



February 15, 2018

Edward T. Peiry, CPA

James A. Sojka, CPA\*

Sheryl A. Pratt, CPA

Michael J. Campo, CPA, MACCY

To the Members of the Town Council  
and Town Manager  
Town of Merrimack  
6 Baboosic Lake Road  
Merrimack, NH 03054

Dear Council Members and Town Manager:

Donna M. LaClair, CPA\*\*

Ashley J. Miller, CPA, MSA

Tyler A. Paine, CPA

Kyle G. Gingras, CPA

Scott T. Eagen, CFE

We have audited the financial statements of the governmental activities, the business-type activities, major fund, and aggregate remaining fund information of the Town of Merrimack, New Hampshire for the year ended June 30, 2017. 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 June 1, 2017. 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 Merrimack are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Town 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 governmental and business-type activities financial statements were:

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

The most sensitive estimates affecting the governmental activities financial statements were:

Management's estimate of the other postemployment benefits liability is based on assumption of future events, such as employment, mortality, and the healthcare cost trend, as well as estimates of the value of reporting amounts. We evaluated the key factors and assumptions used to develop the other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of the accrued landfill postclosure care cost is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2016. This amount is determined by the Town's engineer. We evaluated the key factors and assumptions used to develop the accrued landfill postclosure care costs in determining that it is reasonable in relation to the financial statements taken as a whole.

The most sensitive estimates affecting the governmental activities and governmental fund financial statements were:

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

Management's estimate of the allowance for uncollectible ambulance billings is based on an analysis of the aging of the receivables. We evaluated the key factors and assumptions used to develop the allowance for uncollectible ambulance billings in determining that it is 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. Management has corrected all such misstatements. Adjustments proposed and approved by management were primarily of a routine nature which management expects the independent auditors to make as part of their year-end procedures.

The government-wide financial statements were not prepared by management. We prepared these financial statements which management reviews and approves.

#### *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 February 12, 2018.

#### *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'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's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.





**Library Bank Reconciliations (repeat comment)**

We noted that the fines and special accounts maintained by the library are not being formally reconciled on a regular basis. Each of these accounts should be maintained in a general ledger and reconciled to the bank statement each time a statement is received.

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. 75 *Accounting, and Financial Reporting for Postemployment Benefits Other than Pensions***, issued in June 2015, will be effective for the Town beginning with its fiscal year ending June 30, 2018. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45 and No. 57.

**GASB Statement No. 81, *Irrevocable Split-Interest Agreements***, issued in March 2016, will be effective for the Town beginning with its fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

**GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67 No. 68 and No. 73***, issued in March 2016, will be effective for the Town beginning with its fiscal year ending June 30, 2018. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**GASB Statement No. 83, *Certain Asset Retirement Obligations***, issued in November 2016, will be effective for the Town beginning with its fiscal year ending June 30, 2019. It addresses accounting and financial reporting for certain asset retirement obligations and establishes criteria for determining timing and pattern of recognition of a liability and corresponding deferred outflow of resources.

**GASB Statement No. 84, *Fiduciary Activities***, issued in January 2017, will be effective for the Town beginning with its fiscal year ending June 30, 2020. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

**GASB Statement No. 85, *Omnibus 2017***, issued in March 2017, will be effective for the Town with its fiscal year ending June 30, 2018. This Statement addresses practice issues identified during implementation of certain GASB Statements.

**GASB Statement No. 86, *Certain Debt Extinguishment Issues***, issued in May 2017, will be effective for the Town with its fiscal year ending June 30, 2018. This Statement improves the consistency of accounting and financial reporting for certain debt extinguishment transactions.

**GASB Statement No. 87, *Leases***, issued in June 2017, will be effective for the Town with its fiscal year ending June 30, 2021. 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.

We applied certain limited procedures to the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the Schedule of Town Contributions, which are required supplementary information (RSI) that supplement the basic financial



statements. 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 financial 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 Town Council, Town Manager, and management of the Town of Merrimack, New Hampshire and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



PLODZIK & SANDERSON  
Professional Association

