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December 28, 2018

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:

We have audited the financial statements of the governmental activities, business-type activities, major fund, and aggregate remaining fund information of the Town of Merrimack for the year ended June 30, 2018. 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 28, 2018. 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. As described in Note 2-C to the financial statements, the Town of Merrimack changed accounting policies to change the way the Town calculates and reports the costs associated with postemployment benefits other than pensions by adopting Governmental Accounting Standards (GASB) Statement No. 75, *Accounting, and Financial Reporting for Postemployment Benefits Other than Pensions* in fiscal year 2017-18. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported Note 2-C, Accounting Change/Restatement.

We noted no transactions entered into by the Town of Merrimack 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.

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Management's estimate of the other postemployment benefit liability, deferred outflows of resources, and deferred 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 of resources, and deferred 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 most sensitive estimates affecting the governmental activities financial statements were:

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, 2018. 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 were primarily of a routine nature which management expects the independent auditors to record 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 December 26, 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 of Merrimack'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 Merrimack'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 which 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. 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. 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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued April 2018, will be effective for the Town with its fiscal year ending June 30, 2019. This Statement will improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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 June 30, 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. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*, issued August 2018, will be effective for the Town with its fiscal year ending June 30, 2020. This Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

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

- Management's Discussion and Analysis
- 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
- 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 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,



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Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
01.01	Adjusting	06/30/18					
		01-00-1299-0-0000	Other Receivables		454,589.30		
		01-00-1231-0-0000	Receivable-Police		356.31		
		01-00-1299-1-0000	Intergovernmental Receivable	454,945.61			
			To reclassify accounts receivable to intergovernmental receivable.			0.00	AF #3.4
01.03	Adjusting	06/30/18					
		01-00-5800-0-0000	Nonspendable Fund Balance		15,061.85		
		01-00-5890-0-0000	Unreserved Fund Balance	15,061.85			
			To reclassify nonspendable fund balance for prepaid items.			0.00	A #10.3
01.04	Adjusting	06/30/18					
		01-00-1001-0-0000	Pooled Cash		396,650.97		
		01-00-1011-0-0000	Investment Balance	396,650.97			
			To reclassify NHPDIP from pooled cash to investments.			0.00	AF #2.1
01.05	Adjusting	06/30/18					
		01-00-1299-0-0000	Other Receivables		424,795.40		
		01-00-1342-0-0000	Due From Fire Equip Crf	758.00			
		01-00-1340-0-0000	Due From Milfoil Crf	1,809.50			
		01-00-1332-0-0000	Due From Comm Equip Crf	394,487.50			
		01-00-1356-0-0000	Due From Road Improvements Crf	16,594.56			
		01-00-1351-0-0000	Computer Capital Reserve Fund	11,145.84			
			To reclassify accounts receivables to interfund receivables.			0.00	
01.06	Adjusting	06/30/18					
		01-00-5890-0-0000	Unreserved Fund Balance	750,000.00			
		01-00-5870-0-0000	Reserve for Appeals		750,000.00		
			To record assigned for tax abatement.			0.00	A #10.1

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Worksheet	
01.07	Adjusting	06/30/18						
		01-01-8125-0-4199	Social Security	5,265.14				
		01-03-8125-0-4220	Social Security		278.35			
		01-04-8125-0-4210	Social Security		1,104.32			
		01-05-8125-0-4299	Social Security		887.84			
		01-06-8125-0-4199	Social Security		224.07			
		01-08-8125-0-4312	Social Security		1,671.55			
		01-15-8125-0-4550	Social Security		679.08			
		01-16-8125-0-4319	Social Security		358.01			
		01-21-8125-0-4199	Social Security		59.02			
		01-24-8125-0-4199	Social Security		2.90			
		01-01-8128-0-4199	Retirement	23,713.22				
		01-03-8128-0-4220	Retirement		4,552.05			
		01-04-8128-0-4210	Retirement		17,327.49			
		01-06-8128-0-4199	Retiement		333.33			
		01-15-8128-0-4550	Retirement		967.79			
		01-16-8128-0-4319	Retirement		532.56			
		01-01-8135-0-4199	Workers Compensation	2,852.86				
		01-03-8135-0-4220	Workers Compensation		769.79			
		01-04-8135-0-4210	Workers Compensation		1,110.64			
		01-05-8135-0-4299	Workers Compensation		17.41			
		01-06-8135-0-4199	Workers Compensation		108.38			
		01-08-8135-0-4312	Workers Compensation		701.47			
		01-15-8135-0-4550	Workers Compensation		15.49			
		01-16-8135-0-4319	Workers Compensation		101.08			
		01-21-8135-0-4199	Workers Compensation		28.54			
		01-24-8135-0-4199	Workers Compensation		0.06			
		01-01-8136-0-4199	Unemployment Compensation	29.17				
		01-04-8136-0-4210	Unemployment Compensation		0.52			
		01-08-8136-0-4312	Unemployment Compensation		27.39			
		01-15-8136-0-4550	Unemployment Compensation		1.26			
						0.00		
		Record client entry 3196 to reverse je 2925						
01.08	Adjusting	06/30/18						
		01-15-8202-0-4550	Maintenance Supplies	22.98				
		01-01-8893-0-0000	Dog Park	999.00				
		01-00-3399-0-0000	Other Accrued Expenses		1,021.98			
						(1,021.98)		
		Record client entry 3197 to record additional payables.						
		TOTAL		<u>2,074,336.20</u>	<u>2,074,336.20</u>	<u>(1,021.98)</u>		