



*Proven Expertise and Integrity*

## Draft

January 13, 2017

Board of Selectmen  
Town of Ferrisburgh  
P.O. Box 6  
Ferrisburgh, Vermont 05456

We have audited the financial statements of the Town of Ferrisburgh, Vermont, for the year ended June 30, 2016.

In planning and performing our audit of the financial statements of the Town of Ferrisburgh, Vermont as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Ferrisburgh, Vermont's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A control deficiency 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 misstatements on a timely basis. However, as discussed below, we identified certain deficiencies in internal that we consider to be significant deficiencies but that we did not consider to be material weaknesses.

A deficiency in design exists when:

- A control necessary to meet the control objective is missing; or
- An existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

A deficiency in operation exists when:

- A properly designed control does not operate as designed; or
- The person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a significant deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a control 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.

These matters do not modify our opinion on the financial statements for the year ended June 30, 2016, where we expressed an unqualified opinion on our independent auditors' report dated November 28, 2016.

**Significant Deficiency:**

**Cash Balances**

While performing our audit for the above mentioned year end, specifically when confirming bank balances, we identified two bank accounts that were opened using the Town of Ferrisburgh's federal EIN. More specifically, the billings tax sales account had a balance of \$13,787.27 and the booth taxes sales account had a balance of \$3,041.44 at June 30, 2016. These balances were not recorded on the trial balance at year end. It is recommended that all bank accounts opened using the Town of Ferrisburgh's EIN number be properly recorded on the general ledger and that cash be reconciled for each bank account in a timely manner.

**Unidentified Deposit**

While performing our audit for the above mentioned year end, it was noticed that funds received from a tax sale of \$19,178.78 were deposited in the bank in January of 2016, but this deposit was not properly recorded in the general ledger at the time of receipt. This issue remained unresolved on September 13, 2016. However, prior to completion of the audit fieldwork (i.e. September 15, 2016) personnel updated their general ledger to record this deposit. It is recommended that deposits be properly recorded on the general ledger in a timely manner. This will mitigate the risk of deposits getting lost or unrecorded in the general ledger system and should assist in the bank reconciliation process.

**Capital Plan:**

The Town should review its current capital and infrastructure needs short term and long term from all Town departments. By this we mean that the Town should create a list of major capital items it may need to replace in the upcoming years with an estimated replacement cost. We recommend that the Town incorporate this into a formal five or more year plan, thus a Capital Plan. With a formal Capital Plan the Town should identify items needed based on priority and identify a means of paying for these items. We would recommend that the Town pay for these items with equal annual appropriations to a capital fund. Thus, when employed, the capital plan would allow for the Town to pay for major items with a consistent effect on its tax rate and possibly prevent the Town from borrowing to pay for these items.

**General Ledger Reconciliations:**

All general ledger accounts should be reconciled on a monthly basis and when necessary to subsidiary ledgers. At the time of fieldwork various general ledger accounts including cash, payroll tax liabilities and other various accounts did not reconcile. These accounts were still being reconciled by client at field work time. Reconciling cash is crucial to the fiscal affairs of the Town and crucial in allowing the Town to make good business decisions based on accurate financial information. Some of these accounts still contain immaterial variances. The Town should reconcile within 21 days from month end all general ledger accounts.

**Subsequent Event – Cash Receipting:**

While performing the audit for the above mentioned year end, it was noticed while performing our subsequent event testing of cash receipts, that deposits were taking longer than a reasonable period of time upon collection of the Town to depositing in the Town's bank account for use. Some of the deposits were significant. The Town should review this area for best practice. The Town should also review the controls in place to insure that monies are deposited more timely.

This letter is intended solely for the information and use of management, those charged with governance, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Garrit, Pam, Gloria and all of the staff at the Town for all of their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

***Draft***

RHR Smith & Company, C.P.A.ø