net investment in capital assets	2,009,641
Restricted	314,975
Total net position	\$ 2,324,616

The Notes to the Basic Financial Statements are an integral part of this statement.

*EXHIBIT E-2*  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Proprietary Fund*  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended December 31, 2020**

	Enterprise Fund
	Water
Operating revenues:	
User charges	\$ 325,127
Other sales	3,575
Fees and interest	3,419
Total operating revenues	332,121
Operating expenses:	
Salaries and wages	20,004
Operation and maintenance	149,822
Depreciation and amortization	183,369
Total operating expenses	353,195
Operating loss	(21,074)
Nonoperating revenue (expense):	
Interest income	1,232
Interest expense	(37,491)
Total nonoperating revenues (expense)	(36,259)
Other financing sources:	
Transfers in	38,100
Change in net position	(19,233)
Net position, beginning	2,343,849
Net position, ending	\$ 2,324,616

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-3**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended December 31, 2020**

	Enterprise Fund
	Water Department
Cash flows from operating activities:	
Receipts from customers and users	\$ 333,811
Payments to employees for salaries and benefits	(20,004)
Payments to suppliers	(150,095)
Net cash provided by operating activities	163,712
Cash flows from capital and related financing activities:	
Principal paid on bonds	(72,051)
Acquisition and construction of capital assets	(72,378)
Interest paid	(37,537)
Net cash used for capital and related financing activities	(181,966)
Cash flows from non-capital financing activities:	
Operating transfer in	38,100
Cash flows from investing activities:	
Purchase of investments	(21,274)
Interest received	1,232
Net cash used for investing activities	(20,042)
Net decrease in cash	(196)
Cash, beginning	94,114
Cash, ending	\$ 93,918

***Reconciliation of Operating Loss to Net Cash Provided by Operating Activities***

Operating loss	\$ (21,074)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	183,369
Decrease in other receivables	1,690
Increase in internal balances	(273)
Total adjustments	184,786
Net cash provided by operating activities	\$ 163,712

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT F-1**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2020**

	Private Purpose Trust Funds	All Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,930	\$ 1,403,353
Investments	175,198	304,333
Total assets	<u>177,128</u>	<u>1,707,686</u>
<b>LIABILITIES</b>		
Intergovernmental payables:		
School	<u>-</u>	<u>1,402,376</u>
<b>NET POSITION</b>		
Restricted	<u>\$ 177,128</u>	<u>\$ 305,310</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT F-2**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2020**

	Private Purpose Trust Funds	All Custodial Funds
<b>ADDITIONS</b>		
Investment earnings	\$ 5,141	\$ 4,221
Change in fair market value	1,174	13,342
Tax collections for other governments	-	3,409,708
Total additions	<u>6,315</u>	<u>3,427,271</u>
<b>DEDUCTIONS</b>		
Benefits paid	5,000	-
Payments of taxes to other governments	-	3,409,708
Total deductions	<u>5,000</u>	<u>3,409,708</u>
Change in net position	1,315	17,563
Net position, beginning	<u>175,813</u>	<u>287,747</u>
Net position, ending	<u>\$ 177,128</u>	<u>\$ 305,310</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

	<u>NOTE</u>
<b>Summary of Significant Accounting Policies .....</b>	<b>1</b>
Reporting Entity .....	1-A
Basis of Accounting, and Measurement Focus .....	1-B
Cash and Cash Equivalents .....	1-C
Restricted Assets .....	1-D
Statement of Cash Flows .....	1-E
Investments .....	1-F
Receivables .....	1-G
Capital Assets .....	1-H
Interfund Activities .....	1-I
Property Taxes .....	1-J
Accounts Payable .....	1-K
Deferred Outflows/Inflows of Resources .....	1-L
Long-term Obligations .....	1-M
Compensated Absences .....	1-N
Defined Benefit Pension Plan .....	1-O
Postemployment Benefits Other Than Pensions .....	1-P
Net Position/Fund Balances .....	1-Q
Use of Estimates .....	1-R
<b>Stewardship, Compliance, and Accountability .....</b>	<b>2</b>
Budgetary Information .....	2-A
Budgetary Reconciliation to GAAP Basis .....	2-B
Municipal Budget Law Violation .....	2-C

**DETAILED NOTES ON ALL FUNDS**

<b>Cash and Cash Equivalents .....</b>	<b>3</b>
<b>Restricted Assets .....</b>	<b>4</b>
<b>Investments .....</b>	<b>5</b>
<b>Taxes Receivable .....</b>	<b>6</b>
<b>Other Receivables .....</b>	<b>7</b>
<b>Capital Assets .....</b>	<b>8</b>
<b>Interfund Balances and Transfers .....</b>	<b>9</b>
<b>Intergovernmental Payables .....</b>	<b>10</b>
<b>Deferred Outflows/Inflows of Resources .....</b>	<b>11</b>
<b>Long-term Liabilities .....</b>	<b>12</b>
<b>Defined Benefit Pension Plan .....</b>	<b>13</b>
<b>Postemployment Benefits Other Than Pensions .....</b>	<b>14</b>
New Hampshire Retirement System (NHRS) .....	14-A
Town of Franconia Retiree Health Benefit Program .....	14-B
<b>Government-Wide and Fiduciary Funds Net Position .....</b>	<b>15</b>
<b>Governmental Fund Balances .....</b>	<b>16</b>
<b>Risk Management .....</b>	<b>17</b>
<b>Donation .....</b>	<b>18</b>

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

Contingent Liabilities .....	19
COVID-19 .....	20
Tax Abatements .....	21
Subsequent Events .....	22

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Franconia, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town’s accounting policies are described below.

***1-A Reporting Entity***

The Town of Franconia is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

***1-B Basis of Accounting, and Measurement Focus***

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements*** – The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

***Governmental Fund Financial Statements*** – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses, and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

**General Fund** – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Permanent Fund** – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports two nonmajor governmental funds.

**Proprietary Fund Financial Statements** – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for the major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary fund:

**Water Fund** – accounts for the activities related to the operation of the water treatment plant, wells, and water system.

**Fiduciary Fund Financial Statements** – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The Town reports the following fiduciary funds:

**Private Purpose Trust Fund** – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

**Custodial Fund** – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

***1-C Cash and Cash Equivalents***

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-D Restricted Assets***

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitation and/or they are earmarked for specific purposes.

***1-E Statement of Cash Flows***

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

***1-F Investments***

State statutes place certain limitations on the nature of deposits and investments available as follows:

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

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

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

**Fair Value Measurements of Investments** – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

**Level 1** – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

**Level 2** – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in New Hampshire Public Deposit Investment Pool (NHPDIP), U.S. government obligations, and corporate bonds would be examples of Level 2 investments.

**Level 3** – Inputs are significant unobservable inputs.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP’s Information Statement.

***1-G Receivables***

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

***1-H Capital Assets***

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (i.e., easements) which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
<b>Capital Asset Classes:</b>	
Buildings and building improvements	10 - 50
Machinery and equipment	5 - 35
Infrastructure	10 - 80

***1-I Interfund Activities***

Interfund activities are reported as follows:

**Interfund Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

**Interfund Transfers** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

**1-J Property Taxes**

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 15, 2020, and November 24, 2020, and due on July 1, 2020, and December 29, 2020. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2019 on June 23, 2020.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Profile School District, Lafayette Regional School District, and Grafton County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2020, utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$285,258,193
For all other taxes	\$291,207,993

The tax rates and amounts assessed for the year ended December 31, 2020, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$6.47	\$1,884,622
School portion:		
State of New Hampshire	\$2.02	575,452
Local	\$8.13	2,366,785
County portion	\$1.88	548,471
Total	\$18.50	\$5,375,330

**1-K Accounts Payable**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2020.

**1-L Deferred Outflows/Inflows of Resources**

*Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Town after the measurement date but before the end of the Town’s reporting period.

*Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

***1-M Long-term Obligations***

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statement of Net Position.

***1-N Compensated Absences***

The Town's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town's personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

***1-O Defined Benefit Pension Plan***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

***1-P Postemployment Benefits Other Than Pensions***

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

***New Hampshire Retirement System Plan*** – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***Single Employer Plan*** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

***1-Q Net Position/Fund Balances***

***Government-wide Statements*** – Equity is classified as net position and displayed in three components:

**Net investment in capital assets** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

**Unrestricted net position** – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

***Fund Balance Classifications*** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

**Nonspendable** – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory, or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

**Restricted** – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Unassigned** – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

***1-R Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivables, and the useful lives and impairment of tangible and intangible capital assets, net pension liability, other postemployment benefit liability, and deferred outflows and inflows of resources related to both pension and other postemployment benefits, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2020, \$150,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$124,235 was voted from unassigned fund balance as a transfer to the capital reserve funds.

**2-B Budgetary Reconciliation to GAAP Basis**

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$3,155,910
Adjustment:	
Basis differences:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	196,808
To eliminate transfers between blended funds	(263,312)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(19,048)
Per Exhibit C-3 (GAAP basis)	<u>\$3,070,358</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$3,036,993
Adjustment:	
Basis differences:	
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	27,000
To eliminate transfers between general and blended funds	(575,715)
Per Exhibit C-3 (GAAP basis)	<u>\$2,488,278</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Town’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town’s agent in the Town’s name. The FDIC currently insures the first \$250,000 of the Town’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town’s deposits was \$2,759,865 and the bank balances totaled \$2,822,974.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$1,354,582
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	<u>1,405,283</u>
Total cash and cash equivalents	<u><u>\$2,759,865</u></u>

**Custodial Credit Risk** – The Town’s repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be recovered.

**Interest Rate Risk** – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the Town’s investments.

**NOTE 4 – RESTRICTED ASSETS**

Cash and investments are classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Library	\$ 60,009
Capital reserve funds	6,681
Total restricted cash and cash equivalents	<u>66,690</u>
Investments:	
General fund:	
Library	327,608
Capital reserve funds	2,081,698
Total restricted investments	<u>2,409,306</u>
Total restricted assets	<u><u>\$2,475,996</u></u>

**NOTE 5 – INVESTMENTS**

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Since investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2020:

	Valuation Measurement Method	Reported Balance
Investments type:		
Equity mutual funds	Level 1	699,354
Fixed income mutual funds	Level 2	<u>2,338,216</u>
Total fair value		\$ 3,037,570
Investments carried at amortized cost:		
New Hampshire Public Deposit Investment Pool		<u>285,704</u>
Total investments		<u><u>\$ 3,323,274</u></u>

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk** – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have custodial credit risk policies for investments.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$2,843,743
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	479,531
Total investments	<u>\$3,323,274</u>

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$75,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2020	\$ 241,919	\$ 241,919
Levy of 2019	69	69
Unredeemed (under tax lien):		
Levy of 2019	35,417	35,417
Levy of 2018	25,529	25,529
Less: allowance for estimated uncollectible taxes	(75,000) *	-
Net taxes receivable	<u>\$ 227,934</u>	<u>\$ 302,934</u>

\*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2020, consisted of accounts (billings for police details, water, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2020 for the Town's individual major fund in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental	Business-type	
	Activities	Activities	
	General	Water	
	Fund	Department	Total
Receivables:			
Accounts	\$ 271,552	\$ 116,166	\$ 387,718
Intergovernmental	24,706	-	24,706
Gross receivables	296,258	116,166	412,424
Less: allowance for uncollectibles	(245,593)	(1,000)	246,593
Net total receivables	<u>\$ 50,665</u>	<u>\$ 115,166</u>	<u>\$ 659,017</u>

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 is as follows:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 814,334	\$ -	\$ -	\$ 814,334
Being depreciated:				
Buildings and building improvements	2,879,913	-	-	2,879,913
Machinery, equipment, and vehicles	2,455,147	68,168	(38,422)	2,484,893
Infrastructure	345,759	291,263	-	637,022
Total capital assets being depreciated	<u>5,680,819</u>	<u>359,431</u>	<u>(38,422)</u>	<u>6,001,828</u>
Total all capital assets	<u>6,495,153</u>	<u>359,431</u>	<u>(38,422)</u>	<u>6,816,162</u>
Less accumulated depreciation:				
Buildings and building improvements	(535,937)	(71,108)	-	(607,045)
Machinery, equipment, and vehicles	(1,923,981)	(95,978)	38,422	(1,981,537)
Infrastructure	(164,778)	(36,606)	-	(201,384)
Total accumulated depreciation	<u>(2,624,696)</u>	<u>(203,692)</u>	<u>38,422</u>	<u>(2,789,966)</u>
Net book value, capital assets being depreciated	<u>3,056,123</u>	<u>155,739</u>	<u>-</u>	<u>3,211,862</u>
Net book value, all governmental activities capital assets	<u>\$ 3,870,457</u>	<u>\$ 155,739</u>	<u>\$ -</u>	<u>\$ 4,026,196</u>
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 118,516	\$ -	\$ -	\$ 118,516
Being depreciated:				
Machinery and equipment	44,430	-	-	44,430
Infrastructure	5,116,633	72,378	-	5,189,011
Total capital assets being depreciated	<u>5,161,063</u>	<u>72,378</u>	<u>-</u>	<u>5,233,441</u>
Total all capital assets	<u>5,279,579</u>	<u>72,378</u>	<u>-</u>	<u>5,351,957</u>
Less accumulated depreciation:				
Machinery and equipment	(24,993)	(3,166)	-	(28,159)
Infrastructure	(1,519,811)	(180,203)	-	(1,700,014)
Total accumulated depreciation	<u>(1,544,804)</u>	<u>(183,369)</u>	<u>-</u>	<u>(1,728,173)</u>
Net book value, capital assets being depreciated	<u>3,616,259</u>	<u>(110,991)</u>	<u>-</u>	<u>3,505,268</u>
Net book value, all business-type activities capital assets	<u>\$ 3,734,775</u>	<u>\$ (110,991)</u>	<u>\$ -</u>	<u>\$ 3,623,784</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

<b>Governmental activities:</b>	
General government	\$ 16,774
Public safety	66,631
Highways and streets	96,938
Sanitation	2,365
Culture and recreation	20,984
Total depreciation expense	<u>\$ 203,692</u>
<b>Business-type activities:</b>	
Water	<u>\$ 183,369</u>

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**NOTE 9 – INTERFUND BALANCES AND TRANSFERS**

*Interfund Balances* - The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
Water Department	General	\$ 273
Nonmajor	General	4,250
		\$ 4,523

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

*Interfund Transfers* - The composition of interfund transfers for the year ended December 31, 2020 is as follows:

	Transfers In:		
	General Fund	Water Department Fund	Total
Transfers out:			
General fund	\$ -	\$ 38,100	\$ 38,100
Nonmajor fund	1,083	-	1,083
Total	\$ 1,083	\$ 38,100	\$ 39,183

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

**NOTE 10 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments at December 31, 2020, consist of the following:

	Governmental Fund	
	General Fund	Fiduciary Funds
Balance due to the New Hampshire Retirement System	\$ 8,910	\$ -
Taxes due to the Lafayette Regional School District	-	667,044
Taxes due to the Profile School District	-	735,332
Total intergovernmental payables due	\$ 8,910	\$ 1,402,376

**NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of at December 31, 2020 consist of amounts related to pensions totaling \$208,186 and amounts related to OPEB totaling \$33,575. For further discussion on these amounts, see Note 13 and 14, respectively.

Deferred inflows of resources are as follows:

	Government-wide	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$58,891
Property taxes paid in advance	8,479	8,479
Amounts related to pensions, see Note 13	55,123	-
Amounts related to OPEB, see Note 14	46,997	-
Total deferred inflows of resources	\$ 110,599	\$67,370

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2020:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<b>Governmental activities:</b>					
General obligation notes	\$ 1,283,854	\$ -	\$ (78,903)	\$ 1,204,951	\$ 81,243
Legal settlement liability*	36,815	-	(18,407)	18,408	12,272
Compensated absences	63,923	2,298	-	66,221	-
Net pension liability	519,221	215,950	-	735,171	-
Net other postemployment benefits	233,377	-	(23,242)	210,135	-
Total long-term liabilities	<u>\$ 2,137,190</u>	<u>\$ 218,248</u>	<u>\$ (120,552)</u>	<u>\$ 2,234,886</u>	<u>\$ 93,515</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation note	<u>\$ 1,686,194</u>	<u>\$ -</u>	<u>\$ (72,051)</u>	<u>\$ 1,614,143</u>	<u>\$ 73,682</u>

\*The Town entered into a legal settlement with a utility company to settle ongoing litigation regarding the tax assessment of utility poles. The Town has determined to pay out the settlement through annual credits of property taxes through 2022.

Long-term notes are comprised of the following:

**Governmental activities:**

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020	Current Portion
General obligation notes payable:						
Safety services building	\$ 1,700,000	2014	2034	2.84%	\$ 1,195,906	\$ 77,286
Street light energy improvements	\$ 19,430	2017	2023	2.50%	9,045	3,957
Total					<u>\$ 1,204,951</u>	<u>\$ 81,243</u>

**Business-type activities:**

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020	Current Portion
General obligation note payable:						
Water system improvement	\$ 2,267,000	2010	2038	2.25%	\$ 1,614,143	\$ 73,682

The annual requirements to amortize all general obligation notes outstanding as of December 31, 2020, including interest payments, are as follows:

**Governmental activities:**

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 81,243	\$ 33,606	\$ 114,849
2022	83,554	31,296	114,850
2023	82,802	28,945	111,747
2024	84,038	26,673	110,711
2025	86,513	24,199	110,712
2026-2030	471,081	82,477	553,558
2031-2033	315,720	15,889	331,609
Totals	<u>\$ 1,204,951</u>	<u>\$ 243,085</u>	<u>\$ 1,448,036</u>

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

Long-term liabilities continued:

**Business-type activities:**

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 73,682	\$ 35,906	\$ 109,588
2022	75,349	34,239	109,588
2023	77,053	32,535	109,588
2024	78,797	30,791	109,588
2025	80,580	29,008	109,588
2026-2030	431,088	116,852	547,940
2031-2035	482,116	65,824	547,940
2036-2040	315,478	12,517	327,995
Totals	<u>\$ 1,614,143</u>	<u>\$ 357,672</u>	<u>\$ 1,971,815</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**NOTE 13 – DEFINED BENEFIT PENSION PLAN**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

**Benefits Provided** – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

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

**Contributions** - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$57,775, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2020 the Town reported a liability of \$735,171 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town’s proportion was 0.01% which the same as its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$105,381. At December 31, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 37,976	\$ 47,229
Changes in assumptions	72,723	-
Net difference between projected and actual investment earnings on pension plan investments	45,471	-
Differences between expected and actual experience	19,853	7,894
Contributions subsequent to the measurement date	32,163	-
Total	\$ 208,186	\$ 55,123

The \$32,163 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

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

Fiscal Year Ending December 31,	
2021	\$ 18,310
2022	21,090
2023	41,111
2024	40,389
Totals	\$ 120,900

**Actuarial Assumptions** – The collective total pension liability was based on the following assumptions:

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

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

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

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

**Long-term Rates of Return** – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2020</u>
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	<u>20.00%</u>	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	<u>25.00%</u>	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	2.95%
Total	<u>100.00%</u>	

**Discount Rate** – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 951,747	\$ 735,171	\$ 558,200

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**14-A New Hampshire Retirement System (NHRS)**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system’s website at [www.nhrs.org](http://www.nhrs.org).

**Benefits Provide** - Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2020 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

**Contributions** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$8,608 which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At December 31, 2020, the Town reported a liability of \$71,149 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town’s proportion was 0.02% which was the same as its proportion measured as of June 30, 2019.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

For the year ended December 31, 2020, the Town recognized OPEB expense of \$4,906. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 219
Net difference between projected and actual investment earnings on OPEB plan investments	266	-
Changes in assumptions	457	-
Differences between expected and actual experience	-	206
Contributions subsequent to the measurement date	4,752	-
Total	\$ 5,475	\$ 425

The \$4,752 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2021	\$ 52
2022	79
2023	94
2024	73
Totals	\$ 298

**Actuarial Assumptions** – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75 % (2.25%) for teachers
Investment rate of return:	6.75 % net of OPEB plan investment expense, including inflation for determining solvency contributions

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

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

**Long-term Rates of Return** – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

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

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2020, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

**Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the Town’s proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 77,260	\$ 71,149	\$ 65,843

**Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption** – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

**14-B Town of Franconia Retiree Health Benefit Program**

**Plan Description** – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**Benefits Provided** – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Health Trust.

**Employees Covered by Benefit Terms** – At January 1, 2020, 12 active employees were covered by the benefit terms.

**Total OPEB Liability** – The Town’s total OPEB liability of \$138,986 was measured as of January 1, 2020, and was determined by an actuarial valuation of that date.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$138,986 in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.12%
Healthcare Cost Trend Rates:	
Current Year Trend	6.40%
Second Year Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2030
Salary Increases:	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of December 31, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Rate 2006).

**Changes in the Total OPEB Liability**

	December 31,	
	2019	2020
OPEB liability beginning of year	\$ 128,520	\$ 160,356
Changes for the year:		
Service cost	16,326	10,810
Interest	3,217	2,680
Assumption changes and difference between actual and expected experience	12,970	(33,039)
Benefit payments	(677)	(1,821)
OPEB liability end of year	<u>\$ 160,356</u>	<u>\$ 138,986</u>

**Sensitivity of the Town’s OPEB Liability to Changes in the Discount Rate** – The January 1, 2020, actuarial valuation was prepared using a discount rate of 2.12%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$130,529. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$147,688.

	Discount Rate		
	1% Decrease	Baseline 2.12%	1% Increase
Total OPEB Liability	<u>\$ 147,688</u>	<u>\$ 138,986</u>	<u>\$ 130,529</u>

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The January 1, 2020, actuarial valuation was prepared using an initial trend rate of 6.40%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$154,952. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$125,099.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 6.40%	1% Increase
Total OPEB Liability	\$ 125,099	\$ 138,986	\$ 154,952

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended December 31, 2020, the Town recognized OPEB expense of \$9,731. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 28,100	\$ -
Differences between expected and actual experience	-	46,572
Total	\$ 28,100	\$ 46,572

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

Fiscal Year Ending December 31,	
2021	\$ (3,759)
2022	(3,759)
2023	(3,759)
2024	(3,761)
2025	(3,434)
Totals	\$ (18,472)

**NOTE 15 – GOVERNMENT-WIDE AND FIDUCIARY FUNDS NET POSITION**

Net position reported on the government-wide and fiduciary funds Statements of Net Position at December 31, 2020 include the following:

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Net investment in capital assets:				
Net book value, all capital assets	\$ 4,026,196	\$ 3,623,784	\$ 7,649,980	\$ -
Less:				
General obligation notes payable	(1,204,951)	(1,614,143)	(2,819,094)	-
Total net investment in capital assets	2,821,245	2,009,641	4,830,886	-
Restricted net position:				
Perpetual care - nonexpendable	120,526	-	120,526	-
Perpetual care - expendable	29,845	-	29,845	-
Library	387,617	-	387,617	-
Individuals, organizations and other governments	-	-	-	482,438
Water	-	314,975	314,975	-
Total restricted net position	537,988	314,975	852,963	482,438
Unrestricted	2,928,573	-	2,928,573	-
Total net position	\$ 6,287,806	\$ 2,324,616	\$ 8,612,422	\$ 482,438

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**NOTE 16 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Tax deeded property	\$ 112,372	\$ -	\$ 112,372
Permanent fund - principal balance	-	120,526	120,526
Total nonspendable fund balance	<u>112,372</u>	<u>120,526</u>	<u>232,898</u>
<b>Restricted:</b>			
Library	412,617	-	412,617
MacLachlin memorial	3,521	-	3,521
Permanent - income balance	-	29,845	29,845
Total restricted fund balance	<u>416,138</u>	<u>29,845</u>	<u>445,983</u>
<b>Committed:</b>			
Expendable trusts	2,079,681	-	2,079,681
Conservation	-	177,171	177,171
Total committed fund balance	<u>2,079,681</u>	<u>177,171</u>	<u>2,256,852</u>
<b>Unassigned</b>			
Total governmental fund balances	<u>\$ 4,052,740</u>	<u>\$ 327,542</u>	<u>\$ 4,380,282</u>

**NOTE 17 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2020, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2020, to December 31, 2020, by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2020 the Town paid \$46,156 and \$29,235 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 18 – DONATION**

The Town received a \$25,000 donation during 2020 from New Hampshire Charitable Foundation in support of the Abbie Greenleaf Library Building Maintenance Fund. The donation is not included in the general fund budget since its receipt cannot be assured.

**NOTE 19 – CONTINGENT LIABILITIES**

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**NOTE 20 – COVID-19**

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2020. The Town was awarded a portion of this federal funding totaling \$72,383. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

**NOTE 21 – TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Town had no such agreements as of December 31, 2020.

**NOTE 22 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through August 5, 2021, the date the December 31, 2020 financial statements were available to be issued, and the following occurred that requires recognition or disclosure:

At the April 9, 2021, annual meeting the voters of the Town approved five warrant articles for a total of \$322,306 to fund various trust funds with December 31, 2020, unassigned fund balance.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT G**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2020*

	December 31,						
	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Town's proportionate share of the net pension liability	\$449,501	\$462,649	\$645,188	\$659,320	\$535,137	\$519,221	\$ 735,171
Town's covered payroll	\$181,550	\$183,472	\$191,549	\$216,893	\$186,349	\$184,513	\$207,276
Town's proportionate share of the net pension liability as a percentage of its covered payroll	247.59%	252.16%	336.83%	303.98%	287.17%	281.40%	354.68%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%

**EXHIBIT H**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Schedule of Town Contributions - Pensions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2020*

	December 31,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 46,018	\$ 48,280	\$ 43,446	\$ 49,113	\$ 46,972	\$ 46,960	\$ 51,061
Contributions in relation to the contractually required contributions	46,018	48,280	43,446	49,113	46,972	46,960	51,061
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 181,550	\$ 183,472	\$ 191,549	\$ 216,893	\$ 186,349	\$ 184,513	\$ 207,276
Contributions as a percentage of covered payroll	25.35%	26.31%	22.68%	22.64%	25.21%	25.45%	24.63%



**EXHIBIT I**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2020*

	December 31,			
	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.01%	0.02%	0.02%	0.02%
Town's proportionate share of the net OPEB liability (asset)	\$64,546	\$78,697	\$73,021	\$ 71,149
Town's covered payroll	\$216,893	\$186,349	\$184,513	\$ 207,276
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	29.76%	42.23%	39.57%	34.33%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.53%	7.75%	7.74%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**EXHIBIT J**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Schedule of Town Contributions - Other Postemployment Benefits*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2020*

	December 31,			
	2017	2018	2019	2020
Contractually required contribution	\$ 8,367	\$ 7,603	\$ 7,601	\$ 7,545
Contributions in relation to the contractually required contribution	8,367	7,603	7,601	7,545
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 216,893	\$ 186,349	\$ 184,513	\$ 207,276
Contributions as a percentage of covered payroll	3.86%	4.08%	4.12%	3.64%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**EXHIBIT K**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios*  
**Retiree Health Benefit Program**  
**For the Fiscal Year Ended December 31, 2020**

	December 31,		
	2018	2019	2020
OPEB liability, beginning of year	\$ 111,106	\$ 128,520	\$ 160,356
Changes for the year:			
Service cost	13,522	16,326	10,810
Interest	4,542	3,217	2,680
Assumption changes and difference between actual and expected experience	-	12,970	(33,039)
Benefit payments	(650)	(677)	(1,821)
OPEB liability, end of year	<u>\$ 128,520</u>	<u>\$ 160,356</u>	<u>\$ 138,986</u>
Covered payroll	<u>\$ 858,013</u>	<u>\$ 679,981</u>	<u>\$ 629,006</u>
Total OPEB liability as a percentage of covered payroll	14.98%	23.58%	22.10%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFIT LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

***Schedule of the Town’s Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2/0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

**Methods and Assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

***Schedule of Changes in Town’s Total Other Postemployment Benefits Liability and Related Ratios***

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2020. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Significant changes from the previous actuarial valuation:

- Decreasing the discount rate from 2.66% to 2.12%
- Trend rates were advanced, and the current year trend rate was adjusted to reflect actual experience.
- Mortality assumption changes from SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Rate 2006) to SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Rate 2006).
- Morbidity factors were adjusted to reflect rates that better reflect expected underlying costs.
- The tables used for retirement and termination assumptions were updated to reflect the most recent tables from the New Hampshire Retirement System Comprehensive Annual Financial Report dated June 20, 2019.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2020*

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 1,713,977	\$ 1,835,462	\$ 121,485
Land use change	250	4,250	4,000
Yield	2,247	2,268	21
Payment in lieu of taxes	73,894	73,894	-
Interest and penalties on taxes	20,000	26,392	6,392
Total from taxes	<u>1,810,368</u>	<u>1,942,266</u>	<u>131,898</u>
<b>Licenses, permits, and fees:</b>			
Business licenses, permits, and fees	1,500	-	(1,500)
Motor vehicle permit fees	285,000	297,068	12,068
Building permits	6,500	10,620	4,120
Other	6,000	6,707	707
Total from licenses, permits, and fees	<u>299,000</u>	<u>314,395</u>	<u>15,395</u>
<b>Intergovernmental:</b>			
<b>State:</b>			
Shared revenues	11,535	11,535	-
Meals and rooms distribution	57,282	57,282	-
Highway block grant	53,786	53,780	(6)
Other	-	10,500	10,500
<b>Federal:</b>			
Other	-	72,383	72,383
Other	133,436	110,103	(23,333)
Total from intergovernmental	<u>256,039</u>	<u>315,583</u>	<u>59,544</u>
<b>Charges for services:</b>			
Income from departments	110,000	104,342	(5,658)
Other charges	120,000	167,526	47,526
Total charges for services	<u>230,000</u>	<u>271,868</u>	<u>41,868</u>
<b>Miscellaneous:</b>			
Sale of municipal property	6,400	1,100	(5,300)
Interest on investments	1,500	2,933	1,433
Other	37,800	43,370	5,570
Total from miscellaneous	<u>45,700</u>	<u>47,403</u>	<u>1,703</u>
<b>Other financing sources:</b>			
Transfers in	276,395	264,395	(12,000)
Total revenues and other financing sources	2,917,502	<u>\$ 3,155,910</u>	<u>\$ 238,408</u>
Unassigned fund balance used to reduce tax rate	150,000		
Amounts voted from fund balance	124,235		
Total revenues, other financing sources, and use of fund balance	<u>\$ 3,191,737</u>		

**SCHEDULE 2**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2020*

	Appropriations	Expenditures	Variance Positive (Negative)
Current:			
General government:			
Executive	\$ 168,562	\$ 146,557	\$ 22,005
Election and registration	42,636	43,317	(681)
Financial administration	14,689	13,572	1,117
Revaluation of property	20,922	20,922	-
Legal	6,000	12,075	(6,075)
Personnel administration	276,938	260,861	16,077
Planning and zoning	7,156	3,927	3,229
General government buildings	156,976	121,726	35,250
Cemeteries	32,888	30,409	2,479
Insurance, not otherwise allocated	43,240	41,667	1,573
Advertising and regional associations	-	9,000	(9,000)
Total general government	<u>770,007</u>	<u>704,033</u>	<u>65,974</u>
Public safety:			
Police	304,975	299,491	5,484
Ambulance	84,950	87,718	(2,768)
Fire	97,890	68,379	29,511
Building inspection	4,000	14,359	(10,359)
Emergency management	4,000	3,116	884
Other	45,500	35,805	9,695
Total public safety	<u>541,315</u>	<u>508,868</u>	<u>32,447</u>
Highways and streets:			
Highways and streets	495,617	538,188	(42,571)
Street lighting	14,000	11,617	2,383
Total highways and streets	<u>509,617</u>	<u>549,805</u>	<u>(40,188)</u>
Sanitation:			
Solid waste disposal	<u>318,656</u>	<u>272,523</u>	<u>46,133</u>
Health:			
Health agencies	<u>25,380</u>	<u>25,180</u>	<u>200</u>
Welfare:			
Administration and direct assistance	<u>8,140</u>	<u>1,720</u>	<u>6,420</u>
Culture and recreation:			
Parks and recreation	141,157	107,239	33,918
Library	85,300	82,149	3,151
Patriotic purposes	1,000	1,391	(391)
Total culture and recreation	<u>227,457</u>	<u>190,779</u>	<u>36,678</u>
Conservation	<u>1,000</u>	<u>250</u>	<u>750</u>
Debt service:			
Principal of long-term debt	93,051	78,903	14,148
Interest on long-term debt	59,899	35,668	24,231
Interest on tax anticipation notes	3,500	279	3,221
Total debt service	<u>156,450</u>	<u>114,850</u>	<u>41,600</u>

*(Continued)*

*SCHEDULE 2 (Continued)*  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2020*

	Appropriations	Expenditures	Variance Positive (Negative)
Capital outlay	58,000	55,170	2,830
Other financing uses:			
Transfers out	575,715	613,815	(38,100)
Total appropriations, expenditures, and other financing uses	<u>\$ 3,191,737</u>	<u>\$ 3,036,993</u>	<u>\$ 154,744</u>

**SCHEDULE 3**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2020**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		1,334,545
Changes:		
Unassigned fund balance used to reduce 2020 tax rate		(150,000)
Amounts voted from fund balance		(124,235)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 238,408	
Unexpended balance of appropriations (Schedule 2)	<u>154,744</u>	
2020 Budget surplus		393,152
Increase in restricted fund balance		<u>(25,022)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,428,440
<b><i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i></b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(58,891)
Elimination of the allowance for uncollectible taxes		<u>75,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 1,444,549</u></u>

**SCHEDULE 4**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2020**

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 588	\$ 1,638	\$ 2,226
Investments	172,333	148,733	321,066
Interfund receivable	4,250	-	4,250
Total assets	<u>\$ 177,171</u>	<u>\$ 150,371</u>	<u>\$ 327,542</u>
<b>FUND BALANCES</b>			
Nonspendable	\$ -	\$ 120,526	\$ 120,526
Restricted	-	29,845	29,845
Committed	177,171	-	177,171
Total fund balances	<u>\$ 177,171</u>	<u>\$ 150,371</u>	<u>\$ 327,542</u>

**SCHEDULE 5**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2020**

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
<b>Revenues:</b>			
Taxes	\$ 4,250	\$ -	\$ 4,250
Miscellaneous	1,053	5,566	6,619
Total revenues	<u>5,303</u>	<u>5,566</u>	<u>10,869</u>
<b>Expenditures:</b>			
Current:			
Conservation	60	-	60
Excess of revenues over expenditures	<u>5,243</u>	<u>5,566</u>	<u>10,809</u>
<b>Other financing uses:</b>			
Transfers out	-	(1,083)	(1,083)
Net change in fund balances	5,243	4,483	9,726
Fund balances, beginning	<u>171,928</u>	<u>145,888</u>	<u>317,816</u>
Fund balances, ending	<u>\$ 177,171</u>	<u>\$ 150,371</u>	<u>\$ 327,542</u>

**SCHEDULE 6**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Fiduciary Net Position**  
**December 31, 2020**

	Custodial Funds		Total
	Taxes	School Trust Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,402,376	\$ 977	\$ 1,403,353
Investments	-	304,333	304,333
Total assets	<u>1,402,376</u>	<u>305,310</u>	<u>1,707,686</u>
<b>LIABILITIES</b>			
Intergovernmental payables:			
School	<u>1,402,376</u>	-	<u>1,402,376</u>
<b>NET POSITION</b>			
Restricted	<u>\$ -</u>	<u>\$ 305,310</u>	<u>\$ 305,310</u>

**SCHEDULE 7**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2020**

	Custodial Funds		
	Taxes	School Trust Funds	Total
<b>Additions:</b>			
Investment earnings	\$ -	\$ 4,221	\$ 4,221
Change in fair market value	-	13,342	13,342
Tax collections for other governments	3,409,708	-	3,409,708
Total additions	<u>3,409,708</u>	<u>17,563</u>	<u>3,427,271</u>
<b>Deductions:</b>			
Payments of taxes to other governments	<u>3,409,708</u>	-	<u>3,409,708</u>
Net increase in fiduciary net position	-	17,563	17,563
Net position, beginning	-	287,747	287,747
Net position, ending	<u>\$ -</u>	<u>\$ 305,310</u>	<u>\$ 305,310</u>



## PLODZIK & SANDERSON

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

To the Members of the Board of Selectmen  
Town of Franconia  
Franconia, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Franconia, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Franconia's basic financial statements and have issued our report thereon dated August 5, 2021.

#### ***Internal Control over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

*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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below to be a material weakness:

#### ***2020-01 Bank Reconciliations***

During our testing of the Town's bank reconciliations, we noted that while the Town Treasurer is reconciling the various cash accounts, the reconciliations are not always being compared to the cash accounts on the general ledger to ensure that they are in agreement. In addition, it was noted that the bank reconciliations were not always done in a timely manner. Most problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the Town's procedures. We recommend that the Town Treasurer reconcile monthly all of the bank accounts in a timely manner then compare them to the general ledger with the Town Administrator and that any differences between the two be promptly investigated and adjusted once adequate explanations are obtained. This process will substantially increase control over cash.

**Management's Response:** The Town Administrator will continue to work with the Treasurer in an effort to reconcile to the general ledger. The Town has also contracted with a consulting firm to assist with this process going forward.

***Town of Franconia***

***Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***

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. We consider the following deficiencies in the Town of Franconia's internal control to be significant deficiencies:

***2020-02 Adjusting Journal Entries***

During our review of the Town's adjusting journal entries, we noted that no adjusting journal entries or support were maintained for 2020 and therefore none were reviewed and approved in a timely manner. Without complete separation of duties, particularly between the approval and recording of adjusting journal entries, transactions may be inaccurately recorded in the general ledger through a journal entry and not be detected. The potential result would be that the financial statements may be materially misstated. We recommend that a policy be developed for journal entries and that all journal entries be maintained as well as reviewed and approved by the Board in a timely manner or another appropriate individual other than the individual responsible for recording the journal entries in the general ledger.

**Management's Response:** Adjusting journal entries are now being reported and reviewed by the Selectmen in a timelier manner. The Town has also contracted with a consulting firm to assist with this process going forward.

***2020-03 Property Taxes and Water Rents***

We noted that property tax and water rent receivables are not reconciled between the Tax Collector's records and the Town's general ledger. The lack of reconciliation between the general ledger and Tax Collector has led to the inability to determine accurate receivable balances on the general ledger. We strongly suggest that procedures be established to ensure that the property and lien receivable balances as well as the water receivable balances are reconciled monthly between the general ledger and the Tax Collector on a consistent and timely basis.

**Management's Response:** The Town Administrator will work on this process and will also work with the Water Department's Secretary in an effort to reconcile between the Tax Collector and the general ledger.

***2020-04 Ambulance Revenue and Receivables***

Upon review of the internal controls over the ambulance receivables and revenue we noted that there is no reconciliation process in place to determine that what is being given to the third-party billing company is actually being billed. In addition, there is no formal process for the write-off of old outstanding receivables. Finally, the monthly billing information is not being reconciled to the Town's general ledger until year-end. Accounting tasks such as monthly reconciliation of the Tempsis run reports to the third-party billing company's reports would play a key role in proving the accuracy of accounting data and information included in any interim financial reports. Therefore, in order to provide more accurate and timely accounting information, and to ensure that all runs are being billed, we recommend that the Town establish effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of the third-party billing, write-offs, and payment reports to the monthly run sheets and reconciliation to the Town's general ledger system. We also recommend that a policy be established for the approval of all write-offs.

**Management's Response:** The Town Administrator will work with the Life Squad Director in an effort to reconcile.

***2020-05 Transfer Station***

When reviewing the internal controls over the processes at the Town's transfer station we noted that the Town does not have a scale to weigh bulk item disposals in order to determine their weight and the accurate amount of fees to be paid for the disposal. Presently, the transfer station employees estimate the disposal weights. A more formal process should be in place to determine disposal weights, so that the Town makes sure that it is receiving the correct amount of disposal fees. We recommend that the Town obtain a scale or some other means of weighing debris, so that the proper amount of fees can be charged and collected by the Town.

In addition, we noted that each employee has access to the cash register, as well as the lockbox used to store the cash receipts prior to deposit being made. Presently the cash register is not used as a control device. The objective of internal control over cash receipts is to obtain control over the amounts received at the time of receipt. We feel that limiting access to the cash register and lockbox will result in much greater internal control. To achieve this control, we recommend that all receipts be processed through the cash register with the cash or checks collected and a prenumbered cash receipt, which has been initialed

***Town of Franconia***

***Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***

by the employee who collected the money, be included with the payment in the cash drawer. Then at the end of the day the Transfer Station Supervisor should perform a cash register reconciliation to the cash and checks collected. If not deposited that day then the lockbox can be used but the access to it should be limited to the Transfer Station Supervisor.

**Management's Response:** The Transfer Station Supervisor is and has been the only person with access to the lockbox. The cash drawer is balanced on a weekly basis by the Supervisor. Numbered receipts are and have been used over the course of 2019. The Town made an effort to purchase scales for more accurate fees, however, the article was voted down. We will continue to look at options for accurately assessing fees.

In addition, we noted other matters involving internal control and its operation that we have reported to the management of the Town of Franconia in a separate letter, also dated August 5, 2021.

***Town of Franconia's Responses to Findings***

The Town of Franconia's responses to the findings identified in our audit are described above and the Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of This Report***

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

August 5, 2021

*Plodzik & Sanderson  
Professional Association*