

**TOWN OF MARLOW,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

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

TOWN OF MARLOW, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2020

TABLE OF CONTENTS

		<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT		1 - 2
 BASIC FINANCIAL STATEMENTS 		
Government-wide Financial Statements		
A	Statement of Net Position	3
B	Statement of Activities	4
Fund Financial Statements		
<i>Governmental Funds</i>		
C-1	Balance Sheet	5
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	6
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	7
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	8
<i>Budgetary Comparison Information</i>		
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	9
<i>Fiduciary Funds</i>		
E-1	Statement of Fiduciary Net Position	10
E-2	Statement of Changes in Fiduciary Net Position	11
NOTES TO THE BASIC FINANCIAL STATEMENTS		12 - 33
 REQUIRED SUPPLEMENTARY INFORMATION 		
F	Schedule of the Town's Proportionate Share of Net Pension Liability	34
G	Schedule of Town Contributions – Pensions	35
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY		36
H	Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability	37
I	Schedule of Town Contributions – Other Postemployment Benefits	38
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY		39
 COMBINING AND INDIVIDUAL FUND SCHEDULES 		
Governmental Funds		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	40
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis).....	41
3	Schedule of Changes in Unassigned Fund Balance.....	42
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet	43
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	44
<i>Custodial Funds</i>		
6	Combining Schedule of Fiduciary Net Position	45
7	Combining Schedule of Changes in Fiduciary Net Position	46
INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY		47



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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the single employer plan in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Marlow, as of December 31, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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

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

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

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

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

September 10, 2021

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 478,507
Investments	906,788
Taxes receivables	482,571
Account receivables (net)	15,898
Intergovernmental receivable	27,934
Prepaid items	17,448
Capital assets:	
Land and construction in progress	118,591
Other capital assets, net of depreciation	1,254,749
Total assets	3,302,486
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	59,231
Amounts related to other postemployment benefits	257
Total deferred outflows of resources	59,488
LIABILITIES	
Accounts payable	39,571
Intergovernmental payable	6,795
Tax anticipation note payable	250,000
Long-term liabilities:	
Due within one year	7,066
Due in more than one year	389,633
Total liabilities	693,065
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	21,893
Amounts related to other postemployment benefits	53
Total deferred inflows of resources	21,946
NET POSITION	
Net investment in capital assets	1,373,340
Restricted	175,562
Unrestricted	1,098,061
Total net position	\$ 2,646,963

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

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

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 358,091	\$ 1,340	\$ 13,385	\$ (343,366)
Public safety	117,355	14,728	173,482	70,855
Highways and streets	202,806	-	61,452	(141,354)
Sanitation	18,340	11,405	-	(6,935)
Health	792	-	-	(792)
Welfare	3,753	-	-	(3,753)
Culture and recreation	17,932	-	-	(17,932)
Conservation	1,950	-	-	(1,950)
Total governmental activities	<u>\$ 721,019</u>	<u>\$ 27,473</u>	<u>\$ 248,319</u>	<u>(445,227)</u>
General revenues:				
Taxes:				
Property				412,316
Other				39,287
Motor vehicle permit fees				151,604
Licenses and other fees				5,149
Grants and contributions not restricted to specific programs				38,462
Unrestricted investment earnings				48,532
Miscellaneous				66,528
Total general revenues				<u>761,878</u>
Change in net position				316,651
Net position, beginning, as restated (see Note 18)				2,330,312
Net position, ending				<u>\$ 2,646,963</u>

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

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

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 434,663	\$ 32,362	\$ 467,025
Investments	-	165,015	165,015
Taxes receivable	537,571	-	537,571
Accounts receivable	2,431	13,467	15,898
Intergovernmental receivable	4,000	23,934	27,934
Interfund receivable	25,096	1,162	26,258
Prepaid items	17,448	-	17,448
Restricted assets:			
Cash and cash equivalents	11,482	-	11,482
Investments	741,773	-	741,773
Total assets	<u>\$ 1,774,464</u>	<u>\$ 235,940</u>	<u>\$ 2,010,404</u>
LIABILITIES			
Accounts payable	\$ 39,571	-	\$ 39,571
Intergovernmental payable	6,795	-	6,795
Interfund payable	1,162	25,096	26,258
Tax anticipation note payable	250,000	-	250,000
Total liabilities	<u>297,528</u>	<u>25,096</u>	<u>322,624</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	41,052	-	41,052
FUND BALANCES			
Nonspendable	17,448	128,883	146,331
Restricted	8,378	38,301	46,679
Committed	744,170	43,660	787,830
Assigned	119,642	-	119,642
Unassigned	546,246	-	546,246
Total fund balances	<u>1,435,884</u>	<u>210,844</u>	<u>1,646,728</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,774,464</u>	<u>\$ 235,940</u>	<u>\$ 2,010,404</u>

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

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,646,728
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 2,126,113	
Less accumulated depreciation	<u>(752,773)</u>	
		1,373,340
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 59,231	
Deferred inflows of resources related to pensions	(21,893)	
Deferred outflows of resources related to OPEB	257	
Deferred inflows of resources related to OPEB	<u>(53)</u>	
		37,542
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (26,258)	
Payables	<u>26,258</u>	
		-
Property taxes not collected within 60 days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.		
Deferred property taxes	\$ 41,052	
Allowance for uncollectible taxes	<u>(55,000)</u>	
		(13,948)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Compensated absences	\$ 11,747	
Accrued landfill postclosure care costs	113,400	
Net pension liability	266,894	
Other postemployment benefits	<u>4,658</u>	
		(396,699)
Net position of governmental activities (Exhibit A)		<u><u>\$ 2,646,963</u></u>

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

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

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 486,997	\$ -	\$ 486,997
Licenses and permits	156,753	-	156,753
Intergovernmental	282,837	3,944	286,781
Charges for services	12,775	14,698	27,473
Miscellaneous	106,940	8,120	115,060
Total revenues	<u>1,046,302</u>	<u>26,762</u>	<u>1,073,064</u>
EXPENDITURES			
Current:			
General government	318,504	1,451	319,955
Public safety	308,221	6,903	315,124
Highways and streets	195,060	-	195,060
Sanitation	36,371	-	36,371
Health	792	-	792
Welfare	3,753	-	3,753
Culture and recreation	16,732	460	17,192
Conservation	1,950	-	1,950
Capital outlay	155,406	4,646	160,052
Total expenditures	<u>1,036,789</u>	<u>13,460</u>	<u>1,050,249</u>
Excess of revenues over expenditures	<u>9,513</u>	<u>13,302</u>	<u>22,815</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,162	1,162
Transfers out	(1,162)	-	(1,162)
Total other financing sources (uses)	<u>(1,162)</u>	<u>1,162</u>	<u>-</u>
Net change in fund balances	8,351	14,464	22,815
Fund balances, beginning, as restated (see Note 18)	1,427,533	196,380	1,623,913
Fund balances, ending	<u>\$ 1,435,884</u>	<u>\$ 210,844</u>	<u>\$ 1,646,728</u>

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

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

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances of governmental funds (Exhibit C-3)		\$ 22,815
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	\$ 390,771	
Depreciation expense	<u>(65,731)</u>	
		325,040
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.		
		(885)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (1,162)	
Transfers out	<u>1,162</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	(20,394)	
Change in allowance for uncollectible taxes	<u>(15,000)</u>	
		(35,394)
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 compensated absences payable	\$ 875	
Decrease in accrued landfill postclosure care costs	19,200	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(15,325)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>325</u>	
		<u>5,075</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 316,651</u></u>

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

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

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 454,772	\$ 451,603	\$ (3,169)
Licenses and permits	139,110	156,753	17,643
Intergovernmental	279,915	282,837	2,922
Charges for services	7,713	12,775	5,062
Miscellaneous	19,273	63,783	44,510
Total revenues	<u>900,783</u>	<u>967,751</u>	<u>66,968</u>
EXPENDITURES			
Current:			
General government	326,993	317,254	9,739
Public safety	95,156	81,076	14,080
Highways and streets	215,805	195,060	20,745
Sanitation	40,550	36,371	4,179
Health	1,000	792	208
Welfare	6,000	3,753	2,247
Culture and recreation	20,684	16,726	3,958
Conservation	2,001	1,950	51
Debt service:			
Interest	5,000	-	5,000
Capital outlay	178,300	168,124	10,176
Total expenditures	<u>891,489</u>	<u>821,106</u>	<u>70,383</u>
Excess of revenues over expenditures	<u>9,294</u>	<u>146,645</u>	<u>137,351</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	8,206	-	(8,206)
Transfers out	(67,500)	(67,500)	-
Total other financing sources (uses)	<u>(59,294)</u>	<u>(67,500)</u>	<u>(8,206)</u>
Net change in fund balances	<u>\$ (50,000)</u>	79,145	<u>\$ 129,145</u>
Decrease in nonspendable fund balance		7,136	
Increase in assigned fund balance for contingencies		(5,993)	
Unassigned fund balance, beginning, as restated (see Note 18)		452,010	
Unassigned fund balance, ending		<u>\$ 532,298</u>	

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

EXHIBIT E-1
TOWN OF MARLOW, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2020

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 271	\$ 545,175
Investments	20,619	190,484
Total assets	<u>20,890</u>	<u>735,659</u>
LIABILITIES		
Intergovernmental payables:		
School	<u>-</u>	<u>544,313</u>
NET POSITION		
Restricted	<u>\$ 20,890</u>	<u>\$ 191,346</u>

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

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

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Investment earnings	\$ 590	\$ 13,817
Change in fair market value	359	-
Tax collections for other governments	-	1,711,057
Total additions	<u>949</u>	<u>1,724,874</u>
DEDUCTIONS		
Payments of taxes to other governments	<u>-</u>	<u>1,711,057</u>
Change in net position	949	13,817
Net position, beginning	19,941	177,529
Net position, ending	<u>\$ 20,890</u>	<u>\$ 191,346</u>

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

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

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

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Restricted Assets.....	4
Investments	5
Taxes Receivable	6
Other Receivables.....	7
Capital Assets.....	8
Interfund Balances and Transfers	9
Intergovernmental Payables.....	10
Deferred Outflows/Inflows of Resources	11
Long-term Liabilities	12
Defined Benefit Pension Plan	13
Postemployment Benefits Other Than Pensions	14
New Hampshire Retirement System (NHRS).....	14-A
Town of Marlow Retiree Health Benefit Program.....	14-B
Encumbrances	15
Governmental Activities And Fiduciary Funds Net Position	16
Governmental Fund Balances	17
Prior Period Adjustment	18
Risk Management.....	19

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

Contingent Liabilities	20
COVID-19	21
Tax Abatements	22
Subsequent Events	23

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Marlow, 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 Marlow 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 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, with the exception of the long-term costs of retirement healthcare and obligations for other postemployment benefits of the Town’s single employer plan which have been omitted because the liability and expense have not been determined. 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. As in the Statement of Net Position the Town has not recorded the other postemployment benefit expense of the Town’s single employer plan in this statement. 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.

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

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

The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, 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.

Capital Projects Funds – are used to account for the financial resources and activities relating to specific construction projects.

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

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

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

The Town reports the following fiduciary funds:

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

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

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.

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

1-D Restricted Assets

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

1-E 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,

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

- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

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

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

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

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 – Inputs are significant unobservable inputs.

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.

1-F 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-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-H Capital Assets

Capital assets include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), which are reported in the applicable governmental activities column in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

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

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

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

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

	<u>Years</u>
Capital Asset Classes:	
Land and land improvements	50
Buildings and building improvemen	30-90
Vehicles	8-25
Equipment	5-20

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). All other outstanding balances between funds are reported as “due to/from other funds.” 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 the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-J Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 15, 2020, and December 15, 2020, and due on July 1, 2020, and January 19, 2021. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2019 on August 25, 2020.

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

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

For the New Hampshire education tax	\$ 72,107,307
For all other taxes	\$ 73,886,807

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

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$6.51	\$ 481,024
School portion:		
State of New Hampshire	\$1.74	125,517
Local	\$17.85	1,318,796
County portion	\$3.61	266,744
Total	\$29.71	\$2,192,081

1-K Accounts Payable

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

1-L Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

1-M Long-term Obligations

In the government-wide financial statements, other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Position.

1-N Compensated Absences

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

1-O Defined Benefit Pension Plan

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

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

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

1-P Postemployment Benefits Other Than Pensions

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

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

Single Employer Plan – The Town maintains a single employer plan but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board Statement No. 75.

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.

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.

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

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.

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies that falls within the New Hampshire Department of Revenue's recommended range that also includes Town, School, and County appropriations.

1-R Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts, taxes and ambulance receivables, and the useful lives on capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill postclosure care costs, 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.

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, as well as the nonmajor capital project fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

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

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2020, \$50,000 of the beginning general fund unassigned fund balance was applied for this purpose.

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:		
Per Exhibit D (budgetary basis)	\$	967,751
Adjustments:		
Basis difference:		
GASB Statement No. 54:		
To record miscellaneous income of the blended funds		43,157
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis		35,394
Per Exhibit C-3 (GAAP basis)	\$	<u>1,046,302</u>

(Continued)

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

Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 888,606
Adjustments:	
Basis differences:	
Encumbrances, beginning	6,860
Encumbrances, ending	(13,767)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	222,590
To eliminate transfers between general and blended funds	(67,500)
To recognize transfer between blended expendable trust and nonmajor funds	1,162
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,037,951</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$1,023,953 and the bank balances totaled \$1,137,544. Petty cash totaled \$200.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 478,507
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	545,446
Total cash and cash equivalents	<u>\$1,023,953</u>

NOTE 4 – RESTRICTED ASSETS

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

Cash and cash equivalents:	
General fund:	
Library	\$ 7,923
Capital reserve funds	3,559
Total restricted cash and cash equivalents	<u>11,482</u>
Investments:	
General fund:	
Capital reserve funds	741,773
Total restricted assets	<u>\$ 753,255</u>

NOTE 5 – INVESTMENTS

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

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

The Town has the following recurring fair value measurements and maturities as of December 31, 2020:

	Valuation Measurement Method	Reported Balance
Investments type:		
Equity mutual funds	Level 1	\$ 223,915
Fixed income mutual funds	Level 2	893,976
Total fair value		\$1,117,891

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)	\$ 906,788
Investments per Statement of Fiduciary Net Position (Exhibit E-1)	211,103
Total investments	\$1,117,891

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$55,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2020	\$ 423,266	\$ 423,266
Unredeemed (under tax lien):		
Levy of 2019	48,066	48,066
Levy of 2018	28,589	28,589
Levies of 2017 and prior	37,650	37,650
Less: allowance for estimated uncollectible taxes	(55,000) *	-
Net taxes receivable	\$ 482,571	\$ 537,571

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

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2020, consisted of accounts (billings for 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.

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

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

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 2,431	\$ 35,988	\$ 38,419
Intergovernmental	4,000	23,934	27,934
Gross receivables	<u>6,431</u>	<u>59,922</u>	<u>66,353</u>
Less: allowance for uncollectibles	-	(22,521)	(22,521)
Net total receivables	<u>\$ 6,431</u>	<u>\$ 37,401</u>	<u>\$ 43,832</u>

NOTE 8 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 105,545	\$ -	\$ -	\$ 105,545
Construction in progress	260,799	4,646	(252,399)	13,046
Total capital assets not being depreciated	<u>366,344</u>	<u>4,646</u>	<u>(252,399)</u>	<u>118,591</u>
Being depreciated:				
Land improvements	465,303	-	-	465,303
Buildings and building improvements	199,820	252,399	-	452,219
Vehicles	714,319	225,000	(79,950)	859,369
Equipment	78,356	161,125	(8,850)	230,631
Total capital assets being depreciated	<u>1,457,798</u>	<u>638,524</u>	<u>(88,800)</u>	<u>2,007,522</u>
Total all capital assets	<u>1,824,142</u>	<u>643,170</u>	<u>(341,199)</u>	<u>2,126,113</u>
Less accumulated depreciation:				
Land improvements	(21,558)	(9,242)	-	(30,800)
Buildings and building improvements	(116,616)	(13,656)	-	(130,272)
Vehicles	(578,839)	(32,010)	79,950	(530,899)
Equipment	(57,944)	(10,823)	7,965	(60,802)
Total accumulated depreciation	<u>(774,957)</u>	<u>(65,731)</u>	<u>87,915</u>	<u>(752,773)</u>
Net book value, capital assets being depreciated	682,841	572,793	(885)	1,254,749
Net book value, all governmental activities capital assets	<u>\$1,049,185</u>	<u>\$577,439</u>	<u>\$ (253,284)</u>	<u>\$1,373,340</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:

General government	\$ 19,103
Public safety	32,525
Highways and streets	12,194
Sanitation	1,169
Culture and recreation	740
Total depreciation expense	<u>\$ 65,731</u>

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

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 25,096
Nonmajor	General	1,162
		\$ 26,258

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

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

Transfers In:	
Nonmajor Funds	
Transfers out:	
General fund	\$ 1,162

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

NOTE 10 – INTERGOVERNMENTAL PAYABLES

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

	Governmental Funds	Fiduciary Funds
	General	Funds
Fees due to the State of New Hampshire	\$ 1,937	\$ -
Balance due to the New Hampshire Retirement System	4,858	-
Taxes due to the Marlow School District	-	544,313
Total intergovernmental payables due	\$ 6,795	\$ 544,313

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at December 31, 2020 consist of amounts related to pensions totaling \$59,231 and amounts related to OPEB totaling \$257. For further discussion on these amounts, see Note 13 and 14, respectively.

Deferred inflows of resources are as follows:

	Government-wide	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 41,052
Amounts related to pensions, see Note 13	21,893	-
Amounts related to OPEB, see Note 14	53	-
Total deferred inflows of resources	\$ 21,946	\$ 41,052

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

NOTE 12 – LONG-TERM LIABILITIES

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

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Compensated absences	\$ 12,622	\$ -	\$ (875)	\$ 11,747	\$ 1,666
Accrued landfill postclosure care costs	132,600	-	(19,200)	113,400	5,400
Net pension liability	212,387	54,507	-	266,894	-
Net other postemployment benefits	4,986	-	(328)	4,658	-
Total long-term liabilities	<u>\$ 362,595</u>	<u>\$ 54,507</u>	<u>\$ (20,403)</u>	<u>\$ 396,699</u>	<u>\$ 7,066</u>

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in 1993. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$113,400 as of December 31, 2020. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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.

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

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$17,663, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2020 the Town reported a liability of \$266,894 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town’s proportion was 0.004% which was the same as its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$33,009. At December 31, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 1,218	\$ 19,027
Changes in assumptions	26,401	-
Net difference between projected and actual investment earnings on pension plan investments	16,508	-
Differences between expected and actual experience	7,207	2,866
Contributions subsequent to the measurement date	7,897	-
Total	\$ 59,231	\$ 21,893

The \$7,897 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2021	\$ 2,782
2022	5,963
2023	10,501
2024	10,195
Thereafter	-
Totals	\$29,441

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

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

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

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

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

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

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

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

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 345,519	\$ 266,894	\$ 202,647

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

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

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

14-A New Hampshire Retirement System (NHRS)

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

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

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

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$479, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At December 31, 2020, the Town reported a liability of \$4,658 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town’s proportion was 0.001% which was the same as its proportion measured as of June 30, 2019.

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

For the year ended December 31, 2020, the Town recognized OPEB expense of \$147. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 40
Net difference between projected and actual investment earnings on OPEB plan investments	17	-
Changes in assumptions	30	-
Differences between expected and actual experience	-	13
Contributions subsequent to the measurement date	210	-
Total	\$ 257	\$ 53

The \$210 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2021	\$ (22)
2022	5
2023	6
2024	5
Thereafter	-
Totals	\$ (6)

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

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

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

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

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

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

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

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

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

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2019	\$ 5,058	\$ 4,658	\$ 4,311

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

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

14-B Town of Marlow Retiree Health Benefit Program

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town’s contractual agreements.

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

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The Town has not fully implemented GASB Statement No. 75 at December 31, 2020, or contracted with an actuarial firm to assist in evaluating the impact of this standard on the Town's single employer plan. The amounts that should be recorded as the net OPEB liability and the OPEB expense for the Town's single employer plan are unknown.

NOTE 15 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2020 and are as follows:

General fund:	
Public safety	\$ 1,049
Capital outlay	12,718
Total encumbrances	<u>\$ 13,767</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

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

	Government-wide Financial Statements	
	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all capital assets	<u>\$ 1,373,340</u>	<u>\$ -</u>
Restricted net position:		
Perpetual care - nonexpendable	128,883	-
Perpetual care - expendable	38,301	-
Library	7,923	-
Donations	455	-
Individuals, organizations and other governments	-	212,236
Total restricted net position	<u>175,562</u>	<u>212,236</u>
Unrestricted	<u>1,098,061</u>	<u>-</u>
Total net position	<u>\$ 2,646,963</u>	<u>\$ 212,236</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 17,448	\$ -	\$ 17,448
Permanent fund - principal balance	-	128,883	128,883
Total nonspendable fund balance	<u>17,448</u>	<u>128,883</u>	<u>146,331</u>
Restricted:			
Library	7,923	-	7,923
Donations	455	-	455
Permanent - income balance	-	38,301	38,301
Total restricted fund balance	<u>8,378</u>	<u>38,301</u>	<u>46,679</u>

(Continued)

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

Governmental fund balances continued:

	General Fund	Nonmajor Funds	Governmental Funds
Committed:			
Expendable trusts	744,170	-	744,170
Ambulance revolving	-	40,653	40,653
Recreation revolving	-	3,007	3,007
Total committed fund balance	<u>744,170</u>	<u>43,660</u>	<u>787,830</u>
Assigned:			
Encumbrances	13,767	-	13,767
Contingency	105,875	-	105,875
Total assigned fund balance	<u>119,642</u>	<u>-</u>	<u>119,642</u>
Unassigned	<u>546,246</u>	<u>-</u>	<u>546,246</u>
Total governmental fund balances	<u>\$ 1,435,884</u>	<u>\$ 210,844</u>	<u>\$ 1,646,728</u>

NOTE 18 – PRIOR PERIOD ADJUSTMENT

Net position/fund balance at January 1, 2020, was restated to give retroactive effect to the following prior period adjustment:

	Government-wide Statements	General Fund (Schedule 3)	General Fund (Exhibit C-3)
To restate for employee withholding incorrectly recorded	\$ (2,775)	\$ (2,775)	\$ (2,775)
Net position/fund balance, as previously reported	2,333,087	454,785	1,430,308
Net position/fund balance, as restated	<u>\$ 2,330,312</u>	<u>\$ 452,010</u>	<u>\$ 1,427,533</u>

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2020, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2020, to December 31, 2020, by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2020 the Town paid \$14,531 and \$8,598 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ 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 20 – CONTINGENT LIABILITIES

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

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

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.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2020. The Town was awarded a portion of this federal funding totaling \$17,648. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

NOTE 22 – TAX ABATEMENTS

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

The Town of Marlow did not have any such tax abatements for the year ended December 31, 2020.

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 September 10, 2021, the date the December 31, 2020 financial statements were available to be issued, and the following occurred that requires recognition or disclosure:

At the annual Town Meeting held on April 24, 2021, Warrant Article No. 3 was voted on in the affirmative to raise and appropriate \$1,495,100 for the purpose of installing a one-gigabit fiber to the premises and Fiber Optic Broadband Network throughout the Town with \$1,017,200 to be raised through the issuance of bonds or notes and \$477,900 to be received as a donation from the broadband provider.

REQUIRED SUPPLEMENTARY INFORMATION

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

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.004%	0.005%	0.005%	0.005%	0.005%	0.004%	0.004%	0.004%
Town's proportionate share of the net pension liability	\$171,492	\$179,322	\$ 195,578	\$ 256,035	\$ 243,696	\$215,914	\$212,387	\$ 266,894
Town's covered payroll	\$ 70,891	\$122,703	\$ 160,747	\$ 162,836	\$ 167,080	\$170,992	\$173,361	\$ 170,965
Town's proportionate share of the net pension liability as a percentage of its covered payroll	241.91%	146.14%	121.67%	157.23%	145.86%	126.27%	122.51%	156.11%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%

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

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 9,908	\$ 15,499	\$ 16,563	\$ 17,241	\$ 18,153	\$ 18,952	\$ 19,209	\$ 18,537
Contributions in relation to the contractually required contributions	9,908	15,499	16,563	17,241	18,153	18,952	19,209	18,537
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 70,891	\$ 122,703	\$ 160,747	\$ 162,836	\$ 167,080	\$ 170,992	\$ 173,361	\$ 170,965
Contributions as a percentage of covered payroll	13.98%	12.63%	10.30%	10.59%	10.86%	11.08%	11.08%	10.84%

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

	December 31,			
	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.001%	0.001%	0.001%	0.001%
Town's proportionate share of the net OPEB liability (asset)	\$ 4,042	\$ 5,310	\$ 4,986	\$ 4,658
Town's covered payroll	\$ 167,080	\$170,992	\$173,361	\$ 170,965
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	2.42%	3.11%	2.88%	2.72%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.53%	7.75%	7.74%

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

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

	December 31,			
	2017	2018	2019	2020
Contractually required contribution	\$ 524	\$ 513	\$ 519	\$ 494
Contributions in relation to the contractually required contribution	524	513	519	494
Contribution deficiency	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 167,080	\$ 170,992	\$ 173,361	\$ 170,965
Contributions as a percentage of covered payroll	0.31%	0.30%	0.30%	0.29%

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

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

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

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

The following assumptions were changed in the current year:

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

Methods and Assumptions:

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

COMBINING AND INDIVIDUAL FUND SCHEDULES

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

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 419,278	\$ 412,316	\$ (6,962)
Land use change	4,400	4,450	50
Yield	7,818	7,689	(129)
Payment in lieu of taxes	3,420	3,420	-
Interest and penalties on taxes	17,856	23,728	5,872
Inventory penalties	2,000	-	(2,000)
Total from taxes	<u>454,772</u>	<u>451,603</u>	<u>(3,169)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	90	100	10
Motor vehicle permit fees	135,000	152,044	17,044
Building permits	220	220	-
Other	3,800	4,389	589
Total from licenses, permits, and fees	<u>139,110</u>	<u>156,753</u>	<u>17,643</u>
Intergovernmental:			
State:			
Shared revenues	13,385	13,385	-
Meals and rooms distribution	37,851	37,851	-
Highway block grant	57,973	57,968	(5)
State and federal forest land reimbursement	611	611	-
Other	6,000	-	(6,000)
Federal:			
Other	164,095	173,022	8,927
Total from intergovernmental	<u>279,915</u>	<u>282,837</u>	<u>2,922</u>
Charges for services:			
Income from departments	<u>7,713</u>	<u>12,775</u>	<u>5,062</u>
Miscellaneous:			
Sale of municipal property	200	40,033	39,833
Interest on investments	750	899	149
Other	18,323	22,851	4,528
Total from miscellaneous	<u>19,273</u>	<u>63,783</u>	<u>44,510</u>
Other financing sources:			
Transfers in	<u>8,206</u>	<u>-</u>	<u>(8,206)</u>
Total revenues and other financing sources	<u>908,989</u>	<u>\$ 967,751</u>	<u>\$ 58,762</u>
Unassigned fund balance used to reduce tax rate	<u>50,000</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 958,989</u>		

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 84,602	\$ 98,535	\$ -	\$ (13,933)
Election and registration	-	28,825	29,102	-	(277)
Financial administration	-	34,300	31,719	-	2,581
Revaluation of property	1,250	19,000	7,479	-	12,771
Legal	-	3,000	354	-	2,646
Personnel administration	-	99,971	89,124	-	10,847
Planning and zoning	-	1,423	1,042	-	381
General government buildings	-	37,052	41,872	-	(4,820)
Cemeteries	-	4,820	3,622	-	1,198
Insurance, not otherwise allocated	-	14,000	13,933	-	67
Other	-	-	1,722	-	(1,722)
Total general government	1,250	326,993	318,504	-	9,739
Public safety:					
Police	-	36,800	35,128	-	1,672
Ambulance	-	15,350	15,738	-	(388)
Fire	5,610	30,400	23,139	1,049	11,822
Building inspection	-	500	75	-	425
Emergency management	-	450	33	-	417
Other	-	11,656	11,524	-	132
Total public safety	5,610	95,156	85,637	1,049	14,080
Highways and streets:					
Highways and streets	-	211,805	191,243	-	20,562
Street lighting	-	4,000	3,817	-	183
Total highways and streets	-	215,805	195,060	-	20,745
Sanitation:					
Solid waste disposal	-	35,550	31,572	-	3,978
Solid waste clean-up	-	5,000	4,799	-	201
Total sanitation	-	40,550	36,371	-	4,179
Health:					
Health agencies	-	1,000	792	-	208
Welfare:					
Administration and direct assistance	-	6,000	3,753	-	2,247
Culture and recreation:					
Parks and recreation	-	900	84	-	816
Library	-	18,884	15,767	-	3,117
Patriotic purposes	-	900	875	-	25
Total culture and recreation	-	20,684	16,726	-	3,958
Conservation	-	2,001	1,950	-	51
Debt service:					
Interest on tax anticipation notes	-	5,000	-	-	5,000
Capital outlay	-	178,300	155,406	12,718	10,176
Other financing uses:					
Transfers out	-	67,500	67,500	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 6,860	\$ 958,989	\$ 881,699	\$ 13,767	\$ 70,383

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

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 18)		\$ 452,010
Changes:		
Unassigned fund balance used to reduce 2020 tax rate		(50,000)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 58,762	
Unexpended balance of appropriations (Schedule 2)	<u>70,383</u>	
2020 Budget surplus		129,145
Decrease in nonspendable fund balance		7,136
Increase in assigned fund balance for contingencies		<u>(5,993)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		532,298
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(41,052)
Elimination of the allowance for uncollectible taxes		<u>55,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 546,246</u></u>

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

	Special Revenue Funds		Capital Project Funds		Permanent Fund	Total
	Ambulance Revolving	Recreation Revolving	Baine Road	Jones Hall		
ASSETS						
Cash and cash equivalents	\$ 27,186	\$ 3,007	\$ -	\$ -	\$ 2,169	\$ 32,362
Investments	-	-	-	-	165,015	165,015
Accounts	13,467	-	-	-	-	13,467
Intergovernmental receivables	-	-	3,484	20,450	-	23,934
Interfund receivable	-	-	1,162	-	-	1,162
Total assets	<u>\$ 40,653</u>	<u>\$ 3,007</u>	<u>\$ 4,646</u>	<u>\$ 20,450</u>	<u>\$ 167,184</u>	<u>\$ 235,940</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ -	\$ -	\$ 4,646	\$ 20,450	\$ -	\$ 25,096
Fund balances:						
Nonspendable	-	-	-	-	128,883	128,883
Restricted	-	-	-	-	38,301	38,301
Committed	40,653	3,007	-	-	-	43,660
Total fund balances	<u>40,653</u>	<u>3,007</u>	<u>-</u>	<u>-</u>	<u>167,184</u>	<u>210,844</u>
Total liabilities and fund balances	<u>\$ 40,653</u>	<u>\$ 3,007</u>	<u>\$ 4,646</u>	<u>\$ 20,450</u>	<u>\$ 167,184</u>	<u>\$ 235,940</u>

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

	Special Revenue Funds		Capital Project Funds		Permanent Fund	Total
	Ambulance Revolving	Recreation Revolving	Baine Road	Jones Hall		
Revenues:						
Intergovernmental	\$ -	\$ -	\$ 3,484	\$ 460	\$ -	\$ 3,944
Charges for services	14,698	-	-	-	-	14,698
Miscellaneous	137	-	-	-	7,983	8,120
Total revenues	<u>14,835</u>	<u>-</u>	<u>3,484</u>	<u>460</u>	<u>7,983</u>	<u>26,762</u>
Expenditures:						
Current:						
General government	-	-	-	-	1,451	1,451
Public safety	1,117	-	-	-	5,786	6,903
Culture and recreation	-	-	-	460	-	460
Capital outlay	-	-	4,646	-	-	4,646
Total expenditures	<u>1,117</u>	<u>-</u>	<u>4,646</u>	<u>460</u>	<u>7,237</u>	<u>13,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,718</u>	<u>-</u>	<u>(1,162)</u>	<u>-</u>	<u>746</u>	<u>13,302</u>
Other financing sources:						
Transfers in	-	-	1,162	-	-	1,162
Net change in fund balances	13,718	-	-	-	746	14,464
Fund balances, beginning	26,935	3,007	-	-	166,438	196,380
Fund balances, ending	<u>\$ 40,653</u>	<u>\$ 3,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,184</u>	<u>\$ 210,844</u>

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

	Custodial Funds		Total
	Taxes	Trust Funds	
ASSETS			
Cash and cash equivalents	\$ 544,313	\$ 862	\$ 545,175
Investments	-	190,484	190,484
Total assets	<u>544,313</u>	<u>191,346</u>	<u>735,659</u>
LIABILITIES			
Intergovernmental payables:			
School	<u>544,313</u>	<u>-</u>	<u>544,313</u>
NET POSITION			
Restricted	<u>\$ -</u>	<u>\$ 191,346</u>	<u>\$ 191,346</u>

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

	Custodial Funds		Total
	Taxes	Trust Funds	
Additions:			
Investment earnings	\$ -	\$ 13,817	\$ 13,817
Tax collections for other governments	1,711,057	-	1,711,057
Total additions	<u>1,711,057</u>	<u>13,817</u>	<u>1,724,874</u>
Deductions:			
Payments of taxes to other governments	1,711,057	-	1,711,057
Change in net position	-	13,817	13,817
Net position, beginning	-	177,529	177,529
Net position, ending	<u>\$ -</u>	<u>\$ 191,346</u>	<u>\$ 191,346</u>



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY

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

In planning and performing our audit of the financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Marlow as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Marlow'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 deficiency in the Town of Marlow's internal control to be significant deficiency:

Purchasing Policy (Repeat Comment)

Review of the Town's purchasing policy and disbursements revealed that the purchasing policy that presently is in place is not descriptive or detailed enough to provide the necessary guidance for purchases. Multiple instances were noted in which purchase orders, quotes, or bids were not obtained for items which the policy indicated were necessary. We also noted multiple instances in which purchase orders were completed after the date of the invoice. As the Town strives to improve the control environment, this policy is a significant area which needs additional review and modification. We recommend that the Board of Selectmen review and update the purchasing policy to reflect the actual procedures required and that once such a policy is adopted that it be implemented by all departments.

This communication is intended solely for the information and use of management, the Board of Selectmen, and others within the organization, and state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

September 10, 2021

*Plodzik & Sanderson
Professional Association*