

January 2, 2017

The Selectboard  
Town of Bolton, Vermont

In connection with audit engagements, we are required by auditing standards generally accepted in the United States of America to communicate certain matters with those charged with governance. The term "those charged with governance" means the persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, for example, the Selectboard (the Board) or a designated Board officer or committee. This communication is provided in connection with our audit of financial statements of the Town of Bolton (the Town) as of and for the year ended June 30, 2016.

These standards require us to communicate with you any matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. They also set the expectation that our communication will be two way, and that the Board or their designee will communicate with us matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures.

This letter summarizes those matters which we are required by professional standards to communicate to you in your oversight responsibility for the Town's financial reporting process.

#### **Auditor's Responsibility under Professional Standards**

Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States was described in our arrangement letter dated May 12, 2016.

#### **An Overview of the Planned Scope and Timing of the Audit**

The scope of the audit was also described in our arrangement letter dated May 12, 2016. The audit was conducted in August 2016; our exit conference with management was held on August 4, 2016. A draft of the financial statements was provided to management on October 5, 2016.

#### **Accounting Practices**

- **Adoption of, or Change in, Accounting Policies**

Management and the Selectboard have ultimate responsibility for the appropriateness of the accounting policies used by the Town. Management has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016.

- **Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- **Alternative Treatments Discussed with Management**

We did not discuss with management any alternative treatments for accounting policies and practices related to material items.

### **Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. The significant accounting estimates reflected in the Town's 2016 financial statements are depreciation expense and the State of Vermont's estimate of the Town's pension expense, pension deferrals, and net pension liability for the Vermont Municipal Employees' Retirement System.

### **Audit Adjustments**

During the audit we proposed nine adjustments to the general ledger.

Management accepted the proposed adjustments and those changes are reflected in the 2016 financial statements. The significant effects of these audit adjustments were to (1) record activity and interest income in various cash accounts not previously recorded, (2) remove transactions inadvertently posted to payable accounts during the year, (3) record changes in debt related accounts and record debt service payments at the fund level, (4) record capital asset activity including the accounting estimate for depreciation expense, (5) record proceeds from capital lease and (6) adjust pension fund for FY16 activity.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, the significant disclosures to be included in the financial statements, or other matters.

### **Consultations with Other Accountants**

We are not aware of any consultations that management may have had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed with Management**

We did not have correspondence with management regarding significant issues arising from the audit. We have discussed accounting matters relating to the Town's accounting estimates and audit adjustments.

### **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties during the audit.

### **Material Weaknesses**

We identified one material weakness in internal control related to the segregation of duties between the Town Clerk/Treasurer and Assistant Clerk/Treasurer. This material weakness (finding 2016-001) has been reported in prior years and the status has not changed, though it has been noted that the Town has begun utilizing the assistance of an additional person who is currently performing bank reconciliations. We also reported one significant deficiency related to capital asset and long-term debt accounting (finding 2016-002), which was also reported in prior years.

### **Certain Written Communications between Management and Our Firm**

Management provided written representations in connection with the audit in a letter to our firm dated January 2, 2017. A copy of the letter is available upon your request.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this letter. We appreciate the opportunity to be of service to the Town.

Very truly yours,  
Mudgett, Jennett & Krogh-Wisner, P.C.

*Mudgett, Jennett &  
Krogh-Wisner, P.C.*