

Town of Warner, New Hampshire
For the Year Ended December 31, 2011

Required Communications to Those Charged with Governance

Professional standards established by the American Institute of Certified Public Accountants (AICPA) require independent auditors to communicate certain matters directly to the Board of Selectmen or an appropriate committee of the Board. This information is intended solely for the use of the Board of Selectmen and management and is not intended to be or should not be used by anyone other than those specified parties. These communications are as follows:

| Requirements | Response |
|---|---|
| The level of responsibility we assume in an audit | <p>Performing the audit in accordance with auditing standards generally accepted in the United States of America.</p> <p>Expressing an opinion as to the fairness with which the Town's financial statements are presented in all material respects in conformity with accounting principles generally accepted in the United States of America.</p> <p>We considered the internal controls developed by your Town.</p> |
| Management is responsible for the selection and use of appropriate accounting policies. We discussed our judgements about the quality of accounting principles selected, the consistency in their application and the clarity in presentation including judgements and uncertainties. | These are described in Note 1 of the financial statements. |
| Changes in existing accounting policies and/or the adoption of new policies. | <p>GASB 45 - Other Post-Employment Benefits has not been adopted by the Town, which resulted in an adverse opinion on the Government-Wide statements. This Statement was required to be implemented during 2009.</p> <p>During the year ended December 31, 2011, the Town implemented GASB Statement 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i>.</p> |
| Transactions identified with lack of authoritative guidance or consent and related alternative treatments discussed with management. | Nothing came to our attention. |
| Transactions were recorded in the proper accounting period. | Nothing came to our attention. |
| Significant accounting estimates that 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 management's current judgements. | Overall we believe management's estimations process to be appropriate and conservative. |
| Certain financial statement disclosures are particularly sensitive to financial statement users. | Nothing came to our attention. |

Town of Warner, New Hampshire
For the Year Ended December 31, 2011

Required Communications to Those Charged with Governance (Continued)

| | |
|--|--|
| We performed the audit according to planned scope and timing previously communicated to you. | Engagement letter dated May 3, 2012 |
| Significant audit adjustments. | See the attached listing of the significant audit adjustments. |
| Uncorrected misstatements as part of the audit. | None. |
| Material weaknesses or significant deficiencies in internal controls noted during the audit. | See the separately issued report on internal controls. |
| The nature of significant disagreements with management on financial accounting matters or auditing procedures. | Nothing came to our attention. |
| Any difficulties encountered in dealing with management that affected the performance of the audit. | Management has been extremely cooperative throughout the audit. |
| Formal opinions management obtained from other independent accountants on significant accounting issues. | Management did not make us aware of any. |
| Major accounting or auditing issues discussed with management prior to being retained as auditors. | None. |
| We obtained certain representations from management which we consider to be additions to our standard letter. These are: | None. |
| Fraud involving management that caused a material misstatement to the financial statements. | Nothing came to our attention. |
| Independence issues. | We are not aware of any instances that we believe would impact our independence. |

Town of Warner, New Hampshire
For the year ended December 31, 2011
Significant Audit Adjustments

The following is the significant audit adjustment made for the year ended December 31, 2011 and has been corrected by management:

General Fund:

- To increase the school tax payable by \$129,165.

Aggregate Remaining Fund Information:

- To increase the investments by \$41,034 in the Permanent Funds and the Private-Purpose Trust Funds to their fair value at year end.