

Sullivan, Powers & Co., P.C.

Certified Public Accountants

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December 6, 2017

Selectboard
Town of Bolton, Vermont
3045 Theodore Roosevelt Highway
Bolton, Vermont 05676

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, Vermont as of and for the year ended June 30, 2017, and have issued our report dated December 6, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and "Government Auditing Standards", as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and "Government Auditing Standards"

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town of Bolton, Vermont. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Town of Bolton, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

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 Bolton, Vermont are described in Note I to the financial statements.

As described in Note II.B. to the financial statements, the Town changed the basis of accounting by adopting the modified cash basis of accounting in fiscal year 2017. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note II. B., Restatement/Reclassification of Fund Balances/Net Position. Also, as described in Note II. B. to the financial statements, errors in the classification of fund types were corrected by management during the current year.

We noted no transactions entered into by the Town of Bolton, Vermont 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.

Difficulties Encountered in Performing the Audit

We encountered no 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. We proposed adjustments that in our judgment, either individually or in the aggregate, had a significant effect on the financial reporting process. These audit adjustments related to cash, prepaid expenses, accounts payable, revenues, expenses and fund balance. These audit adjustments were caused by not reconciling the supporting documentation to the general ledger. These corrections were considered material in relation to the financial statements taken as a whole. These adjustments were all posted by management.

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 December 6, 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 Bolton'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 prior to our acceptance as the Town of Bolton, Vermont's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our acceptance.

Other Matters

We applied certain limited procedures to the Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balance – Budget and Actual – Budgetary Basis – General Fund, the Schedule of Proportionate Share of the Net Pension Liability – VMERS Defined Benefit Plan and the Schedule of Contributions – VMERS Defined Benefit Plan 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.

Restriction on Use

This information is intended solely for the use of the Selectboard and management of the Town of Bolton, Vermont and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

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We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Bolton, Vermont as of and for the year ended June 30, 2017 and have issued our report thereon dated December 6, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Town of Bolton, Vermont as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Bolton, Vermont's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bolton, Vermont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Bolton, Vermont's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Bolton, Vermont's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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However, we have noted other matters during our audit as indicated in the accompanying Schedule of Recommendations that are opportunities for strengthening internal control and operating efficiency. We have discussed the recommendations with the staff during the course of fieldwork and some of the recommendations may have already been implemented.

This communication is intended solely for the information and use of management, the Selectboard, and others within the Town of Bolton, Vermont, and is not intended to be, and should not be, used by anyone other than these specified parties. If you would like to discuss any of the recommendations further, please feel free to contact us.

We would like to take this opportunity to thank the staff of the Town of Bolton, Vermont for their assistance and cooperativeness throughout our audit. It has been a pleasure working with you.

Respectfully submitted,

Sullivan, Powers & Company
SULLIVAN, POWERS & CO.
Certified Public Accountants

TOWN OF BOLTON, VERMONT
SCHEDULE OF RECOMMENDATIONS
JUNE 30, 2017

Documentation of Internal Control System

A solid understanding of internal control is essential to a well-run organization. An organization must continually assess their internal control systems to evaluate financial health, ensure accurate financial reporting and compliance with laws and regulations. As part of this process, management should formally document its control systems.

This will provide management with an understanding of the systems related to financial reporting and the controls over relevant assertions related to all significant accounts, disclosures in the financial statements, antifraud programs and controls over selection and application of accounting policies.

We recommend that the Town document the internal control process. This should break out the internal control process into the following five areas:

1. Control Environment – Sets the tone of an organization and is the foundation for all other components.
2. Risk Assessment – Identification and analysis of relevant risks to achieve its objectives, forming a basis for how risks should be managed.
3. Control Activities – The policies and procedures that help ensure management directives are carried out.
4. Information and Communication – The identification, capture and exchange of information in a form and timeframe that enables people to carry out their responsibilities.
5. Monitoring – The process that assesses the quality of internal control performance over time.

Fraud Policy

The Town does not have a fraud policy in place. A fraud policy outlines the Town's position on fraudulent activities and dishonest conduct and sets out procedures for employees to report suspected fraud or misconduct to the appropriate personnel within the Town. This policy should further outline the responsibilities of different positions within the Town in regards to reporting and investigating these claims. It should also discuss the actions that will be taken to investigate the claim and the protection that will be afforded to the person making the claim against retaliation from the accused.

We recommend that the Town implement a fraud policy.

TOWN OF BOLTON, VERMONT
SCHEDULE OF RECOMMENDATIONS
JUNE 30, 2017

Fraud Risk Assessment

The Town has not performed a fraud risk assessment. A fraud risk assessment is important because it identifies the Town's vulnerabilities to fraudulent activities and whether those vulnerabilities could result in material misstatement of the financial statements. The fraud risk assessment would also identify processes, controls, and other procedures used to mitigate the identified fraud risks.

We recommend that the Town perform a fraud risk assessment to reduce the possibility of fraudulent activities.

Investment and Banking Policy

The Town does not have a formal investment and banking policy. This policy is extremely important in establishing and maintaining cash management in accordance with Selectboard directives. This policy should include general guidance for the Treasurer in the areas of bank selection, types of investments and policies for minimizing the risk of losses.

We recommend that the Selectboard and the Treasurer work together to establish guidelines for the Treasurer in the areas of cash management and investing.

Cash Receipts Module/Cash Register

The Town does not utilize the cash receipts module to record cash receipts and provide customers with computer generated printed receipts. Currently, when money is collected, the Town uses a manual log to summarize the collections, provides handwritten receipts from prenumbered carbon copy receipt books, records the revenue in the accounting software after the fact and reconciles the cash receipts to the receipt books. The Town also does not use a cash register.

We recommend the Town consider using the cash receipts module or cash register to automate the recording of cash receipts.

Budgeting for Revenue

Currently, the Town does not budget for many of their revenue sources such as interest on delinquent taxes, current use and recurring grant income. A budget is used mainly as a planning tool to compare revenue and expenditures to amounts estimated.

We recommend that the Town include all estimated revenue as part of their budgeting process in the future.

TOWN OF BOLTON, VERMONT
SCHEDULE OF RECOMMENDATIONS
JUNE 30, 2017

Non-Sufficient Funds (NSF) Policy

The Town currently does not have a policy to address bounced checks. As a result, the Town has repeat offenders bouncing checks with no recourse. The Town should create an NSF policy to determine fees for bounced checks, how bounced checks affect tax penalties and whether to accept personal checks after they bounce a certain number of times.

We recommend that the Town consider creating an NSF Policy.

Overtime Personnel Policy

The personnel policy manual has not been updated to reflect the Town's current practices for payment of overtime. It is important that the information in the personnel policies manual is up to date.

We recommend that the personnel policies manual be updated to clarify how overtime is paid. We also recommend that an employee be assigned the responsibility to make sure that the manual gets updated as new policies are approved.

Accrued Paid Time Off Carryforward Policy

The Town does not have a formal accrued paid time off carryforward policy.

We recommend that this policy be added to the personnel policy manual to avoid disagreements between employees and the Town regarding the accrued paid time off carryforward.

Weekly Payroll

The Town currently pays all of their employees weekly. The Town could save time and money if they switched to a bi-weekly or semi-monthly method of paying employees.

We recommend the Town consider switching to a different frequency of paying employees to save time and money. The Town may need to consider allowing advances to employees in order to prevent cash flow difficulties during the transition.

Volunteer Stipend Payments

The Town currently pays volunteer stipends for work performed and for training time as vendors. It is our understanding that these payments should be paid as payroll.

We recommend that the Town verify that they must pay volunteer stipends through payroll.

