



August 5, 2014

Edward T. Perry, CPA

James A. Sojka, CPA

Sheryl A. Pratt, CPA*

To the Members of the Town Council
Town of Newmarket
186 Main Street
Newmarket, NH 03857

Michael J. Campo, CPA*

Kathryn C. Sanders, CPA

Donna M. LaClair, CPA**

Ashley J. Miller, CPA

Tyler A. Paine, CPA

Kyle G. Gingras, CPA

Dear Town Council Members:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Newmarket for the year ended June 30, 2013. 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 7, 2013. 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 Newmarket 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. We noted no transactions entered into by the Town 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 general fund and governmental activity's financial statements were:

Management's estimate of the allowance for uncollectible receivables (ambulance and taxes) is based on historical rates of collection, refunds, and abatements related to the property tax levy. We evaluated the key factors and assumptions used to develop the allowance for uncollectible taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other post-employment benefit liability is based on employee census data and actuarial calculations using the alternative measurement method. We evaluated the key factors and assumptions used to develop the other post-employment benefit liability 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.

PLODZIK & SANDERSON
Professional Association | Accountants & Auditors

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. The following material misstatements detected as a result of audit procedures were corrected by management: A transfer to correct the deficit in the Fire Station/Public Works Facility Building Project Fund in the amount of \$1,224,000 was reversed due to the fact that the warrant article approving the transfer at the March 2013 Annual Town Meeting stated that the funds were to come from the June 30 fund balance, available for transfer on July 1.

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 July 30, 2014.

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'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.

While documenting the internal controls over ambulance billings, it was noted that write offs of ambulance billings are not approved by Town officials. The Town does not have a formal policy covering the procedures over write offs of ambulance billings. We recommend that the Town develop a written policy governing ambulance write offs and that Town officials approve all write offs.

Other Matters

With respect to the supplementary information accompanying the financial statements, 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.

This information is intended solely for the use of Town Council and management of the Town of Newmarket 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

