

September 9, 2013

The Board of Selectmen
Town of Bolton, Vermont

In connection with audit engagements, we are required by generally accepted auditing standards 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, 2013.

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 generally accepted auditing standards was described in our arrangement letter dated March 15, 2013. Auditors are responsible for forming and expressing opinions about whether the financial statements of the Town are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

An Overview of the Planned Scope and Timing of the Audit

The scope of the audit was also described in our arrangement letter dated March 15, 2013. The audit was scheduled for July 2013; our exit conference with management was held on July 17, 2013. A draft of the financial statements was provided to management on August 14, 2013.

Accounting Practices

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

Management has ultimate responsibility for the appropriateness of the accounting policies used by the Town. Management implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013.

- **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 within generally accepted accounting principles 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 estimate reflected in the Town's 2013 financial statements is depreciation expense.

Audit Adjustments

During the audit we proposed thirteen (13) adjustments to the general ledger.

Management accepted the proposed adjustments and those changes are reflected in the 2013 financial statements. The significant audit adjustments were to (1) record interest income on certificates of deposit not previously recorded, (2) record activity and interest income in health savings account, tax sale, and reserve checking accounts not previously recorded, (3) remove transactions inadvertently posted to payable accounts during the year, (4) record changes in debt related accounts, (5) record the accounting estimate for depreciation and changes in capital assets, (6) correct cash transfers and equity balances for reservations recorded by management, and (7) adjust agency fund for the senior meals program.

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 13-1) has been reported in prior years and the status has not changed. We also reported one significant deficiency related to capital asset and long-term debt accounting (Finding 13-2 which was also reported in prior years) and two control deficiencies related to warrants and the tax rate.

Certain Written Communications between Management and Our Firm

Management provided written representations in connection with the audit in a letter to our firm dated September 9, 2013. 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.*