



October 6, 2017

Edward T. Perry, CPA

James A. Sojka, CPA

Sheryl A. Pratt, CPA

Michael J. Campo, CPA, MACCY

To the Members of the Board of Selectmen and Town Administrator
Town of Allenstown
16 School Street
Allenstown, NH 03275

Dear Members of the Board:

Donna M. LaClair, CPA**

Ashley J. Miller, CPA, MSA

Tyler A. Paine, CPA

Kyle G. Gingras, CPA

Susan E. Gauthier, CPA

Scott T. Eagen, CFE

** Also licensed in Massachusetts

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 Allenstown for the year ended December 31, 2016. 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 December 7, 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 Allenstown 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 Allenstown 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 capital asset useful lives is based on historical information and industry guidance. 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 allowance for uncollectible taxes is based on historical data and information known concerning the assessment appeals. 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 accrued landfill closure and postclosure care costs is based on estimates provided by the Town engineer. We evaluated the key factors and assumptions used to develop the estimate of the accrued landfill closure and postclosure care costs in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other postemployment benefits liability is based on historical data and actuarial calculations. We evaluated the key factors and assumptions used to develop the other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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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 October 2, 2017.

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

Sewer Department

Reconciliations of sewer billing and accounts receivable, and the general ledger are not being performed on a timely basis. As a result, we received multiple revisions to the sewer receivable balances after completion of the draft audit. The finance office should be provided with billing summaries and accounts receivable detail on a monthly basis, and these records should be reconciled to the general ledger. Additional monitoring and review of sewer billings should be performed to ensure that information regarding sewer billings and accounts receivable is complete and accurate.

In review of policies and procedures of the Sewer Department, it was identified that there are no formal policies in place regarding billing, collection, or deposit of sewer rents or hauler fee revenue. In order to strengthen internal controls of sewer rent collections, it is recommended that the Allenstown Sewer Commission adopt formalized policies outlining the expectations and procedures relating to billing, collection, and deposit of sewer rents and hauler fees. This will also aid the department in standardizing procedures in the event of extended absences or employee turnover. It is recommended that the Allenstown Sewer Commission review these procedures and formally adopt policies for the above noted items.



Management Response: The Town Finance Office began transitioning the Allentown Sewer Commission's general ledger into the Town accounting software in October 2016. Detailed billing and Accounts Receivable records continue to be maintained by the Sewer Commission. Beginning in October 2016 monthly bank reconciliations of the Sewer Department cash account are prepared by the Finance Office. In early 2017 the Sewer Department began providing the monthly billing summaries and accounts receivable detail to the Finance Office, as suggested above.

Cash Receipts

In review of miscellaneous town deposits, it was identified that adequate supporting documentation was not retained by the Town Clerk to support the local revenues deposited and posted to the town's general ledger. It is recommended that adequate documentation is obtained and retained in the Town's records to support all deposits and cash receipts posted to the Town's general ledger.

Federal Compliance

Through testing the federal compliance over the two Community Development Block Grant projects, it was noted that two subcontractors who worked on the projects did not submit any certified payroll reports. In addition, three certified payroll reports for two different subcontractors were not certified. In accordance with 29 CFR section 5.5, all contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by Federal funds must submit to the non-Federal entity weekly, for each week in which any contract work is performed, a certified payroll report. We recommend that in the future the Town make sure that all required certified payroll reports be submitted and that they are properly signed.

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 December 31, 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 December 31, 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 December 31, 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 the Management's Discussion and Analysis, Schedule of Funding Progress for Other Postemployment Benefit Plan, 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, and the Schedule of Expenditures of Federal Awards, 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 Allentown 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

