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July 23, 2021

To the Members of the Board of Selectmen  
Town of Northwood  
818 First New Hampshire Turnpike  
Northwood, NH 03261

Dear Members of the Board:

We have audited the financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Northwood for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Northwood are described in Note 1 to the financial statements. We noted no transactions entered into by the Town of Northwood during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Town of Northwood's financial statements were:

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

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

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

Management's estimate of the net pension liability, deferred outflows and inflows of resources related to pensions are based on assumptions of future events, such as employment, mortality and estimates of value of reported amounts. We evaluated the key

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

**Town of Northwood**

**July 23, 2021**

**Page 2**

factors and assumptions used to develop the net pension liability, deferred outflows and inflows of resources related to pensions in determining that they are reasonable in relation to the financial statements taken as a whole.

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

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

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Adjustments proposed and approved were primarily of a routine nature which management expects the independent auditors to record as part of their year-end procedures. A list of these adjustments for all funds is attached to this letter.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 20, 2021.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Northwood's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Town Policies (repeat comment)**

A lack of well-defined accounting policies and procedures, as well as policies and procedures for nonfinancial matters was noted through review of the Town's documents. Several policies that were established have not been reviewed or updated in several years. Further, we specifically noted a lack of a capital asset policy. In order to ensure consistency in financial reporting and general operations of the Town, formal written policies should be in place. A lack of formal policies can lead to an increased risk of errors or noncompliance with state and federal requirements.

We recommend that the Town work towards implementing the above noted policies and procedures and further that they be kept on file in an organized manner and be updated on a regular basis.



**Library Bonus (repeat comment)**

Per review of library expenditures, we noted a Christmas bonus was paid to employees that should have been subject to payroll taxes. We recommend that the Christmas bonus be paid through regular payroll in order to capture the appropriate taxes.

**Tax Deeded Property and Resident Tax Agreements (repeat comment)**

We noted that the Tax Deeded Property listing was updated as of December 31, 2020, however, numerous tax agreements were still in place with residents to buy back their deeded properties with the Town. Due to frequent turnover within the Town, these agreements were unable to be located and it was not clear whether formal agreements were ever ratified. There is no standard policy regarding the collection on these agreements. Payments should be tracked in order to determine when the agreement has been fully satisfied and appropriate principal, interest, and fees have been assessed. We recommend that the Town review the current agreements with these residents and determine their status (during the year 2020, one of these properties was bought back from a resident). Payments should be tracked in order to determine if the agreements have been satisfied. A formal policy should be adopted regarding the collection on these agreements in order to standardize the process.

**Other Matters**

**Implementation of New GASB Pronouncements**

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

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

**GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period***, issued June 2018, will be effective for the Town with its fiscal year ending December 31, 2021. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

**GASB Statement No. 91, *Conduit Debt Obligations***, issued June 2019, will be effective for the Town with its fiscal year ending December 31, 2022. This Statement provides for a single method of reporting conduit debt obligations and clarifies the existing definition of a conduit debt obligation and improves note disclosures.

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

**GASB Statement No. 93, *Replacement of Interbank Offered Rates***, issued in March 2020, will be effective for the Town with its fiscal year ended December 31, 2021. The objectives of this Statement are address accounting and financial reporting implications that results from the replacement of an IBOR.

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

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



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

We applied certain limited procedures to the following, which are required supplementary information (RSI) that supplements the basic financial statements:

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

Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

**Restriction on Use**

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

Respectfully,

*Plodzik & Sanderson*

PLODZIK & SANDERSON  
Professional Association

***Attachment:***

*All Funds Journal Entries – GOV ENCLOSURE*



Client: **2064 - Town of Northwood**  
 Engagement: **2020 - Town of Northwood**  
 Period Ending: **12/31/2020**  
 Trial Balance: **001.0000 - Government Fund Trial Balance**  
 Workpaper: **910.0031 - All Funds Journal Entries - GOV ENCLOSURE**  
 Fund Level: **Multiple**  
 Index: **GOV/GEN, 300, 400, 600, 700, 800, 900, 200**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 6</b>				
To adjust police detail receivable to actual		<b>300.1312</b>		
400-34011-039	SPECIAL DUTY REVENUE		9,699.00	
400-11501-010	DUE FROM SPECIAL DUTY			9,699.00
<b>Total</b>			<b>9,699.00</b>	<b>9,699.00</b>
<b>Adjusting Journal Entries JE # 8</b>				
To record additional AP items noted during review of subsequent AP runs		<b>300.2110</b>		
100-4990-732	CAP OUT RED LIST BRIDGES		563,054.00	
300-42211-100	PUBLIC SAFETY EXPENSES		9,270.00	
100-20221-020	ACCOUNT PAYABLE			563,054.00
300-20221-020	Accounts Payable			9,270.00
<b>Total</b>			<b>572,324.00</b>	<b>572,324.00</b>
<b>Adjusting Journal Entries JE # 9</b>				
To adjust tax deeded property to actual and remove related payments accumulated in the tax agreement account per #300.1800		<b>300.1800</b>		
100-22201-040	DEFERRED REVENUE-TAX AGREEMENTS		33,590.00	
100-20221-026	TAX DEEDED PROPERTY			29,479.00
100-35011-030	SALE/LEASE OF TOWN OWNED PROPERTY			4,111.00
<b>Total</b>			<b>33,590.00</b>	<b>33,590.00</b>
<b>Adjusting Journal Entries JE # 10</b>				
To reclassify revenue received for elderly lien deferral (Mayberry) which was recorded as a receivable and to reclassify the rest of the proceeds to interest and penalties per #300.1310		<b>300.1310</b>		
100-35011-030	SALE/LEASE OF TOWN OWNED PROPERTY		18,236.00	
100-10803-015	ELDERLY /DISABILITY LIENS/DEFERRALS			14,921.00
100-31901-032	INT & FEES DELINQUENT TAXES			3,315.00
<b>Total</b>			<b>18,236.00</b>	<b>18,236.00</b>
<b>Adjusting Journal Entries JE # 11</b>				
To reclassify current year deeds principal balance to tax deeded property account per #300.1800		<b>300.1800</b>		
100-20221-026	TAX DEEDED PROPERTY		23,069.00	
100-31101-039	OVERLAY			23,069.00
<b>Total</b>			<b>23,069.00</b>	<b>23,069.00</b>
<b>Adjusting Journal Entries JE # 12</b>				
To adjust nonspendable fund balance to agree to balance of tax deeded property per #300.1800		<b>300.1800</b>		
100-24401-010	FUND BALANCE - NONSPENDABLE		11,603.00	
100-25301-000	UNDESIGNATED FUND BALANCE			11,603.00
<b>Total</b>			<b>11,603.00</b>	<b>11,603.00</b>
<b>Adjusting Journal Entries JE # 13</b>				
To adjust allowance to actual		<b>604.1310</b>		
300-34011-010	AMBULANCE FEES		22,493.00	
300-11609-010	ALLOWANCE FOR UNCOLLECTIBLE			22,493.00
<b>Total</b>			<b>22,493.00</b>	<b>22,493.00</b>
<b>Adjusting Journal Entries JE # 14</b>				
To adjust tax agreement deferred revenue per #300.3120		<b>300.3120</b>		
100-20221-021	DEPOSITS PAYABLE (TAX AGREEMENTS DEEDED)		1,125.00	
100-31101-039	OVERLAY		7,075.00	
100-22201-040	DEFERRED REVENUE-TAX AGREEMENTS			8,200.00
<b>Total</b>			<b>8,200.00</b>	<b>8,200.00</b>
<b>Adjusting Journal Entries JE # 15</b>				
To move revenue recorded in the GF to the Covid 19 Fund		<b>508.5100</b>		
100-33591-031	STATE/FEDERAL GRANTS		20,880.00	
201-11601-000	DUE FROM GENERAL FUND		20,880.00	
100-11601-000	DUE TO OTHER FUNDS			20,880.00
201-33581-000	COVID-19 STATE GRANT REVENUE			20,880.00
<b>Total</b>			<b>41,760.00</b>	<b>41,760.00</b>
<b>Adjusting Journal Entries JE # 17</b>				
To record \$1 rounding difference to tie interfunds per #300.8100		<b>300.8100</b>		
700-99999-999	CCH Rounding		1.00	
700-11601-100	DUE FROM GENERAL FUND			1.00
<b>Total</b>			<b>1.00</b>	<b>1.00</b>
<b>Adjusting Journal Entries JE # 18</b>				
To reclassify committed fund balance back to unassigned for red list bridge per #400.4300		<b>400.4300</b>		
100-24401-015	FUND BALANCE - COMMITTED		539,532.00	

100-25301-000	UNDESIGNATED FUND BALANCE		539,532.00
<b>Total</b>		<b>539,532.00</b>	<b>539,532.00</b>
<b>Adjusting Journal Entries JE # 19</b>			
To record NH Bridge Aid receivable for final payment and due from trust fund for \$140,000 authorized at the 2018 annual meeting related to the red list bridge project per #300.1310.		300.1310	
100-11501-019	NH BRIDGE AID RECEIVABLE	215,073.00	
100-13102-010	DUE FROM TRUST FUNDS	140,000.00	
100-33591-031	STATE/FEDERAL GRANTS	215,073.00	
100-39161-030	DUE FROM TRUST FUNDS	140,000.00	
<b>Total</b>		<b>355,073.00</b>	<b>355,073.00</b>
<b>Adjusting Journal Entries JE # 21</b>			
To record contract payable not yet billed for period of December 2020 per #300.2110		300.2110	
100-49090-732	CAP OUT RED LIST BRIDGES	25,371.00	
100-20222-020	CONTRACT PAYABLE	25,371.00	
<b>Total</b>		<b>25,371.00</b>	<b>25,371.00</b>
<b>Adjusting Journal Entries JE # 22</b>			
To adjust allowance for uncollectible accounts to actual		300.1420	
100-31101-037	TAX OVERLAY	140,000.00	
100-10809-010	RESERVED FOR UNCOLLECTABLE	140,000.00	
<b>Total</b>		<b>140,000.00</b>	<b>140,000.00</b>
<b>Adjusting Journal Entries JE # 24</b>			
To gross up FEMA SCBA revenue and expenditures and adjust budget per #400.5100		400.5100	
100-42211-880	GRANTS FIRE DEPT	230,810.00	
100-33111-030	FEDERAL FEMA MONEY	230,810.00	
<b>Total</b>		<b>230,810.00</b>	<b>230,810.00</b>
<b>Adjusting Journal Entries JE # 26</b>			
To adjust beginning fund balance for \$2 rounding variance per #400.9000		400.9000	
100-99999-999	CCH Rounding	2.00	
100-25301-000	UNDESIGNATED FUND BALANCE	2.00	
<b>Total</b>		<b>2.00</b>	<b>2.00</b>
<b>Adjusting Journal Entries JE # 27</b>			
To encumber additional 2019 PO to be carried forward per client		400.4400	
100-25301-000	UNDESIGNATED FUND BALANCE	28,000.00	
100-24401-000	RESERVE FOR ENCUMBRANCES	28,000.00	
<b>Total</b>		<b>28,000.00</b>	<b>28,000.00</b>
<b>Total Adjusting Journal Entries</b>			
		<b>2,059,763.00</b>	<b>2,059,763.00</b>
<b>Total All Journal Entries</b>			
		<b>2,059,763.00</b>	<b>2,059,763.00</b>