

November 27, 2018

To the Board of Selectmen
Town of Warner, New Hampshire

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Warner, New Hampshire (the Town) for the year ended December 31, 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 February 5, 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 Warner, New Hampshire 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 of Warner, New Hampshire 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 of the Governmental Activities were:

Management's estimates of the useful lives of depreciable capital assets are based on historical utilization of assets. We evaluated the key factors and assumptions used to develop the useful lives of depreciable capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant estimates also include actuarial assumptions used in determining pension costs which are based on plan audited financial statements. We evaluated the assumptions used in the plan audited financial statements to determine that they are reasonable in relation to the financial statements as a whole.

The most sensitive estimate affecting the financial statements of the General Fund and the Governmental Activities was:

Management's estimate of the allowance for uncollectible receivables is based on the likelihood of the Town to collect monies owed to it. We evaluated the key factors and assumptions used to develop the estimate for uncollectible receivables 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 disclosure affecting the financial statements was:

As discussed in Note 2 to the basic financial statements, the Town has not implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The provisions of GASB Statement 45 were required to be implemented by the Town during the year ended December 31, 2009.

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. Please see the attached schedule of material adjustments detected and corrected as a result of audit procedures.

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 November 27, 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 Warner, New Hampshire'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 Warner, New Hampshire's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Town did not adopt GASB 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the current year which resulted in an adverse opinion on the Governmental Activities.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, schedule of changes in the Town's proportionate share of the net pension liability, schedule of Town contributions, and the notes to the required supplementary information, which are 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.

We were engaged to report on the combining nonmajor governmental fund and fiduciary fund financial statements, 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 use of the Board of Selectmen and management of the Town of Warner, New Hampshire and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Vachon Clukay & Company PC

Town of Warner, New Hampshire
For the year ended December 31, 2017
Material Audit Adjustments

The following are the material audit adjustments made for the year ended December 31, 2017 and have been corrected by management:

General Fund:

- To reverse the prior year Exit 9 payable in the amount of \$315,620.
- To reduce the prior year receivable on the Exit 9 project in the amount of \$246,404.
- To increase the amount due to the school district by \$86,483.
- To reduce tax receivables by \$81,644.
- To increase the advances received from tax payments by \$61,738.
- To record a payable at year end for architecture designs on the new fire station in the amount of \$40,187.

Aggregate Remaining Funds:

- To restore fund balance and reverse the prior year interfund paid in current year for the Conservation Commission Fund in the amount of \$12,976.
- To restore prior year fund balance in the Chandler Reservation Fund in the amount of \$123,316.
- To record expenditures in the Chandler Reservation Fund in the amount of \$23,000.
- To record year end accounts payable in the Solar Array Project Fund in the amount of \$64,935.
- To record year end receivable in the Solar Array Project Fund in the amount of \$43,270.
- To restore prior year fund balance in the Permanent Funds in the amount of \$22,110.
- To restore prior year net position in the Private-Purpose Trust Funds in the amount of \$39,804.
- To increase investments to their fair value at year end in the Permanent Funds and Private Purpose Trust Funds by \$18,342.