

Graham & Graham, P.C.

Certified Public Accountants

Business Advisors & Management Consultants

The Solution Group

November 15, 2019

To the Members of the Town Council
and Town Manager
Town of Merrimack
Merrimack, New Hampshire

We have audited the financial statements of the Town of Merrimack, New Hampshire (the "Town") for the year ended June 30, 2019, and have issued our report thereon dated November 15, 2019. 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 engagement letter to you dated August 1, 2019. 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 are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 financial statements were:

Management's estimate of the useful remaining life of depreciable assets is based on generally accepted useful lives assigned to various categories of property and equipment and on historical in-service periods for similar assets placed in service in prior years. We evaluated the key factors and assumptions used to develop the estimate of depreciation on property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of investments in Note 4 to the financial statements is sensitive to the financial statement users because these investments are reported at fair value, however the amount that the Town may realize upon the disposition of these securities may be materially higher or lower than recorded cost due to fluctuations in the value resulting subsequent to the financial statement date.

15 North Main Street, Suite 204, Concord, NH 03301 603-225-2944 Fax 603-856-7635

174 Court Street, Laconia, NH 03246 603-527-8721 Fax 603-527-8187

368 River Street, Suite 120, PO Box 886, Street, Springfield, VT 05156 802-885-5340 Fax 802-885-4999

Website: www.grahamcpa.com

The Disclosure of the Town's proportionate share of the New Hampshire Retirement System pension plan's net pension liability in Note 12 was calculated by the Plan's actuaries and based on estimates of the life expectancies and future earnings of plan participants, as well as estimates of future returns on plan assets. Actual returns on plan investments and actual plan participant earnings and life expectancies may be materially higher or lower than actuarial estimates, which could result in material increases or decreases in the Town's proportionate share of the future net pension liability of the plan.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 November 15, 2019.

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.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements 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.

Restrictions on Use

This information is intended solely for the use of the Members of the Town Council and management of the Town of Merrimack, NH and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

GRAHAM & GRAHAM, P.C.

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