

**TOWN OF FRANCONIA,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2022**

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2022**

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# PLODZIK & SANDERSON

*Professional Association/Certified Public Accountants*

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

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, and the respective changes in financial position and where applicable, cash flows thereof, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Town of Franconia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

The Town of Franconia's management is responsible for the preparation and fair presentation of the 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.

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

***Change in Accounting Principle***

As discussed in Note 2-D to the financial statements, in fiscal year 2022 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

**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 is the responsibility of management and, 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.

**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 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.

**Supplementary 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 accompanying 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

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

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 October 6, 2023 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.

*Sheryl A. Platt, CPA*

October 6, 2023  
Concord, New Hampshire

PLODZIK & SANDERSON  
Professional Association

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2022**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,636,000	\$ 59,895	\$ 2,695,895
Investments	2,626,743	108,463	2,735,206
Taxes receivables (net)	132,333	-	132,333
Accounts receivables (net)	3,826	102,235	106,061
Intergovernmental receivable	85,097	-	85,097
Internal balances	(30,273)	30,273	-
Tax deeded property, subject to resale	107,694	-	107,694
Capital assets:			
Land	1,546,948	118,516	1,665,464
Other capital assets, net of depreciation	4,072,845	3,239,183	7,312,028
Total assets	<u>11,181,213</u>	<u>3,658,565</u>	<u>14,839,778</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	230,601	-	230,601
Amounts related to other postemployment benefits	27,646	-	27,646
Total deferred outflows of resources	<u>258,247</u>	<u>-</u>	<u>258,247</u>
<b>LIABILITIES</b>			
Accounts payable	81,775	-	81,775
Accrued salaries and benefits	11,019	-	11,019
Accrued interest payable	6,358	948	7,306
Intergovernmental payable	1,322,007	-	1,322,007
Long-term liabilities:			
Due within one year	102,832	77,053	179,885
Due in more than one year	2,196,895	1,388,059	3,584,954
Total liabilities	<u>3,720,886</u>	<u>1,466,060</u>	<u>5,186,946</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	16,854	-	16,854
Unavailable revenue - ARPA	81,932	-	81,932
Unavailable revenue - SB 401	44,955	-	44,955
Amounts related to pensions	5,497	-	5,497
Amounts related to other postemployment benefits	100,107	-	100,107
Total deferred inflows of resources	<u>249,345</u>	<u>-</u>	<u>249,345</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,325,425	1,892,587	6,218,012
Restricted	522,277	299,918	822,195
Unrestricted	2,621,527	-	2,621,527
Total net position	<u>\$ 7,469,229</u>	<u>\$ 2,192,505</u>	<u>\$ 9,661,734</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, 2022**

	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	\$ 815,981	\$ 4,342	\$ 94,925	\$ (716,714)	\$ -	\$ (716,714)
Public safety	704,447	59,784	-	(644,663)	-	(644,663)
Highways and streets	581,802	-	53,156	(528,646)	-	(528,646)
Sanitation	379,874	176,336	-	(203,538)	-	(203,538)
Health	19,387	-	-	(19,387)	-	(19,387)
Welfare	2,329	-	-	(2,329)	-	(2,329)
Culture and recreation	418,162	83,399	-	(334,763)	-	(334,763)
Conservation	40,592	-	-	(40,592)	-	(40,592)
Interest on long-term debt	30,686	-	-	(30,686)	-	(30,686)
Total governmental activities	<u>2,993,260</u>	<u>323,861</u>	<u>148,081</u>	<u>(2,521,318)</u>	<u>-</u>	<u>(2,521,318)</u>
<b>Business-type activities:</b>						
Water	318,860	341,756	-	-	22,896	22,896
Total	<u>\$ 3,312,120</u>	<u>\$ 665,617</u>	<u>\$ 148,081</u>	<u>(2,521,318)</u>	<u>22,896</u>	<u>(2,498,422)</u>
General revenues:						
Taxes:						
Property				1,736,174	-	1,736,174
Other				112,817	-	112,817
Motor vehicle permit fees				327,085	-	327,085
Licenses and other fees				19,453	-	19,453
Grants and contributions not restricted to specific programs				95,757	-	95,757
Unrestricted investment earnings				183,896	(32,170)	151,726
Miscellaneous				981,373	-	981,373
Unrealized loss on investments				(356,002)	-	(356,002)
Total general revenues				<u>3,100,553</u>	<u>(32,170)</u>	<u>3,068,383</u>
Transfers				<u>(68,100)</u>	<u>68,100</u>	<u>-</u>
Total general revenues and transfers				<u>3,032,453</u>	<u>35,930</u>	<u>3,068,383</u>
Change in net position				511,135	58,826	569,961
Net position, beginning				<u>6,958,094</u>	<u>2,133,679</u>	<u>9,091,773</u>
Net position, ending				<u>\$ 7,469,229</u>	<u>\$ 2,192,505</u>	<u>\$ 9,661,734</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, 2022**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,584,320	\$ 3,655	\$ 2,587,975
Investments	6,821	285,119	291,940
Taxes receivable	207,333	-	207,333
Accounts receivable	3,826	-	3,826
Intergovernmental receivable	85,097	-	85,097
Tax dedeed property, subject to resale	107,694	-	107,694
Restricted assets:			
Cash and cash equivalents	48,025	-	48,025
Investments	2,334,803	-	2,334,803
Total assets	<u>\$ 5,377,919</u>	<u>\$ 288,774</u>	<u>\$ 5,666,693</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 81,775	\$ -	\$ 81,775
Accrued salaries and benefits	11,019	-	11,019
Intergovernmental payable	1,322,007	-	1,322,007
Interfund payable	30,273	-	30,273
Total liabilities	<u>1,445,074</u>	<u>-</u>	<u>1,445,074</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	54,658	-	54,658
Unavailable revenue - ARPA	81,932	-	81,932
Unavailable revenue - SB 401	44,955	-	44,955
Total deferred inflows of resources	<u>181,545</u>	<u>-</u>	<u>181,545</u>
<b>FUND BALANCES</b>			
Nonspendable	107,694	98,207	205,901
Restricted	388,086	44,564	432,650
Committed	1,990,511	146,003	2,136,514
Unassigned	1,265,009	-	1,265,009
Total fund balances	<u>3,751,300</u>	<u>288,774</u>	<u>4,040,074</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,377,919</u>	<u>\$ 288,774</u>	<u>\$ 5,666,693</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, 2022**

Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total fund balances of governmental funds (Exhibit C-1)			\$ 4,040,074
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.			
Cost		\$ 8,943,897	
Less accumulated depreciation		<u>(3,324,104)</u>	
			5,619,793
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the post-retirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.			
Deferred outflows of resources related to pensions		\$ 230,601	
Deferred inflows of resources related to pensions		(5,497)	
Deferred outflows of resources related to OPEB		27,646	
Deferred inflows of resources related to OPEB		<u>(100,107)</u>	
			152,643
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		\$ 37,804	
Allowance for uncollectible taxes		<u>(75,000)</u>	
			(37,196)
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(6,358)
Long-term liabilities that are not due and payable in the current period, therefore, are not reported in the governmental funds.			
Notes		\$ 1,294,368	
Compensated absences		57,757	
Net pension liability		787,920	
Other postemployment benefits		<u>159,682</u>	
			<u>(2,299,727)</u>
Net position of governmental activities (Exhibit A)			<u>\$ 7,469,229</u>

**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, 2022**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,846,516	\$ 12,400	\$ 1,858,916
Licenses and permits	346,538	-	346,538
Intergovernmental	416,112	-	416,112
Charges for services	323,861	-	323,861
Miscellaneous	985,439	7,556	992,995
Unrealized loss on investments	(333,683)	(22,319)	(356,002)
Total revenues	<u>3,584,783</u>	<u>(2,363)</u>	<u>3,582,420</u>
<b>EXPENDITURES</b>			
Current:			
General government	701,766	-	701,766
Public safety	636,806	-	636,806
Highways and streets	405,958	-	405,958
Sanitation	377,960	-	377,960
Health	19,387	-	19,387
Welfare	2,329	-	2,329
Culture and recreation	368,837	-	368,837
Conservation	250	40,342	40,592
Debt service:			
Principal	83,553	-	83,553
Interest	31,297	-	31,297
Capital outlay	1,865,672	-	1,865,672
Total expenditures	<u>4,493,815</u>	<u>40,342</u>	<u>4,534,157</u>
Deficiency of revenues under expenditures	<u>(909,032)</u>	<u>(42,705)</u>	<u>(951,737)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,104	-	3,104
Transfers out	(68,100)	(3,104)	(71,204)
Note proceeds	254,214	-	254,214
Total other financing sources (uses)	<u>189,218</u>	<u>(3,104)</u>	<u>186,114</u>
Net change in fund balances	(719,814)	(45,809)	(765,623)
Fund balances, beginning	4,471,114	334,583	4,805,697
Fund balances, ending	<u>\$ 3,751,300</u>	<u>\$ 288,774</u>	<u>\$ 4,040,074</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, 2022**

Amounts reported for governmental activities in the Statement of Activities are different because:			
Net change in fund balances of governmental funds (Exhibit C-3)			\$ (765,623)
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		\$ 1,892,919	
Depreciation expense		<u>(313,578)</u>	
			1,579,341
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.			(115,892)
Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.			
Change in deferred tax revenue			(9,925)
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 reduce long-term liabilities in the Statement of Net Position.			
Proceeds of debt		\$ (254,214)	
Repayment of notes principal		83,554	
Repayment of legal settlement		<u>6,136</u>	
			(164,524)
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		\$ 610	
Increase in compensated absences payable		(15,509)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions		3,242	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits		<u>(585)</u>	
			<u>(12,242)</u>
Change in net position of governmental activities (Exhibit B)			<u><u>\$ 511,135</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, 2022**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,830,482	\$ 1,830,482	\$ 1,836,591	\$ 6,109
Licenses and permits	316,700	316,700	346,538	29,838
Intergovernmental	290,086	418,761	416,112	(2,649)
Charges for services	260,000	260,000	321,445	61,445
Miscellaneous	66,145	706,704	755,185	48,481
Total revenues	<u>2,763,413</u>	<u>3,532,647</u>	<u>3,675,871</u>	<u>143,224</u>
<b>EXPENDITURES</b>				
Current:				
General government	676,148	682,073	701,766	(19,693)
Public safety	637,384	637,384	636,806	578
Highways and streets	353,908	399,457	405,958	(6,501)
Sanitation	376,657	376,657	377,960	(1,303)
Health	19,842	19,842	19,387	455
Welfare	13,340	13,340	2,329	11,011
Culture and recreation	212,613	230,214	244,108	(13,894)
Conservation	500	500	250	250
Debt service:				
Principal	83,428	83,428	83,553	(125)
Interest	69,501	69,501	31,297	38,204
Capital outlay	754,800	1,625,832	1,611,458	14,374
Total expenditures	<u>3,198,121</u>	<u>4,138,228</u>	<u>4,114,872</u>	<u>23,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(434,708)</u>	<u>(605,581)</u>	<u>(439,001)</u>	<u>166,580</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	585,458	786,331	847,602	61,271
Transfers out	(487,000)	(517,000)	(553,703)	(36,703)
Total other financing sources (uses)	<u>98,458</u>	<u>269,331</u>	<u>293,899</u>	<u>24,568</u>
Net change in fund balances	<u>\$ (336,250)</u>	<u>\$ (336,250)</u>	(145,102)	<u>\$ 191,148</u>
Increase in restricted fund balance			(5,058)	
Unassigned fund balance, beginning			1,377,973	
Unassigned fund balance, ending			<u>\$ 1,227,813</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, 2022**

	Enterprise Fund
	Water
<b>ASSETS</b>	
Cash and cash equivalents	\$ 59,895
Investments	108,463
Accounts receivable (net)	102,235
Internal balances	30,273
Capital assets:	
Land	118,516
Other capital assets, net of depreciation	3,239,183
Total assets	3,658,565
<b>LIABILITIES</b>	
Current liabilities:	
Accrued interest payable	948
Long term liabilities:	
Due within one year	77,053
Due in more than one year	1,388,059
Total liabilities	1,466,060
<b>NET POSITION</b>	
Net investment in capital assets	1,892,587
Restricted	299,918
Total net position	\$ 2,192,505

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, 2022**

	Enterprise Fund
	Water
Operating revenues:	
User charges	\$ 324,552
Other sales	2,318
Fees and interest	1,386
Miscellaneous	13,500
Total operating revenues	341,756
Operating expenses:	
Salaries and wages	19,210
Operation and maintenance	116,193
Depreciation and amortization	183,457
Total operating expenses	318,860
Operating gain	22,896
Nonoperating revenue (expense):	
Interest income	2,020
Interest expense	(34,190)
Total nonoperating revenues (expense)	(32,170)
Other financing sources:	
Transfers in	68,100
Change in net position	58,826
Net position, beginning	2,133,679
Net position, ending	\$ 2,192,505

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, 2022**

	Business-type Activities
	Enterprise Fund
	Water Department
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 351,928
Payments to employees for salaries and benefits	(19,210)
Payments to suppliers	(146,193)
Net cash provided by operating activities	186,525
<b>Cash flows from capital and related financing activities:</b>	
Principal paid on bonds	(75,349)
Acquisition and construction of capital assets	(100,829)
Interest paid	(34,239)
Net cash used for capital and related financing activities	(210,417)
<b>Cash flows from non-capital financing activities:</b>	
Operating transfer in	68,100
<b>Cash flows from investing activities:</b>	
Purchase of investments	(1,778)
Interest received	2,020
Net cash provided by investing activities	242
Net increase in cash and cash equivalents	44,450
Cash and cash equivalents, beginning	15,445
Cash and cash equivalents, ending	\$ 59,895
<b><i>Reconciliation of Operating Gain to Net Cash Provided by Operating Activities</i></b>	
Operating gain	\$ 22,896
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation expense	183,457
Decrease in other receivables	10,172
Increase in internal balances	(30,000)
Total adjustments	163,629
Net cash provided by operating activities	\$ 186,525

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, 2022**

	Private Purpose Trust Funds	All Custodial Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,207	\$ 1,398	\$ 5,605
Investments	160,095	373,984	534,079
Intergovernmental receivable	-	1,295,157	1,295,157
Total assets	<u>164,302</u>	<u>1,670,539</u>	<u>1,834,841</u>
<b>LIABILITIES</b>			
Intergovernmental payables:			
School	-	1,295,157	1,295,157
<b>NET POSITION</b>			
Restricted	<u>\$ 164,302</u>	<u>\$ 375,382</u>	<u>\$ 539,684</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, 2022**

	Private Purpose Trust Funds	All Custodial Funds	Total
<b>ADDITIONS</b>			
Investment earnings	\$ 6,021	\$ 26,067	\$ 32,088
Unrealized loss on investments	(25,781)	(57,619)	(83,400)
Tax collections for other governments	-	3,328,189	3,328,189
Collection of motor vehicle fees for State	-	85,286	85,286
Total additions	<u>(19,760)</u>	<u>3,381,923</u>	<u>3,362,163</u>
<b>DEDUCTIONS</b>			
Benefits paid	4,400	-	4,400
Payments of taxes to other governments	-	3,328,189	3,328,189
Payments of motor vehicle fees to State	-	85,286	85,286
Total deductions	<u>4,400</u>	<u>3,413,475</u>	<u>3,417,875</u>
Net increase in fiduciary net position	(24,160)	(31,552)	(55,712)
Net position, beginning	188,462	406,934	595,396
Net position, ending	<u>\$ 164,302</u>	<u>\$ 375,382</u>	<u>\$ 539,684</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**  
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**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
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**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
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**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**  
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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** – is used to record activity of 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 funds 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 (assets equal liabilities) and do not involve measurement of results of operations. 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 also 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 involve the measurement of operating results. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

### ***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.”

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
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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 a specific purpose.

***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.

**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.

**Level 3** – Inputs are significant unobservable inputs, using assumptions in determining the fair value of investments and derivative instruments.

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.



**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
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**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). 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 are reported in the applicable governmental or business-type activities and proprietary fund column in the financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The Town has established a threshold of \$5,000 or more and an estimate useful life in excess of five years for capitalization of depreciable assets.

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

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, equipment, and vehicles	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 “due to/from other funds” (i.e., the current portion of interfund loans). 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. Warrants for the year were issued on May 23, 2022 and November 14, 2022, and due on July 1, 2022 and December 20, 2022. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
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Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the Town at December 31, 2022 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the Town to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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, 2022 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 413,673,945
For all other taxes	\$ 419,661,745

The tax rates and amounts assessed for the year ended December 31, 2022 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.26	\$ 1,785,398
School portion:		
State of New Hampshire	\$1.05	435,991
Local	\$5.55	2,329,693
County portion	\$1.34	562,505
Total	\$12.20	\$ 5,113,587

***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, 2022.

***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) until then. The Town has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

*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 collected soon enough thereafter to be used to pay liabilities of the current year. The Town has three types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenues from grants arises when the related eligible expenditures will not be made until the subsequent period.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
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***1-M Compensated Absences***

General leave for the Town includes vacation, sick, and retirement stipend pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

***1-N 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, and proprietary fund Statement of Net Position.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Director Borrowings and Direct Placements*, the Town utilizes the following classifications to categorize the financial transactions:

**Direct Borrowings** – financial transactions for a note or a loan where the Town negotiates certain terms with a single lender and are not offered for public sale.

***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 (OPEB)***

The Town maintains two separate other postemployment benefit plans, 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.

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***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 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.

**Assigned** – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

**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/expenditures during the period reported. These estimates include assessing the collectability of receivables, the useful lives and impairment of capital assets, net pension liability, other postemployment benefit liability, 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.

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**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 US generally accepted accounting principles.

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 2022, none of the beginning general fund unassigned fund balance was applied for this purpose and \$336,250 was voted from unassigned fund balance for general appropriations as well as transfers 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)	\$ 4,523,473
Adjustments:	
Basis differences:	
Note proceeds	254,214
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	(101,013)
To eliminate transfers between blended funds	(844,498)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	9,925
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,842,101</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 4,668,575
Adjustments:	
Basis differences:	
Note proceeds	254,214
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	124,729
To eliminate transfers between general and blended funds	(485,603)
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,561,915</u>

**2-C Municipal Budget Law Violation**

The general fund had an excess of expenditures over appropriations for the year ended December 31, 2022 in the amount of \$(13,347). The State Municipal Budget Law (RSA Chapter 32) provides for emergency spending procedures whereby monies may be expended in excess of an appropriation, thereby resulting in an over expenditure of total appropriations. There is no indication that these procedures were followed by the governing body in order not to incur a violation. Therefore, a budgetary violation did occur for the year ended December 31, 2022.

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**2-D Accounting Change**

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Town has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 87 and have determined that none of the agreements have met the requirements of the pronouncement.

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Town's deposits are entirely covered by Federal Depository Insurance Corporation (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 \$2,701,500 and the bank balances totaled \$2,705,743.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 2,695,895
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	<u>5,605</u>
Total cash and cash equivalents	<u><u>\$ 2,701,500</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/or investments are classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Library	\$ 40,565
Capital reserve funds	<u>7,460</u>
Total restricted cash and cash equivalents	<u><u>48,025</u></u>
Investments:	
General fund:	
Library	338,941
Capital reserve funds	<u>1,995,862</u>
Total restricted investments	<u><u>2,334,803</u></u>
Total restricted assets	<u><u>\$ 2,382,828</u></u>

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**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. Because 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, 2022:

	Valuation Measurement Method	Reported Balance
Investments type:		
Equity mutual funds	Level 1	\$ 773,700
Fixed income mutual funds	Level 2	2,234,298
Total fair value		3,007,998
Investments carried at amortized cost:		
New Hampshire Public Deposit Investment Pool	Level 2	261,287
Total investments		\$ 3,269,285

**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.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 2,735,206
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	534,079
Total investments	\$ 3,269,285

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivables represent the amount of current and prior year taxes which have not been collected as of December 31, 2022. 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 2022	\$ 188,946	\$ 188,946
Unredeemed (under tax lien):		
Levy of 2021	11,312	11,312
Levy of 2020	7,075	7,075
Less: allowance for estimated uncollectible taxes	(75,000) *	-
Net taxes receivable	\$ 132,333	\$ 207,333

\*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).

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**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2022, 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, 2022 for the Town's individual major funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental	Business-type	
	Activities	Activities	
	General	Water	Fiduciary
	Fund	Department	Funds
	Fund	Fund	Funds
Receivables:			
Accounts	\$ 297,615	\$ 103,235	\$ -
Intergovernmental	85,097	-	1,295,157 <sup>1</sup>
Gross receivables	382,712	103,235	1,295,157
Less: allowance for uncollectibles	(293,789)	(1,000)	-
Net total receivables	<u>\$ 88,923</u>	<u>\$ 102,235</u>	<u>\$ 1,295,157</u>

<sup>1</sup> Fiduciary Funds - intergovernmental receivables represent property taxes collected on behalf of the Profile and Lafayette Regional School Districts. These amounts are collected and are part of the Town's general fund cash at year-end. The general fund reports an offsetting intergovernmental payable for this amount at year-end, see Note 10.

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 814,334	\$ 78,400	\$ -	\$ 892,734
Construction in progress	16,502	654,214	(16,502)	654,214
Total capital assets not being depreciated	<u>830,836</u>	<u>732,614</u>	<u>(16,502)</u>	<u>1,546,948</u>
Being depreciated:				
Buildings and building improvements	2,879,913	854,469	-	3,734,382
Machinery, equipment, and vehicles	2,604,005	305,836	(99,390)	2,810,451
Infrastructure	852,116	-	-	852,116
Total capital assets being depreciated	<u>6,336,034</u>	<u>1,160,305</u>	<u>(99,390)</u>	<u>7,396,949</u>
Total all capital assets	<u>7,166,870</u>	<u>1,892,919</u>	<u>(115,892)</u>	<u>8,943,897</u>
Less accumulated depreciation:				
Buildings and building improvements	(678,152)	(99,590)	-	(777,742)
Machinery, equipment, and vehicles	(2,078,133)	(139,622)	-	(2,217,755)
Infrastructure	(254,241)	(74,366)	-	(328,607)
Total accumulated depreciation	<u>(3,010,526)</u>	<u>(313,578)</u>	<u>-</u>	<u>(3,324,104)</u>
Net book value, capital assets being depreciated	<u>3,325,508</u>	<u>846,727</u>	<u>(99,390)</u>	<u>4,072,845</u>
Net book value, all governmental activities capital assets	<u>\$ 4,156,344</u>	<u>\$ 1,579,341</u>	<u>\$ (115,892)</u>	<u>\$ 5,619,793</u>

*(Continued)*



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Capital assets continued:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</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	5,189,011	100,829	-	5,289,840
Total capital assets being depreciated	<u>5,233,441</u>	<u>100,829</u>	<u>-</u>	<u>5,334,270</u>
Total all capital assets	<u>5,351,957</u>	<u>100,829</u>	<u>-</u>	<u>5,452,786</u>
Less accumulated depreciation:				
Machinery and equipment	(31,413)	(3,255)	-	(34,668)
Infrastructure	(1,880,217)	(180,202)	-	(2,060,419)
Total accumulated depreciation	<u>(1,911,630)</u>	<u>(183,457)</u>	<u>-</u>	<u>(2,095,087)</u>
Net book value, capital assets being depreciated	<u>3,321,811</u>	<u>(82,628)</u>	<u>-</u>	<u>3,239,183</u>
Net book value, all business-type activities capital assets	<u>\$ 3,440,327</u>	<u>\$ (82,628)</u>	<u>\$ -</u>	<u>\$ 3,357,699</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		\$ 15,659
Public safety		105,442
Highways and streets		140,673
Sanitation		49,324
Culture and recreation		2,480
Total depreciation expense		<u>\$ 313,578</u>
<b>Business-type activities:</b>		
Water		<u>\$ 183,457</u>

**NOTE 9 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Department	General	<u>\$ 30,273</u>

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, 2022 is as follows:

	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Water Department Fund</u>	<u>Total</u>
Transfers out:			
General fund	\$ -	\$ 68,100	\$ 68,100
Nonmajor fund	3,104	-	3,104
Total	<u>\$ 3,104</u>	<u>\$ 68,100</u>	<u>\$ 71,204</u>

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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 of at December 31, 2022 consist of the following:

	Governmental Fund <u>General</u>	Fiduciary <u>Funds</u>
Balance due to the New Hampshire Retirement System	\$ 11,250	\$ -
Balance due to the Town of Littleton for ambulance transport services	15,600	-
Taxes due to the custodial funds	1,295,157 <sup>2</sup>	-
Taxes due to the Lafayette Regional School District	-	643,682 <sup>3</sup>
Taxes due to the Profile School District	-	651,475 <sup>3</sup>
Total intergovernmental payables due	<u>\$ 1,322,007</u>	<u>\$ 1,295,157</u>

<sup>2</sup> Property taxes due to the custodial fund represent amounts collected by the Town on behalf of Lafayette Regional and Profile School Districts and are reported as a component of general fund cash at year-end.

<sup>3</sup> Property taxes due to the Lafayette Regional and Profile School Districts represent amounts collected by the Town that will be paid to the School Districts in incremental payments based upon an agreed schedule in the next calendar year.

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

Deferred outflows of resources of at December 31, 2022 consist of amounts related to pensions totaling \$230,601 and amounts related to OPEB totaling \$27,646. For further discussion on these amounts, see Note 13 and 15, respectively.

Deferred inflows of resources are as follows:

	Government- wide	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 37,804
American Rescue Plan Act (ARPA) funds received in advance of eligible expenditures	81,932	81,932
Senate Bill 401 (SB 401) funds received in advance of eligible expenditures	44,955	44,955
Property taxes paid in advance	16,854	16,854
Amounts related to pensions, see Note 13	5,497	-
Amounts related to OPEB, see Note 15	100,107	-
Total deferred inflows of resources	<u>\$ 249,345</u>	<u>\$ 181,545</u>

**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2022:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year	Due In More Than One Year
<b>Governmental activities:</b>						
Notes payable - direct borrowings	\$ 1,123,708	\$ 254,214	\$ (83,554)	\$ 1,294,368	\$ 82,802	\$ 1,211,566
Legal settlement liability*	6,136	-	(6,136)	-	-	-
Compensated absences	42,248	15,509	-	57,757	20,030	37,727
Net pension liability	534,337	253,583	-	787,920	-	787,920
Net other postemployment benefits	219,301	-	(59,619)	159,682	-	159,682
Total long-term liabilities	<u>\$ 1,925,730</u>	<u>\$ 523,306</u>	<u>\$ (149,309)</u>	<u>\$ 2,299,727</u>	<u>\$ 102,832</u>	<u>\$ 2,196,895</u>

*(Continued)*

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Long-term liabilities continued:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year	Due In More Than One Year
<b>Business-type activities:</b>						
Note payable - direct borrowing	\$ 1,540,461	\$ -	\$ (75,349)	\$ 1,465,112	\$ 77,053	\$ 1,388,059

\*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. No further liability exists at December 31, 2022.

Long-term notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2022	Current Portion
<b>Governmental activities:</b>						
Notes payables - direct borrowings:						
Safety services building	\$ 1,700,000	2014	2034	2.84%	\$ 1,039,123	\$ 81,771
Street light energy improvements	\$ 19,430	2017	2023	2.50%	1,031	1,031
Fire truck	\$ 254,214	2022	2028	5.46%	254,214	-
					<u>\$ 1,294,368</u>	<u>\$ 82,802</u>
<b>Business-type activities:</b>						
Note payable - direct borrowing:						
Water system improvement	\$ 2,267,000	2010	2038	2.25%	<u>\$ 1,465,112</u>	<u>\$ 77,053</u>

The annual requirements to amortize all notes outstanding as of December 31, 2022, including interest payments, are as follows:

**Governmental activities:**

Fiscal Year Ending December 31,	Notes - Direct Borrowings		
	Principal	Interest	Total
2023	\$ 82,802	\$ 28,945	\$ 111,747
2024	124,269	44,662	168,931
2025	137,301	31,630	168,931
2026	141,539	27,391	168,930
2027	145,910	23,021	168,931
2028-2032	554,667	57,111	611,778
2033	107,880	2,306	110,186
Totals	<u>\$ 1,294,368</u>	<u>\$ 215,066</u>	<u>\$ 1,509,434</u>

**Business-type activities:**

Fiscal Year Ending December 31,	Note - Direct Borrowing		
	Principal	Interest	Total
2023	\$ 77,053	\$ 32,535	\$ 109,588
2024	78,797	30,791	109,588
2025	80,580	29,008	109,588
2026	82,403	27,185	109,588
2027	84,268	25,320	109,588
2028-2032	450,817	97,123	547,940
2033-2037	504,180	43,760	547,940
2038	107,014	1,805	108,819
Totals	<u>\$ 1,465,112</u>	<u>\$ 287,527</u>	<u>\$ 1,752,639</u>

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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 one 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%

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 members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2022, the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$86,843, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2022 the Town reported a liability of \$787,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the Town’s proportion was 0.01% which was the same as its proportion measured as of June 30, 2021.

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For the year ended December 31, 2022, the Town recognized pension expense of \$89,937. At December 31, 2022 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	\$ 98,937	\$ 2,472
Changes in assumptions	41,911	-
Net difference between projected and actual investment earnings on pension plan investments	29,861	-
Differences between expected and actual experience	14,788	3,025
Contributions subsequent to the measurement date	45,104	-
Total	\$ 230,601	\$ 5,497

The \$45,104 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, 2023. 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,	
2022	\$ 58,055
2023	56,799
2024	8,956
2025	56,190
2026	-
Thereafter	-
Totals	\$ 180,000

**Actuarial Assumptions** – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions which, accordingly, apply to 2022 measurements:

Inflation:	2.0%
Salary increases:	5.4% 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.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – 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.

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Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Inflation	0.00%	2.25%
Total	100.00%	7.30%

**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, 2022	\$ 1,057,189	\$ 787,920	\$ 564,047

**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.

**NOTE 14 – SUPPLEMENTAL RETIREMENT PLAN**

All employees employed by the Town participate in a defined contribution pension plan administered by VALIC. The Town has no requirement or obligation under State Statutes to contribute to this plan, however the Town has adopted the Supplemental Retirement Plan 457b. for its employees. The Board of Selectmen has the authority to establish and amend the benefit provisions and contribution requirements of the plan. The Town contributes 50% of each employee’s salary and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended December 31, 2022 were \$59,240 which consisted of \$17,469 from the Town and \$41,771 from employees.

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**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

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

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2022 Comprehensive Annual Financial Report, which can be found on the system’s website at [www.nhrs.org](http://www.nhrs.org).

**Benefits Provided** - 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 2022 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 2022, 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 2022, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$9,089, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At December 31, 2022, the Town reported a liability of \$74,700 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022, the Town’s proportion was 0.01% which was a decrease of 0.01% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized OPEB expense of \$13,774. At December 31, 2022, 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
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 204	\$ -
Contributions subsequent to the measurement date	4,721	-
Total	\$ 4,925	\$ -

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The \$4,721 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, 2023. 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,	
2022	\$ 34
2023	9
2024	(80)
2025	241
2026	-
Thereafter	-
Totals	<u>\$ 204</u>

**Actuarial Assumptions** – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021 and a measurement date of June 30, 2022. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% (2.25% for teachers)
Salary increases:	5.4% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – 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.

Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	
Inflation	0.00%	2.25%
Total	100.00%	7.30%



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**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2022 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. 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, 2022	\$ 81,099	\$ 74,700	\$ 69,126

**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.

**15-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.

**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, 2022, 15 active employees were covered by the benefit terms.

**Total OPEB Liability** – The Town’s total OPEB liability of \$84,982 was measured as of December 31, 2022 and was determined by an actuarial valuation of January 1, 2022.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$84,982 in the January 1, 2022 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:	3.72%
Healthcare Cost Trend Rates:	
Current Year Trend	11.70%
Second Year Trend	7.50%
Decrement	0.50%
Ultimate Trend	4.54%
Year Ultimate Trend is Reached	2090
Salary Increases:	3.50%

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 January 1, 2022.

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Mortality rates were based on the Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 Safety Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 Safety Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021.

**Changes in the Total OPEB Liability**

	December 31,	
	2021	2022
OPEB liability beginning of year	\$ 138,986	\$ 151,093
Changes for the year:		
Service cost	11,040	11,500
Interest	2,927	3,088
Assumption changes and difference between actual and expected experience	-	(78,445)
Benefit payments	(1,860)	(2,254)
OPEB liability end of year	<u>\$ 151,093</u>	<u>\$ 84,982</u>

**Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate** – The January 1, 2022 actuarial valuation was prepared using a discount rate of 3.72%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$78,847 or by 7.22%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$91,804 or by 8.03%.

	Discount Rate		
	1% Decrease	Baseline 3.72%	1% Increase
Total OPEB Liability	<u>\$ 91,804</u>	<u>\$ 84,982</u>	<u>\$ 78,847</u>

**Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The January 1, 2022 actuarial valuation was prepared using an initial trend rate of 11.70%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$98,446 or by 15.84%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$74,036 or by 12.88%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 11.70%	1% Increase
Total OPEB Liability	<u>\$ 74,036</u>	<u>\$ 84,982</u>	<u>\$ 98,446</u>

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended December 31, 2022, the Town recognized OPEB expense of \$1,184. At December 31, 2022, 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	\$ 7,441	\$ 26,234
Differences between expected and actual experience	15,280	73,873
Total	<u>\$ 22,721</u>	<u>\$ 100,107</u>

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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,	
2023	\$ (15,772)
2024	(15,774)
2025	(15,447)
2026	(12,013)
2027	(12,013)
Thereafter	(6,367)
Totals	<u>\$ (77,386)</u>

**NOTE 16 – GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, AND FIDUCIARY FUNDS  
NET POSITION**

Governmental and business-type activities and fiduciary fund net position reported on the Statements of Net Position at December 31, 2022 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	\$ 5,619,793	\$ 3,357,699	\$ 8,977,492	\$ -
Less:				
Notes payable - direct borrowings	(1,294,368)	(1,465,112)	(2,759,480)	-
Total net investment in capital assets	4,325,425	1,892,587	6,218,012	-
Restricted net position:				
Perpetual care - nonexpendable	98,207	-	98,207	-
Perpetual care - expendable	44,564	-	44,564	-
Library	379,506	-	379,506	-
Individuals, organizations, and other governments	-	-	-	539,684
Water	-	299,918	299,918	-
Total restricted net position	522,277	299,918	822,195	539,684
Unrestricted	2,621,527	-	2,621,527	-
Total net position	\$ 7,469,229	\$ 2,192,505	\$ 9,661,734	\$ 539,684

**NOTE 17 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2022 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Tax deceded property, subject to resale	\$ 107,694	\$ -	\$ 107,694
Permanent fund - principal balance	-	98,207	98,207
Total nonspendable fund balance	107,694	98,207	205,901
<b>Restricted:</b>			
Library	379,506	-	379,506
MacLachlin memorial	3,580	-	3,580
Donation	5,000	-	5,000
Permanent - income balance	-	44,564	44,564
Total restricted fund balance	388,086	44,564	432,650

*(Continued)*

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Governmental fund balances continueud:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Committed:</b>			
Expendable trusts	1,990,511	-	1,990,511
Conservation	-	146,003	146,003
Total committed fund balance	1,990,511	146,003	2,136,514
<b>Unassigned</b>	1,265,009	-	1,265,009
Total governmental fund balances	<u>\$ 3,751,300</u>	<u>\$ 288,774</u>	<u>\$ 4,040,074</u>

**NOTE 18 – 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 2022, 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, 2022 to December 31, 2022 by Primex<sup>3</sup>, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the Town's property schedule on file with Primex<sup>3</sup>. 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 fiscal year 2022 the Town paid \$54,838 and \$33,125 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 19 – DONATIONS**

The Town received donations totaling \$573,759 during 2022 to support the construction of the Town of Franconia Welcome Center. In addition, the Town received a donation of \$62,000 for the library lift.

**NOTE 20 – TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77 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, 2022.

**NOTE 21 – 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.

**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
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**NOTE 22 – 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.

**NOTE 23 – 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 October 6, 2023, the date the December 31, 2022 financial statements were available to be issued, and the following events occurred that requires recognition or disclosure:

At the March 14, 2023 Annual Meeting, the Town approved warrant articles utilizing unassigned fund balance as of December 31, 2022. The use of fund balance for these various warrant articles totaled \$225,724.

***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, 2022*  
**Unaudited**

Fiscal year-end	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Town's:									
Proportion of the net pension liability	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Proportionate share of the net pension liability	\$449,501	\$462,649	\$645,188	\$659,320	\$535,137	\$519,221	\$ 735,171	\$ 534,337	\$ 787,920
Town's covered payroll	\$181,550	\$183,472	\$191,549	\$216,893	\$186,349	\$184,513	\$ 207,276	\$ 224,694	\$ 197,419
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%	237.81%	399.11%
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%	72.22%	65.12%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

**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, 2022*  
**Unaudited**

Fiscal year-end	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 46,018	\$ 48,280	\$ 43,446	\$ 49,113	\$ 46,972	\$ 46,960	\$ 51,061	\$ 55,391	\$ 86,843
Contributions in relation to the contractually required contributions	(46,018)	(48,280)	(43,446)	(49,113)	(46,972)	(46,960)	(51,061)	(55,391)	(86,843)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 181,550	\$ 183,472	\$ 191,549	\$ 216,893	\$ 186,349	\$ 184,513	\$ 207,276	\$ 197,419	\$ 283,154
Contributions as a percentage of covered payroll	25.35%	26.31%	22.68%	22.64%	25.21%	25.45%	24.63%	24.65%	30.67%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.



**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2022**

***Schedule of the Town's Proportionate Share of Net Pension Liability and  
Schedule of Town Contributions - Pensions***

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – Salary increases changed to 5.4% from 5.6% in the current period.

***Methods and Assumptions Used to Determine Contribution Rates*** – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2022. 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.

**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, 2022*  
**Unaudited**

Fiscal year-end	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Town's proportion of the net OPEB liability	0.01%	0.02%	0.02%	0.02%	0.02%	0.01%
Town's proportionate share of the net OPEB liability (asset)	\$64,546	\$78,697	\$73,021	\$71,149	\$68,208	\$74,700
Town's covered payroll	\$216,893	\$186,349	\$184,513	\$207,276	\$224,694	\$197,419
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%	30.36%	37.84%
Plan fiduciary net position as a percentae of the total OPEB liability	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%

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, 2022*  
**Unaudited**

Fiscal year-end	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 8,367	\$ 7,603	\$ 7,601	\$ 7,545	\$ 8,185	\$ 9,089
Contributions in relation to the contractually required contribution	(8,367)	(7,603)	(7,601)	(7,545)	(8,185)	(9,089)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 216,893	\$ 186,349	\$ 184,513	\$ 207,276	\$ 197,419	\$ 283,154
Contributions as a percentage of covered payroll	3.86%	4.08%	4.12%	3.64%	4.15%	3.21%

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, 2022**  
**Unaudited**

	December 31,				
	2018	2019	2020	2021	2022
OPEB liability, beginning of year	\$ 111,106	\$ 128,520	\$ 160,356	\$ 138,986	\$ 151,093
Changes for the year:					
Service cost	13,522	16,326	10,810	11,040	11,500
Interest	4,542	3,217	2,680	2,927	3,088
Assumption changes and difference between actual and expected experience	-	12,970	(33,039)	-	(78,445)
Benefit payments	(650)	(677)	(1,821)	(1,860)	(2,254)
OPEB liability, end of year	<u>\$ 128,520</u>	<u>\$ 160,356</u>	<u>\$ 138,986</u>	<u>\$ 151,093</u>	<u>\$ 84,982</u>
Covered payroll	<u>\$ 858,013</u>	<u>\$ 679,981</u>	<u>\$ 629,006</u>	<u>\$ 641,586</u>	<u>\$ 872,222</u>
Total OPEB liability as a percentage of covered payroll	14.98%	23.58%	22.10%	23.55%	9.74%

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, 2022**

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

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – Salary increases changed to 5.4% from 5.6% in the current period.

***Methods and Assumptions Used to Determine Contribution Rates*** – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

As required by GASB Statement No. 75, Exhibits I, J, and K represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2022. 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.

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

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were several changes in assumptions for the current period as follows:

- The discount rate changed from 2.12% to 3.72%
- Initial trend rates were advanced, the model for trends in subsequent years is based on the Getzen Model as updated through September 2022.
- The election rate was reduced to 50% based on expected future enrollment.
- The payroll growth rate was increased from 2.00% to 3.50%.
- Mortality assumptions changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Rate 2006) to Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 Safety Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 Safety Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021.
- The morbidity assumptions were updated to use the Dale Yamamoto model published by the Society of Actuaries to give a better projection of anticipated costs as adjusted for age.

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, 2022. 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.

***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, 2022**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 1,719,662	\$ 1,736,174	\$ 16,512
Land use change	24,800	12,400	(12,400)
Yield	500	-	(500)
Payment in lieu of taxes	76,770	76,770	-
Interest and penalties on taxes	8,750	11,247	2,497
Total from taxes	<u>1,830,482</u>	<u>1,836,591</u>	<u>6,109</u>
<b>Licenses, permits, and fees:</b>			
Business licenses, permits, and fees	700	2,525	1,825
Motor vehicle permit fees	300,000	327,085	27,085
Building permits	10,000	13,130	3,130
Other	6,000	3,798	(2,202)
Total from licenses, permits, and fees	<u>316,700</u>	<u>346,538</u>	<u>29,838</u>
<b>Intergovernmental:</b>			
State:			
Meals and rooms distribution	95,758	95,757	(1)
Highway block grant	53,363	53,156	(207)
Other	100,890	94,925	(5,965)
Federal:			
Other	33,750	33,750	-
Other	135,000	138,524	3,524
Total from intergovernmental	<u>418,761</u>	<u>416,112</u>	<u>(2,649)</u>
<b>Charges for services:</b>			
Income from departments	<u>260,000</u>	<u>321,445</u>	<u>61,445</u>
<b>Miscellaneous:</b>			
Sale of municipal property	61,390	99,390	38,000
Interest on investments	2,755	5,569	2,814
Other	642,559	650,226	7,667
Total from miscellaneous	<u>706,704</u>	<u>755,185</u>	<u>48,481</u>
<b>Other financing sources:</b>			
Transfers in	<u>786,331</u>	<u>847,602</u>	<u>61,271</u>
Total revenues and other financing sources	4,318,978	<u>\$ 4,523,473</u>	<u>\$ 204,495</u>
Amounts voted from fund balance	<u>336,250</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 4,655,228</u>		

See Independent Auditor's Report.

**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, 2022*

	Appropriations	Expenditures	Variance Positive (Negative)
Current:			
General government:			
Executive	\$ 163,838	\$ 171,678	\$ (7,840)
Election and registration	44,470	43,144	1,326
Financial administration	17,715	14,463	3,252
Revaluation of property	24,372	24,685	(313)
Legal	6,000	13,703	(7,703)
Personnel administration	181,312	202,698	(21,386)
Planning and zoning	5,895	2,914	2,981
General government buildings	149,601	158,270	(8,669)
Cemeteries	25,032	23,331	1,701
Insurance, not otherwise allocated	54,838	37,880	16,958
Advertising and regional associations	9,000	9,000	-
Total general government	<u>682,073</u>	<u>701,766</u>	<u>(19,693)</u>
Public safety:			
Police	401,984	436,130	(34,146)
Ambulance	110,250	90,579	19,671
Fire	76,650	67,667	8,983
Building inspection	10,000	77	9,923
Emergency management	3,500	2,067	1,433
Other	35,000	40,286	(5,286)
Total public safety	<u>637,384</u>	<u>636,806</u>	<u>578</u>
Highways and streets:			
Highways and streets	391,957	397,248	(5,291)
Street lighting	7,500	8,710	(1,210)
Total highways and streets	<u>399,457</u>	<u>405,958</u>	<u>(6,501)</u>
Sanitation:			
Solid waste disposal	<u>376,657</u>	<u>377,960</u>	<u>(1,303)</u>
Health:			
Administration	500	45	455
Health agencies	19,342	19,342	-
Total health	<u>19,842</u>	<u>19,387</u>	<u>455</u>
Welfare:			
Administration and direct assistance	<u>13,340</u>	<u>2,329</u>	<u>11,011</u>
Culture and recreation:			
Parks and recreation	133,598	147,892	(14,294)
Library	89,000	89,000	-
Patriotic purposes	1,000	600	400
Other	6,616	6,616	-
Total culture and recreation	<u>230,214</u>	<u>244,108</u>	<u>(13,894)</u>
Conservation	<u>500</u>	<u>250</u>	<u>250</u>
Debt service:			
Principal of long-term debt	83,428	83,553	(125)
Interest on long-term debt	69,501	31,215	38,286
Interest on tax anticipation notes	-	82	(82)
Total debt service	<u>152,929</u>	<u>114,850</u>	<u>38,079</u>

See Independent Auditor's Report.

(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, 2022**

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
Capital outlay	<u>1,625,832</u>	<u>1,611,458</u>	<u>14,374</u>
Other financing uses:			
Transfers out	<u>517,000</u>	<u>553,703</u>	<u>(36,703)</u>
Total appropriations, expenditures, and other financing uses	<u>\$ 4,655,228</u>	<u>\$ 4,668,575</u>	<u>\$ (13,347)</u>

See Independent Auditor's Report.

**SCHEDULE 3**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2022**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,377,973
Changes:		
Amounts voted from fund balance		(336,250)
2022 Budget summary:		
Revenue surplus (Schedule 1)	\$ 204,495	
Shortfall of appropriations (Schedule 2)	<u>(13,347)</u>	
2022 Budget surplus		191,148
Increase in restricted fund balance		<u>(5,058)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		<u>1,227,813</u>
<b>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(37,804)
Elimination of the allowance for uncollectible taxes		<u>75,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 1,265,009</u></u>

**SCHEDULE 4**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2022**

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 3,655	\$ 3,655
Investments	146,003	139,116	285,119
Total assets	<u>\$ 146,003</u>	<u>\$ 142,771</u>	<u>\$ 288,774</u>
<b>FUND BALANCES</b>			
Nonspendable	\$ -	\$ 98,207	\$ 98,207
Restricted	-	44,564	44,564
Committed	146,003	-	146,003
Total fund balances	<u>\$ 146,003</u>	<u>\$ 142,771</u>	<u>\$ 288,774</u>

See Independent Auditor's Report.

**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, 2022**

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
<b>Revenues:</b>			
Taxes	\$ 12,400	\$ -	\$ 12,400
Miscellaneous	2,326	5,230	7,556
Unrealized loss on investments	-	(22,319)	(22,319)
Total revenues	<u>14,726</u>	<u>(17,089)</u>	<u>(2,363)</u>
<b>Expenditures:</b>			
Current:			
Conservation	40,342	-	40,342
Deficiency of revenues under expenditures	<u>(25,616)</u>	<u>(17,089)</u>	<u>(42,705)</u>
<b>Other financing uses:</b>			
Transfers out	-	(3,104)	(3,104)
Net change in fund balances	(25,616)	(20,193)	(45,809)
Fund balances, beginning	171,619	162,964	334,583
Fund balances, ending	<u>\$ 146,003</u>	<u>\$ 142,771</u>	<u>\$ 288,774</u>

See Independent Auditor's Report.

**SCHEDULE 6**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Custodial Funds Fiduciary Net Position**  
**December 31, 2022**

	Custodial Funds			Total
	Taxes	School Trust Funds	Town Clerk Fees - State Portion	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 1,398	\$ -	\$ 1,398
Investments	-	373,984	-	373,984
Intergovernmental receivables	1,295,157	-	-	1,295,157
Total assets	<u>1,295,157</u>	<u>375,382</u>	<u>-</u>	<u>1,670,539</u>
<b>LIABILITIES</b>				
Intergovernmental payables:				
School	<u>1,295,157</u>	<u>-</u>	<u>-</u>	<u>1,295,157</u>
<b>NET POSITION</b>				
Restricted	<u>\$ -</u>	<u>\$ 375,382</u>	<u>\$ -</u>	<u>\$ 375,382</u>

See Independent Auditor's Report.

**SCHEDULE 7**  
**TOWN OF FRANCONIA, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Changes in Custodial Funds Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2022**

	Custodial Funds			Total
	Taxes	School Trust Funds	Town Clerk Fees - State Portion	
<b>Additions:</b>				
Investment earnings	\$ -	\$ 26,067	\$ -	\$ 26,067
Unrealized loss on investments	-	(57,619)	-	(57,619)
Tax collections for other governments	3,328,189	-	-	3,328,189
Collection of motor vehicle fees for State	-	-	85,286	85,286
Total additions	<u>3,328,189</u>	<u>(31,552)</u>	<u>85,286</u>	<u>3,381,923</u>
<b>Deductions:</b>				
Payments of taxes to other governments	3,328,189	-	-	3,328,189
Payments of motor vehicle fees to State	-	-	85,286	85,286
Total deductions	<u>3,328,189</u>	<u>-</u>	<u>85,286</u>	<u>3,413,475</u>
Net decrease in fiduciary net position	-	(31,552)	-	(31,552)
Net position, beginning	-	406,934	-	406,934
Net position, ending	<u>\$ -</u>	<u>\$ 375,382</u>	<u>\$ -</u>	<u>\$ 375,382</u>

See Independent Auditor's Report.



# 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, 2022, 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 October 6, 2023.

### ***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 did not identify any material weaknesses as of December 31, 2022.

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:

### ***2022-01 Property Taxes and Water Rents***

We noted that property tax, lien, 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.

***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***

**Management's Response:** The Town Administrator, Bookkeeper, and Treasurer will meet with the Tax Collector and Water Department Administrative Assistant, respectively, to draft a procedure to ensure the property and lien receivables balances and the water receivables balances are reconciled monthly.

***2022-02 Ambulance Revenue and Receivables***

Upon review of the internal controls over the ambulance receivables and revenue we noted that 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 TEMSIS 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:** We have restructured our ambulance service and Littleton NH now manages all ambulance calls. Franconia no longer receives revenue for ambulance calls or service. The Town Administrator and Bookkeeper will collaborate with auditors to create a final adjustment of the balances currently on the financial reports.

***2022-03 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.

**Management's Response:** In 2018 the Town voted down the purchase of a scale. The topic of a scale is being revisited, and in addition, our Tri-Town Transfer Station Manager is reviewing other ideas to better estimate disposal weights.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Franconia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We noted certain matters that we have reported to management of the Town of Franconia in a separate letter dated October 6, 2023.

***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.

October 6, 2023  
Concord, New Hampshire

  
PLODZIK & SANDERSON  
Professional Association