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June 27, 2022

To the Members of the Board of Selectmen  
Town of Franconia  
421 Main Street, P.O. Box 900  
Franconia, NH 03580

Dear Members of the Board:

We have audited 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 for the year ended December 31, 2021 and have issued our report thereon dated June 20, 2022. Professional standards require that we communicate to you the following information related to our audit.

### ***Our Responsibility in Relation to the Financial Statement Audit***

As communicated in our engagement letter dated January 27, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town of Franconia solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated June 20, 2022.

### ***Planned Scope and Timing of the Audit***

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter dated January 27, 2022.

### ***Compliance with All Ethics Requirements Regarding Independence***

The engagement team, other in our Firm, as appropriate and our Firm, has complied with all relevant ethical requirements regarding independence.

We follow the AICPA Ethics Standard Rule 201 and in conjunction with the Firm's Quality Control Document, we annually review with all engagement staff potential conflicts and obtain an independence certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

**PLODZIK & SANDERSON, P.A.**  
*Certified Public Accountants*

193 North Main Street, Concord, New Hampshire, 03301 • 603-225-6996  
9 Cedarwood Drive, Suite 10, Bedford, New Hampshire, 03110 • 603-621-0661  
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***Significant Risks Identified***

We have identified the following significant risks:

- Management override of controls;
- Improper revenue recognition;
- Impact of the COVID-19 pandemic; and
- Use of QuickBooks as a general ledger.

***Qualitative Aspects of the Entity's Significant Accounting Practices***

*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town of Franconia is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the capital asset useful lives is based on historical information and industry guidance. We evaluated the key factors and assumptions used to develop the capital asset useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible property taxes are based on historical data and information known concerning the assessment appeals. We evaluated the key factors and assumptions used to develop the uncollectible property taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the uncollectible ambulance receivables is based on knowledge of past collection rates. We evaluated the key factors and assumptions used to develop the uncollectible ambulance receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the uncollectible water receivables is based on knowledge of past collection rates. We evaluated the key factors and assumptions used to develop the uncollectible water receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability, deferred outflows and inflows of resources related to pensions are based on assumptions of future events, such as employment, mortality and estimates of value of reported amounts. We evaluated the key factors and assumptions used to develop the net pension liability, deferred outflows and inflows of resources related to pensions in determining that they are reasonable in relation to the financial statements taken as a whole.



Management's estimate of the other postemployment benefit liability, deferred outflows and inflows of resources are based on the assumption of future events, such as employment, mortality, and healthcare cost trend, as well as estimates of the value of reported amounts. We evaluated key factors and assumptions used to develop the other postemployment benefits liability, deferred outflows and inflows of resources related to the other postemployment benefits in determining that they are reasonable in relation to the financial statements taken as a whole.

***Financial Statement Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

***Significant Unusual Transactions***

There are no significant or unusual transactions identified during our audit.

***Significant Difficulties Encountered during the Audit***

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

***Corrected and Uncorrected Misstatements***

Adjustments proposed and approved were primarily of a routine nature which management expects the independent auditors to record as part of their year-end procedures. A list of these adjustments for all funds are attached to this letter.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 20, 2022.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Franconia's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Key Audit Matters***

We have determined that there are no key audit matters to communicate.

***Other Audit Matters, Findings, or Issues***

In the normal course of our professional association with the Town of Franconia, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the Town, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town of Franconia's auditors.



**Town Policies (repeat comment)**

The Town's control policies require that management and employees establish and maintain an environment throughout the Town that sets a positive and supportive attitude toward internal control and conscientious management. The control environment established by the Board of Selectmen sets the tone for how Town employees and elected official conduct its business.

As the Board of Selectmen, Trustees of Trust Funds, Library Trustees, and department heads strive to achieve the goals of the Town and provide accountability for their operations, they need to continually examine internal controls to determine how well they are performing, how they may be improved, and the degree to which they help identify and address major risks for fraud, waste, abuse, and mismanagement.

We noted that while there is an effort to do so (and the Town has adopted many policies previously recommended), the Town has not yet established formal policies for risk management and disaster recovery related to information technology. These policies are essential tools to manage the Town's operations efficiently and effectively.

We recommend that the Board of Selectmen work to develop and formally adopt the information technology policies.

**Payroll Liability Accounts (repeat comment)**

We noted that not all of the Town's liability accounts for payroll related deductions and payments are accurately clearing in each period. For example, the health insurance payable account is steadily increasing when it should net to zero each month. There is a lack of reconciliation of these accounts, which can cause them to be misstated and lead to inaccurate financial reports. We recommend that the mapping of all employees' withholdings and other payroll parameters be reviewed for accuracy. We also recommend these accounts be reconciled on a monthly basis to ensure they accuracy.

**General Ledger Budget (repeat comment)**

In comparing the Town's general fund budget recorded in the general ledger, we identified several differences between the amounts in the general ledger and on the States formal budget documents (MS-434R & MS-232R). To improve monitoring and budgetary controls, we recommend that preliminary figures that are entered into the general ledger are updated with the final budget information processed with the States Department of Revenue Administration.

**Land Use Change Interfund**

During our reconciliation of interfund balances between funds; we noted that the prior year interfund due to the Conservation Fund related to its portion of the 2020 land use change tax was not paid over. No land use change tax was committed in 2021, therefore, the interfund balance remains the same. Amounts due to the Conservation Fund (50% of land use change tax collected for the year) should be transferred on a yearly basis. We recommend that the Town transfer over the amounts due to the Conservation Fund for 50% of the land use change tax collected for the year on a yearly basis.

**Other Matters**

**Implementation of New GASB Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

**GASB Statement No. 87, *Leases***, issued in June 2017, will be effective for the Town with its fiscal year ending December 31, 2022. This Statement will improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

**GASB Statement No. 92, *Omnibus 2020***, issued in January 2020, will be effective for the Town with its fiscal year ended December 31, 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.



**GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***, issued in March 2020, will be effective for the Town with its fiscal year ended December 31, 2023. The objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements.

**GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***, issued in May 2020, will be effective for the Town with its fiscal year ended December 31, 2023. The objectives of this Statement are to provide guidance on accounting and financial reporting for subscription-based information technology arrangements for government end users.

**GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84 and Supersession of GASB Statement No. 32***, issued in June 2020, will be effective for the Town with its fiscal year ended December 31, 2022. The objectives of this Statement are to increase consistency and comparability related to reporting of fiduciary component units, mitigate costs associated with the reporting of certain defined contribution pension plans, and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

We applied certain limited procedures to the following, which is/are required supplementary information (RSI) that supplements 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

Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the members of the Board of Selectmen and management of the Town of Franconia and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,

*Plodzik & Sanderson*

PLODZIK & SANDERSON  
Professional Association

*Attachments:*

*Copy of General Fund AJE's*

*Copy of Water Fund AJE's:*



Client: **2061 - Town of Franconia**  
Engagement: **2021 - Town of Franconia**  
Period Ending: **12/31/2021**  
Trial Balance: **001.0000 - Government Fund Trial Balance**  
Workpaper: **910.0031 - Copy of General Fund AJE's**  
Fund Level: **Fund**  
Index: **01**

3/30/2022  
10:40 AM

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To record current year property tax credits noted at #300.5300.		300.5300		
01-3110-00	Property Taxes		503.00	
01-2700-03	Property Tax Credits			503.00
<b>Total</b>			<u>503.00</u>	<u>503.00</u>
<b>Adjusting Journal Entries JE # 2</b>				
To close out county and school related taxes into property taxes per #400.5200		300.5200		
01-3110-00	Property Taxes		3,377,919.00	
01-4931-01	Taxes Paid-County			553,914.00
01-4933-01	Taxes Paid to School: Lafayette			1,366,794.00
01-4933-02	Taxes Paid to School: Profile			1,457,211.00
<b>Total</b>			<u>3,377,919.00</u>	<u>3,377,919.00</u>
<b>Adjusting Journal Entries JE # 3</b>				
To bring Tax Deeded Property to actual per #300.1810.		300.1810		
01-1800-00	Tax Deeded Property Resale		19,937.00	
01-3501-01	3501 Sale Town Property			19,937.00
<b>Total</b>			<u>19,937.00</u>	<u>19,937.00</u>
<b>Adjusting Journal Entries JE # 4</b>				
To adjust School district tax liability to actual		400.2500		
01-3110-00	Property Taxes		214,500.00	
01-2200-00	Due to school district			214,500.00
<b>Total</b>			<u>214,500.00</u>	<u>214,500.00</u>
<b>Adjusting Journal Entries JE # 5</b>				
To adjust allowance for uncollectible taxes to actual.		300.1310		
01-1300-01	Allowance for Abatements		25,000.00	

01-2900-06	Retained Earnings				
<b>Total</b>			<u>25,000.00</u>	<u>25,000.00</u>	3/30/2022 10:40 AM
<b>Adjusting Journal Entries JE # 6</b>					
		<b>300.2100</b>			
To adjust amount owed to NHRS to actual					
01-4155-230	Police Retirement		275.00		
01-2600-07	Payroll-NH Retirement			275.00	
<b>Total</b>			<u>275.00</u>	<u>275.00</u>	
<b>Adjusting Journal Entries JE # 7</b>					
		<b>300.1310</b>			
To adjust tax receivable to actual listing of names at #300.1421.					
01-1300-00	Taxes Receivable		40,873.00		
01-1300-02	Tax Lien Receivable			14,144.00	
01-3110-00	Property Taxes			26,729.00	
<b>Total</b>			<u>40,873.00</u>	<u>40,873.00</u>	
<b>Adjusting Journal Entries JE # 8</b>					
		<b>300.1310</b>			
To adjust ambulance receivable to actual					
01-1400-00	Ambulance Receivable		41,650.00		
01-1400-01	Allowance for Ambulance Rec			35,951.00	
01-3401-18	Life Squad: Transport Payments			5,699.00	
<b>Total</b>			<u>41,650.00</u>	<u>41,650.00</u>	
<b>Adjusting Journal Entries JE # 10</b>					
		<b>031.0010</b>			
To reclassify interest per #0310.0010					
01-4711-03	CDFA Loan Principle		2.00		
01-4721-01	Safety Services Building- Interest		33,426.00		
01-4711-01	Safety Services Building			33,426.00	
01-4724-01	Loan Interest CDFA			2.00	
<b>Total</b>			<u>33,428.00</u>	<u>33,428.00</u>	
<b>Adjusting Journal Entries JE # 13</b>					
		<b>300.1110</b>			
To reverse cash in hands of officials per #300.1110					
01-4620-007	Water Dept. to be Reimbursed:USDA Rural Development Loan		35,744.00		
01-4620-01	Water Dept: To be Reimbursed Computer Support		887.00		
01-4620-02	Water Dept: To be Reimbursed Payroll Taxes		754.00		
01-4620-03	Water Dept: To be Reimbursed Supplies		160.00		
01-4620-04	Water Dept: To be Reimbursed Wages		9,827.00		
01-1000-01	Cash in Hand of Officials			47,357.00	
01-3502-00	Interest on Investments			15.00	

<b>Total</b>			<u>47,372.00</u>	<u>47,372.00</u>	3/30/2022 10:40 AM
<b>Adjusting Journal Entries JE # 15</b>		<b>300.1310</b>			
To clear out Yield Tax Receivable at #300.1310					
01-1300-04	Yield Tax Receivable		294.00		
01-3185-00	Yield Tax			294.00	
<b>Total</b>			<u>294.00</u>	<u>294.00</u>	
<b>Adjusting Journal Entries JE # 22</b>		<b>400.9000</b>			
To adjust fund balance accounts per #400.9000					
01-2900-04	Nonspendable Fund Balance		4,678.00		
01-2900-05	Opening Bal Equity		767.00		
01-2900-03	Reserved for Dow & MacLachlin			23.00	
01-2900-06	Retained Earnings			5,422.00	
<b>Total</b>			<u>5,445.00</u>	<u>5,445.00</u>	
<b>Adjusting Journal Entries JE # 23</b>		<b>400.9000</b>			
To adjust beginning fund balance to tie to prior year audit per #400.9000					
01-2100-00	GF Due to other funds		3,990.00		
01-2600-00	Direct Deposit Liabilities		9,800.00		
01-2600-09	Retirement Liability		100.00		
01-2900-06	Retained Earnings		33,927.00		
01-3110-00	Property Taxes		15,876.00		
01-1060-00	Franconia Land Use Fund			9,293.00	
01-1070-00	Transfer Station Fund			44,625.00	
01-1100-01	Accounts Receivable			9,545.00	
01-2600-07	Payroll-NH Retirement			230.00	
<b>Total</b>			<u>63,693.00</u>	<u>63,693.00</u>	
<b>Adjusting Journal Entries JE # 24</b>		<b>300.8200</b>			
To adjust for expenditure recorded in conservation fund					
01-1060-00	Franconia Land Use Fund		4,964.00		
01-3509-01	Other Income		36.00		
01-4901-01	Capital Outlay - Land			5,000.00	
<b>Total</b>			<u>5,000.00</u>	<u>5,000.00</u>	
<b>Adjusting Journal Entries JE # 25</b>		<b>300.7600</b>			
Clearly trivial adjustment to clear old balance sheet accounts per #300.7600					
01-2600-04	Payroll-FICA		1,639.00		
01-2600-09	Payroll Liabilities		414.00		



3/30/2022  
10:40 AM

01-2270-09 2270.9 Property Tax Refunds  
01-2600-00 Direct Deposit Liabilities  
01-2600-11 Payroll-FUTA  
01-3509-01 Other Income

**Total**

144.00  
281.00  
361.00  
1,267.00  
2,053.00

**Adjusting Journal Entries JE # 26**

To record cash balance from Mascoma bank into the general fund

**300.1115**

01-1000-00 CHECKING  
01-3509-01 Other Income

**Total**

442.00  
442.00  
442.00

**Total Adjusting Journal Entries**

3,878,384.00  
3,878,384.00

**Total All Journal Entries**

3,878,384.00  
3,878,384.00

Client: 2061 - Town of Franconia  
 Engagement: 2021 - Town of Franconia  
 Period Ending: 12/31/2021  
 Trial Balance: 001.0000 - Government Fund Trial Balance  
 Workpaper: 910.0032 - Copy of Water Fund Adjustments  
 Fund Level: Fund  
 Index: 02

3/30/2022  
 10:41 AM

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 9</b>				
	To adjust receivable balance per #701.5300	701.5300		
02-3003-01	Water Rents		2,759.00	
02-1150-00	Accounts Receivable			2,759.00
<b>Total</b>			<u>2,759.00</u>	<u>2,759.00</u>
<b>Adjusting Journal Entries JE # 11</b>				
	To reclassify interest expense per #031.0010	031.0010		
02-6001-00	USDA Loan - Interest		35,906.00	
02-6000-00	USDA Loan Payment			35,906.00
<b>Total</b>			<u>35,906.00</u>	<u>35,906.00</u>
<b>Adjusting Journal Entries JE # 12</b>				
	To record transfer in from general fund for portion of debt per #300.8200	300.8200		
02-6000-00	USDA Loan Payment		38,100.00	
02-3905-00	Transfer from General Fund			38,100.00
<b>Total</b>			<u>38,100.00</u>	<u>38,100.00</u>
<b>Adjusting Journal Entries JE # 14</b>				
	To adjust water fund debt liability and accrued interest per #800.2010	800.2010		
02-2300-00	Accrued Interest Payable		48.00	
02-2500-01	Long Term Bonds Payable - NonCurrent		75,349.00	
02-2500-00	Long Term Bonds Payable - Current			1,667.00
02-6000-00	USDA Loan Payment			73,682.00
02-6001-00	USDA Loan - Interest			48.00
<b>Total</b>			<u>75,397.00</u>	<u>75,397.00</u>
<b>Adjusting Journal Entries JE # 27</b>				
	To record Water fund capital assets accumulated depreciation	701.1010		

02-4332-99	Depreciation Expense		183,457.00	3/30/2022
02-1300-01	Accumulated Depreciation - Machinery & Equipment			10:41 AM
02-1400-01	Accumulated Depreciation - Infrastructure			3,254.00
<b>Total</b>			<u>183,457.00</u>	<u>180,203.00</u>
			<u>183,457.00</u>	<u>183,457.00</u>
<b>Adjusting Journal Entries JE # 30</b>		<b>701.4000</b>		
To reclassify net position for net Investment in capital assets per #701.4000				
02-2500-02	Retained Earnings		1,899,866.00	
02-2530-00	Net Investment in Capital Assets			1,899,866.00
<b>Total</b>			<u>1,899,866.00</u>	<u>1,899,866.00</u>
			<u>1,899,866.00</u>	<u>1,899,866.00</u>
	<b>Total Adjusting Journal Entries</b>		<u>2,235,485.00</u>	<u>2,235,485.00</u>
			<u>2,235,485.00</u>	<u>2,235,485.00</u>
	<b>Total All Journal Entries</b>		<u>2,235,485.00</u>	<u>2,235,485.00</u>
			<u>2,235,485.00</u>	<u>2,235,485.00</u>