

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

December 17, 2019

Carroll County, New Hampshire
95 Water Village Road
Ossipee, New Hampshire 03864

You have requested that we audit the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County, New Hampshire as of December 31, 2019 and for the year then ended, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objectives of our expressing an opinion on each opinion unit.

Accounting principles generally accepted in the United States of America require that certain information be presented to supplement the basic financial statements, including the management's discussion and analysis (MD&A) and various pension and other post-employment benefits (OPEB) schedules. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI.

The Objective of an Audit

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America

and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

General Audit Procedures

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures also include certain tests of documentary evidence that support the transactions recorded in the accounts. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Internal Control Audit Procedures

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

In making our risk assessments, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Compliance with Laws and Regulations

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the County's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - ii. Additional information that we may request from management for the purpose of the audit.
 - iii. Unrestricted access to persons within the County from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing financial statements that indicates that such financial statements have been audited by the County's auditor.
- e. For identifying and ensuring that the County complies with laws, regulations, grants, and contracts applicable to its activities and its federal award programs and implementing systems designed to achieve compliance with applicable laws, regulations, grants, and contracts applicable to activities and its federal award programs.
- f. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- g. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

- h. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of the County's basic financial statements. Our report will be addressed to the governing body of the County. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraphs, or withdraw from the engagement.

Fees

Sheryl Stephens Burke, CPA, MST is the engagement principal for the audit services specified in this letter. Those responsibilities include supervising Melanson Heath's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees, as stated in our proposal will be \$26,500 for the 2019 financial statement audit. Invoices will be rendered monthly and are payable upon presentation. We will notify you immediately of any circumstances, such as out-of-scope work needed to complete the financial statement audit, that may impact proposed fees.

Timing

Prior to beginning the engagement, we will propose a timeline for completion of the audit and issuance of draft reports. The timely completion of our services and issuance of reports is dependent upon adhering to the agreed-upon schedule. If accurate and complete documentation is not provided in accordance with the agreed-upon schedule, we cannot guarantee completion of our services and issuance of reports in accordance with the timeline. Further, our fee calculation is based on the agreed-upon schedule, including the deployment of the audit team for specific scheduled dates and an estimated number of hours. If the schedule is not adhered to, we may incur additional staff hours in order to complete the engagement. These additional hours will be billed to you.

The timing of the audit will be scheduled for performance and completion as follows:

- MH to perform audit planning procedures and provide document request to County for preliminary fieldwork – January 2020
- Preliminary fieldwork conducted – TBD January 2020
- MH to provide document request for fieldwork and open items list from preliminary fieldwork – February 2020
- Final 2019 trial balance to be audited provided to MH by County – TBD
- Fieldwork – TBD (based on when 2019 final trial balance provided to MH and MH availability)
- Open items from fieldwork provided by MH to County – 2 weeks after fieldwork completion
- Draft financial statements to County – 2 to 4 weeks after all open items provided to MH by County
- Final financial statements completed by MH – 1 week after edits provided by County to MH
- Final financial statements provided to County – upon receipt of signed management representation letter, updated legal response, review of minutes through the date of the Auditors' report, and receipt of any remaining open items

Nonattest Services

As part of this engagement we will perform the following nonattest services based on information gathered during the audit process:

- Compiling the financial statements, Management's Discussion and Analysis, required note disclosures, and preparing the government-wide financial statements (by consolidating governmental funds into governmental activities, recording all long-term assets, long-term liabilities, and net position classifications from information provided by the County)
- Capital asset/depreciation schedules
- MS-45 form

We will not assume management responsibilities on behalf of Carroll County. However, we will provide advice and recommendations to assist management of Carroll County in performing its responsibilities.

The County's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

We are not hosts for any client information. You are expected to retain all financial and non-financial information to include anything you upload to a portal and are responsible for downloading and retaining anything we upload in a timely manner. Portals, including ShareFile, are only meant as a method of transferring data, are not intended for the storage of client information, and may be deleted at any time. You are expected to maintain control over your accounting systems to include the licensing of applications and the hosting of said applications and data. We do not provide electronic security or back-up services for any of your data or records. Giving us access to your accounting system does not make us hosts of information contained within.

This engagement is limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account codings and approving journal entries. Our firm will advise Carroll County with regard to tax positions taken in the preparation of the tax return, but Carroll County must make all decisions with regard to those matters.

Other Matters

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The audit documentation for this engagement is the property of Melanson Heath and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulators pursuant to authority given by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Melanson Heath's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to those charged with governance, the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements and other services, including our respective responsibilities.

We appreciate the opportunity to be your auditors and look forward to working with you and your staff.

Sincerely,



Sheryl L. Stephens Burke, CPA, MST – Vice President

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Carroll County, New Hampshire:

Signature: Amanda J. Bevard

Name: Amanda Bevard

Title: Commissioner Chair

Date: Dec 18, 2019