

Minutes

TRUSTEES OF TRUST FUNDS

January 25, 2023

In attendance: Jan Cole, Karen Foss, Mike Betley and Carol Walker

The meeting commenced at 4:00 pm.

Trustees reviewed transaction activity in the Capital Reserve Fund (CRF) for December: on 12/5/22, quarterly advisor fees of \$2,780.22 were paid to Three Bearings, on 12/23/22, an \$18,085.33 EFT withdrawal was paid to the Town of Franconia for the Transfer Station's skid steer purchase and a deposit of \$1,105.00 was made on 12/28/22 for cemetery right to inter fees collected in 2022.

Common Trust Fund (CTF) transactions included payment of \$359.81 for Three Bearings' quarterly advisor fee on 12/5/22 and \$1,746.01 was paid from the Cemetery Perpetual Care CTF to the Town of Franconia on 12/23/22.

The Trustees reviewed the December 31, 2022 Three Bearings/Fidelity Common Capital Reserve Fund (CRF) report with a beginning balance of \$2,418,471.36 on 12/01/2022. Dividend income of \$5,733.83 was received during the month. After the CRF transactions noted in the first paragraph and a decrease in investment value of -\$19,986.268 in December, the ending account value was \$2,378,704.55 at 12/31/2022. On a year-to-date basis, there has been a decrease in investment value of -\$190,881.33 in the CRF.

The Trustees reviewed the December 31, 2022 Three Bearings/Fidelity Common Trust Fund (CTF) report with a beginning balance of \$312,989.50 on 12/01/2022. Dividend income of \$2,905.13 and long term capital gains of \$136.52 were received during the month. After a -\$3,810.17 decrease in investment value in December along with the transactions noted in paragraph two, there was an ending account value of \$307,073.51 at 12/31/2022. On a year-to-date basis, there has been a decrease in investment value of -\$35,394.05 in the CTF.

MS-9's for the period from 1/01 through 12/31/22 and for 12/1 through 12/31/22 were reviewed with the transaction activity reflected for both the CRF and CTF as noted in the first 2 paragraphs above.

Three Bearings' quarterly performance reports indicate that 2022 was the bond portfolio's worst year in the past seven years. A meeting with David Mayes and staff will be scheduled after Franconia's Town Meeting to discuss funding needs in 2023.

Minutes: Draft minutes for the December 21, 2022 Trustee meeting were reviewed with several changes noted. Karen made a motion to accept the minutes as revised with a second by Jan. All present voted in favor of approving the minutes as revised. Carol will send the final approved minutes for December to the Town Administrator for posting to the Town's website.

2022 Year-end reporting: Karen handed out an excel spreadsheet summarizing the transaction activity in the Trust Fund accounts. Carol will provide Jan with agendas for the 2022 trustee meetings.

Other business:

- Trustees reviewed the 2022 transaction log; Jan provided a copy to Kim Cowles who acknowledged its receipt prior to her departure as part-time Town Administrator in early January 2023.

- At the BOS request, Karen, Mike and Carol (Jan was unable to attend) were included in a BOS work session on Jan. 3, 2023 to provide input regarding qualifications needed for the next Town Administrator. Highlights included financial, accounting, organizational and administrative skills needed and the importance of prompt attention to auditors' concerns as noted in their annual management letter regarding management override of controls, improper revenue recognition and use of QuickBooks as a general ledger. Additional comments are included in the BOS minutes for their 1/3/2023 meeting.

- Recap of the Cemetery Trustee meeting regarding cemetery perpetual care on 1/4/2023 : Karen and Carol met with Mary Brubaker and Chris Collman, both Cemetery Trustees (CT), to discuss CT concerns raised in several recent email messages. In a message prior to the meeting, Jan reminded the CT to refer to the monthly MS-9 report so that they have the most current income available with respect to the perpetual care lots. We will make a note to circle back in April 2023 on comments Chris Collman noted in his 1/5/2023 email message. Karen's meeting notes have been included at the end of these minutes.

- Swing set transfer request: Jan researched the Dow Field capital reserve fund established in 1994 for which there are "no agents to expend". The request to fund \$1,362.08 for swing replacements is not a tri-town expense since the Dow Field is an asset of Franconia only. Swing sets are considered personal property, and maintenance of swings should be expensed rather than treated as a capital expense.

- Legal CRF transfer request: the BOS is working on documentation to support this informal request that was raised in December. Kim had provided only a QuickBooks report for the legal expense account with handwritten numbers of what the budget was (\$6,000) and the difference between the total spent and the budget. The legal budget was overspent for legal counsel's review of an employee handbook, the soaring center and the special town meeting. A written request or minutes indicating approval by the BOS was not provided. The BOS is now working on documentation to support this informal request.

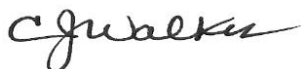
- Unresolved 2018 audit item: Jan handed out a prepared a memo to the BOS dated 1/25/23 regarding the history of an audit item that not been resolved since it was raised in 2018. None of the standard documentation to support a reimbursement request has been located by the trustees or Kim, and a suggestion to request invoices from the vendors has been unsuccessful. The Trustees have not received any follow-up from the departing Town Administrator during this time. As a result, this matter should be considered closed.

- Plodzick & Sanderson's questionnaire for the Trustees was reviewed and completed; Jan will forward to them following our meeting.

- Investment policy: Jan made a motion that the Trustees reaffirm the existing investment policy with a second by Karen, all voted in favor of approving the motion.

There being no further business, the trustees adjourned the meeting at 5:55 pm. Due to scheduling conflicts, the next trustee meeting will be held on Wednesday, February 22, 2023 at the Town Hall beginning at 4 pm.

Respectfully submitted,



Carol Walker, Trustee

Meeting Notes with Cemetery Trustees
Jan 4, 2023

In attendance: Mary Brubaker, Chris Collman, Carol Walker, Karen Foss

The purpose of this meeting with the TOTF was to clarify some questions that Diana at Three Bearings had when she tried to enter the PC expense amounts into the MS-9. First, the names were out of order making the data entry more time consuming than it has been. Chris acknowledged that he made a mistake and re-ordered the names. He would like to see the year and the name become one field, so he can sort them more easily. And Diana questioned why some lots had different expense percentages. This is explained in paragraph 4. In addition, the full reimbursement expense could not be processed as requested because there were a few lots which did not have sufficient income in 2022 to absorb the expense. The general fund will have to absorb that small amount. (Use exact numbers.)

For many months now Chris has pressed the TOTF to “correct” the beginning balance on the MS-9 to the original payment amount. His purpose is to have more money to spend on the Perpetual Care lots. If the beginning balance is lower, more funds will be considered “income” and therefore spendable. If the Trustee of Trust Funds cannot change the balance, then he would like to add a column on the MS-9 to show the beginning balance. 99% of the accounts have sufficient accrued income to absorb the yearly maintenance expense.

Carol informed Chris that the MS-9 is a state of NH form and the format cannot be changed.

Carol produced a spreadsheet showing the original balances, which is a valuable piece of information, and the Cemetery Trustees should keep this spreadsheet with its current records. The record shows that the amount paid does not always correlate with lot size. Some donors paid more than they were required and others paid less. In addition, the Willow cemetery has different lot dimensions than the Elmwood cemetery and explains the different percentage used to apportion maintenance expense.

Carol also produced a string of correspondence from December 2015 through March 2016 Between Barbara Holt and the CT and Terry Knowles at the NH Charitable Trust Unit explaining how the PC Trust accounts could be divided into 2 parts, which subsequently happened with a vote at Town Meeting in March 2015. All funds accepted after 1985 were comingled into a Capital Reserve Fund entitled Cemetery Maintenance Fund.

How did the beginning balance change from the original to the current balances which are much higher? In the beginning the individual lots had a separate savings account and passbook. Income consisted of interest earned. Only the interest earned can be spent on that particular lot. At a certain point the Trustees invested the PC amounts in other types of investments: money market accounts, stocks, bonds. In these investments there would have been dividends, interest, and capital appreciation. Capital appreciation is not income and therefore could not be spent and was added to the corpus. This makes the capital sum Permanently Restricted. Chris did not agree that capital appreciation is not considered income.

There are a couple PC names with exceptionally large beginning balances: Phillips, for example. The deed is not clear as to whether the income can be used only on that lot or on other lots. It would be advisable to apply to the courts for a Cy Prez ruling so that an amount can be used either for maintenance of other lots or can be segregated and added to the CRF Cemetery Maintenance Fund. Other deeds for the CT to investigate are: Evans, Priest, Whitcher, Clough.

It was a productive meeting in which ongoing questions and concerns of the CT were expressed. Questions still remain.

To do:

1. Investigate the deed mentioned above.
2. Clarify Capital Appreciation and spendability.
3. Apply for a Cy Prez ruling on one or several PC accounts after examining the deeds.