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February 12, 2018

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

Dear Members of the Board:

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, 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 June 17, 2016. 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 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. 72, *Fair Value Measurement, and Application* and Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 governmental activities' financial statements were:

Management's estimate of the reserve for uncollectible receivables is based on historical data, and in the case of property taxes, a percentage of unredeemed taxes. We evaluated the key factors and assumption used to develop the reserves for uncollectible receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the capital asset useful lives is based on 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 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, 2017. We evaluated the key factors and assumptions used to develop the estimate of the accrued landfill postclosure care costs payable in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management has estimated an amount to be reserved for certain tax abatements contingencies. The basis for the estimate was historical data and like cases as identified by the Town's Assistant Assessor. We again evaluated the key factors and assumptions used to develop the contingency 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 outflows and inflows of resources related to pensions are 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 outflows and inflows of resources related to pensions in determining that it is reasonable in relation to the financial statements taken as a whole.

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. 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 each opinion unit's financial statements taken as a whole.

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 February 9, 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 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 the 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.

Timely Deposits

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 have commented on this issue in prior years and we recommend that monies are remitted to Town Hall regularly to allow for departmental cash receipts to be deposited at least weekly.



Daily Collection Forms

While updating our understanding of the Town's internal controls over cash receipts, we identified that while the form is now being signed by both the employee remitting funds and the Finance Officer, the funds are not being counted or verified by the Finance Officer until the deposit is being prepared, which can occur on a later date. We recommend that funds are counted and verified as they are received by the Finance Officer.

Signature Stamp

Currently, the Treasurer's signature stamp is locked in a cabinet in the Finance Office, in which the Finance Officer has access to. To further strengthen internal controls, we recommend that only the Treasurer has access and ability to use the signature stamp.

Cash Receipt Policy

While documenting internal controls over cash receipts, we also identified that the Town does not have a formal policy for the handling of cash receipts. For consistency, we recommend that the Town reviews and formally adopts a cash receipt policy.

Gift Certificate

In review of library expenditures, we identified one instance where a gift certificate was purchased and given to a current employee. As gift certificates given to current employees represents taxable income, we recommend that any forms of compensation follow the library's payroll procedures to ensure all compensation is properly reported for tax purposes.

Other Matters

Implementation of New GASB Pronouncements

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, 2018. 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, 2019. 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, 2018. 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 the Schedule of Town's Proportionate Share of Net Pension Liability, and Schedule of Town 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 and individual fund financial 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.



Town of New London
February 12, 2018
Page 4

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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

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