

# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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January 30, 2015

To the Town of Hinesburg  
Hinesburg, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hinesburg for the year ended June 30, 2014. 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 letter to you dated April 28, 2014. 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 are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Town changed accounting policies by adopting Statement of Governmental Accounting Standards Board No. 65, *Items Previously Reported as Assets and Liabilities*. This standard compliments Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net position*. The application of other existing policies was not changed during the year. We noted no transactions entered into by the Town 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 estimate affecting the Town's financial statements was:

- Management's estimate of the useful lives of capital assets is based on historical experience and common practice. We evaluated the key factors and assumptions used to develop the estimated lives 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. The uncorrected misstatements of the financial statements were due to prepaid expenses not being recorded, unrecorded AP, and changing the method of recording the VLCT insurance payments.

Management has determined, and we agree, that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

We proposed eleven (11) adjustments to your financial statements which were accepted and recorded by management. The material adjustments were to record donated infrastructure, and depreciation expense.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 January 30, 2015.

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

## INVESTMENT POLICY

The Town of Hinesburg does not have a formal written investment policy. We recommend you establish a formal written investment policy for the Town, including the Peck Estate funds that details the Board's philosophies, policies and goals (both short and long term). The policy would allow the Board to maximize the income earned on investments at an acceptable level of risk and would safeguard your assets against misuse. It should include who has the right to transfer between the investment accounts, transaction amount limits, what kind of investments can be made, and who can authorize purchases and sales. The policy should also address the Town's investment goals, the targeted return for the investment portfolio, the amount of risk that is acceptable, and evaluate the risk/reward of investment alternatives. The investment returns and composition should be analyzed at least quarterly to evaluate performance and adherence to the investment policy.

## PRIOR YEAR FINDINGS

### *Material Weakness in Internal Control - GRANTS CUTOFF*

In our prior year audit, several of the material audit adjustments proposed were needed due to the activity in various grants not being recorded based on when the work occurred. Thus, several adjustments needed to be made to move activity from FY14 back to FY13 where it should have been recorded. We recommended that close attention be paid to all items relating to the timing and cutoff of all payables and related grant receivables. This issue was not found in FY14.

## CAPITAL ASSET TRACKING

During the prior audit, we noted that although the NEMRC system is being used to track capital assets, the asset tracking was not complete until after we completed our fieldwork. We recommended that the assets be tracked on an ongoing basis throughout the year, and that the list be completed before the audit fieldwork is done. This was done in FY14.

### *Other Matters*

We applied certain limited procedures to the management discussion and analysis, which is 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 supplementary information, 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 Selectboard and management of the Town of Hinesburg and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Fothergill Segale & Valley, CPAs*

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