

April 23, 2021

The Selectboard
Town of Woodstock, 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 Woodstock, Vermont (the Town) as of and for the year ended June 30, 2020.

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 responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States were described in our arrangement letter dated May 12, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

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, 2020. The audit was conducted from September 2020 through February 2021; our exit conference with management and the Selectboard was held on March 15, 2021; drafts of the financial statements and reports were provided to management in February 2021.

Accounting Policies and Practices

- **Preferability of Accounting Policies and Practices**

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

- **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. The Town did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

- **Significant or Unusual Transactions**

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

- **Management's Judgments and 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 2021 financial statements are depreciation expense, allocations of accrued compensated absences and accrued payroll estimates and allocations between the Town and Village of Woodstock, and the State of Vermont's estimate of the Town and Village of Woodstock's pension expense, pension deferrals, and net pension liability for the Vermont Municipal Employees' Retirement System (VMERS).

Audit Adjustments

During the audit we proposed 30 adjustments to the general ledger provided for audit. Management also provided 3 adjustments to this general ledger that were identified by management during the audit.

Management accepted the proposed adjustments and those changes are reflected in the 2020 financial statements. The significant effects of these adjustments were to (1) adjust capital asset, depreciation, and long-term debt amounts, (2) adjust net pension liability and other effects of the accounting for VMERS, (3) adjust ambulance receivable and write-off amounts, (4) adjust capital reserve amounts, (5) adjust the Town's property accounts, (6) adjust transfers, interfund receivables and payables and beginning fund balances, (7) record activity in the Permanent Fund, (8) adjust amounts receivable and payable between the Town and Village of Woodstock, (9) record accrued payroll and accrued compensated absence activity for the year, and (10) restate 2019 fund balance and net position of the General Fund and Governmental Activities. Copies of the adjustments are available upon your request.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

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, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are aware that management has utilized the services of an outside accountant to assist with the Town's daily accounting needs as well as certain year-end adjustments.

Significant Issues Discussed with Management

We have discussed the Town's re-statements relating to an incorrect refund of homestead and non-residential property taxes paid to the Town by the Windsor Central Supervisory Union, a prior year transfer into the General Fund from the Economic & Community Development Reserve Fund done in error, prior year assets that were expensed instead of capitalized, and a prior year capital lease that was not recorded as a liability. We have also discussed the Town's General Fund deficit of \$276,141 and the numerous financing agreements entered into by the Town during the year ended June 30, 2020 that were not drawn on. Lastly, we would like to point out that the Town had \$463,474 in unpaid property taxes at August 30, 2020 relating to tax years 2015 through 2019. Had these amounts totaling \$463,474 been paid to the Town by taxpayers by August 30, 2020 the General Fund would instead show a surplus of \$187,333 at June 30, 2020.

Significant Difficulties Encountered in Performing the Audit

Significant time was required to prepare accrued compensated absence and accrued payroll schedules at the request of management. Additionally, significant time was required to reconcile the Town's Permanent Fund which had not been recorded in the Town's general ledger for the year. Lastly, significant time was required to reconcile asset and depreciation activity, long-term debt, and capital lease activity for the year ended June 30, 2020.

Material Weakness

We identified a material weakness (finding 2020-001) in the Town's system of internal control over financial reporting during our audit of the financial statements relating to incomplete year end balances and supporting schedules.

Certain Written Communications between Management and Our Firm

Management provided written representations in connection with the audit in a letter to our firm dated April 23, 2021. A copy of the letter is available upon your request.

This report is intended solely for the information and use of the Selectboard 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.

