

November 15, 2022

The Selectboard  
Town of Elmore, 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 Elmore (the Town) as of and for the year ended June 30, 2022.

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States were described in our arrangement letter dated June 20, 2022. 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 June 20, 2022. The audit was conducted in September and October 2022; our exit conference with management was held on October 26, 2022; drafts of the financial statements and reports were provided to management on November 3, 2022.

### **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. Management records transactions in individual funds using a modified cash basis of accounting which includes uncollected property taxes in assets and revenue, but excludes accounts payable from liabilities and operating expenditures.

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

- Management has the 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 Judgements 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 2022 government-wide financial statements are the estimated values of capital assets, compensated absences, and the State of Vermont's estimates of the Town's share of net pension liability for the Vermont Municipal Employees' Retirement System (VMERS).

### **Audit Adjustments**

During the audit we proposed an adjustment to the general ledger balances provided for audit. Management accepted the proposed adjustment and those changes are reflected in the 2022 financial statements. The significant effects of these adjustments were to remove the Town's carryforward of a portion of fund balance from the previous year to revenue of the year under audit. This affected both the General Fund and the Highway Fund.

We did not propose adjustments to record the estimated values of governmental capital assets or the estimated values of liabilities representing future obligations for the VMERS net pension liability or future compensated absences. Accounts for these estimated assets and liabilities are not included in the Town's general ledger. These estimated amounts are reflected in the government-wide statement of net position and the government-wide statement of activities.

### **Uncorrected Misstatements**

We are not aware of any uncorrected misstatements in the individual funds other than misstatements that are clearly trivial. We did identify a minor variance in the reconciliation of the Town cash account. It was not a significant amount and will be corrected as future reconciliations are completed.

### **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.

### **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.

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

We did not encounter any significant difficulties in working with management during the audit.

### **Material Weaknesses**

We identified two material weaknesses in the Town's system of internal control over financial reporting during our audit of the financial statements. These material weaknesses are included in the Schedule of Findings for the year ended June 30, 2022 and describe conditions related to accounting for capital assets and long-term obligations. We have also included findings with recommendations in several areas which were not considered to be material weaknesses.

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

Management provided written representations in connection with the audit in a letter to our firm dated November 15, 2022. 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.*