

January 28, 2021

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, 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 letter to you dated April 16, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. During the year ended December 31, 2019, the Town adopted and implemented GASB Statement No. 84 – *Fiduciary Activities*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the financial statements and is described in Note 16 to the basic financial statements. 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 estimate of the useful lives of depreciable capital assets are based on historical utilization, necessary improvements, and replacements. We evaluated the key factors and assumptions used to develop the useful lives of depreciable capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant estimates also include actuarial assumptions used in determining pension and other postemployment benefit 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 taxes receivable is based on taxpayer bankruptcies, abatements subsequently issued, historical collection levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance 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 all provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The single employer plan provisions of GASB Statement No. 75 were required to be implemented by the Town during the year ended December 31, 2018.

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 January 28, 2021.

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

As noted above, the Town did not adopt all provisions of GASB Statement No. 75 – *Accounting and Financial Reporting 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 OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town pension contributions, 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 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 information and 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,

Vashon Clukay & Company PC

Town of Warner, New Hampshire
Material Audit Adjustments
For the year ended December 31, 2019

The following are the material audit adjustments made for the year ended December 31, 2019 and have been corrected by management:

General Fund:

- To adjust the amount due to the school district by \$53,888.
- To adjust tax collection activity to a modified accrual basis, net impact in the amount of \$89,084.
- To remove duplicate revenue and expenditure activity in the amount of \$267,785.
- To record accounts payable of the Capital Reserve Funds in the amount of \$168,752.

Aggregate Remaining Funds:

- To restore prior year fund balance in the Fire Department Construction Fund by \$117,662.
- To restore prior year fund balance in the Conservation Commission Fund in the amount of \$589,865.
- To restore prior year fund balance in the Chandler Reservation Fund in the amount of \$101,572.
- To remove prior year activity in the Solar Array Project Fund of revenues and expenditures in the amount of \$364,705 and \$349,223, respectively, and to restore the prior year fund balance.
- To restore prior year net position in the Private-Purpose Trust Funds in the amount of \$37,968.
- To adjust investments to fair value at year end in the Private-Purpose Trust Funds by \$61,590.
- To adjust investments to fair value at year end in the Permanent Funds by \$39,688.