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May 13, 2016

To the Members of the Board of Selectmen  
Town of New London  
375 Main Street  
New London, NH 03257

Dear Members of the Board of Selectmen:

Donna M. LaClair, CPA\*\*

Ashley J. Miller, CPA

Tyler A. Paine, CPA

Kyle G. Gingras, CPA

Susan E. Gauthier, CPA

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of New London for the year ended June 30, 2015. 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 October 22, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

\*\* Also licensed in Massachusetts

#### *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 New London are described in Note 1 to the financial statements. As described therein, the Town changed accounting policies related to financial reporting by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. We noted no transactions entered into by the Town of New London 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 Town of New London's financial statements were:

Management's estimate of the capital asset useful lives is based historical information and guidance from GASB Statement No. 34. We evaluated the key factors and assumptions used to develop the capital asset useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued landfill postclosure care costs payable 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, 2015. We evaluated the key factors and assumptions used to develop the accrued landfill postclosure care costs payable 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 inflows and deferred outflows of resources related to pensions is 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 it is reasonable in relation to the financial statements taken as a whole.

**PLODZIK & SANDERSON**  
*Professional Association | Accountants & Auditors*

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. Adjustments proposed and accepted were primarily of a routine nature which management expects the auditors to record as part of their year-end procedures. The adjustment in the general fund was to properly record current year encumbrances and to recognize the expenditure of prior year encumbrances in the amount of \$431,517.

*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 April 27, 2016.

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

- In review of allocation of property taxes collected and paid to other governments, it was noted that the Town has not yet committed or paid the amount due to the New London-Springfield Water Precinct that results from a corrective billing adjustment to the water precinct's 2012 tax rate. We recommend that the Town obtain a legal opinion or guidance from town counsel in order to take the appropriate steps to remedy the situation.
- In review of library, transfer station and recreation department cash receipts, it was identified that deposits were not being made in a timely manner. We recommend that monies are remitted to Town hall regularly to allow for transfer station and recreation department cash receipts to be deposited at least weekly.
- While performing our expenditure testing of the recreation revolving fund, it was identified that no formal policies or procedures are in place to dictate the amount that class instructors are paid. We recommend that the Town adopt formal policies or procedures over how instructor's fees are determined.
- In review of library expenditures, we identified one instance in which appropriate supporting documentation was not retained. We recommend that all disbursements are properly supported by receipts, invoices or other source documentation.



Other Matters

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that 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. 72, *Fair Value Measurement, and Application***, issued in February 2015, will be effective for the Town beginning with its fiscal year ending June 30, 2016. The guidance contained in this statement addresses accounting and financial reporting issues related to fair value measurements.

**GASB Statement No. 73, *Accounting, and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements No 67 and 68***, issued in June 2015, will be effective for the Town beginning with its fiscal year ending June 30, 2016. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports.

**GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plan Other than Pension Plans***, issued in June 2015, will be effective for the Town beginning with its fiscal year ending June 30, 2017. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB).

**GASB Statement No. 75, *Accounting, and Financial Reporting for Postemployment Benefits Other than Pensions***, issued in June 2015, will be effective for the Town beginning with its fiscal year ending June 30, 2018. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45 and No. 57.

**GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***, issued in August 2015, will be effective for the Town beginning with its fiscal year ending June 30, 2017. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55.

We applied certain limited procedures to Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability, and Schedule of 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 individual and combining 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 use of the Board of Selectmen and management of the Town of New London and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Plodzik & Sanderson*

PLODZIK & SANDERSON  
Professional Association

