

# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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November 22, 2019

To the Selectboard  
Town of Royalton  
South Royalton, 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 Royalton, Vermont for the year ended June 30, 2019. 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 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *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 of Royalton, Vermont are described in Note 1 to the financial statements. As described in notes to the financial statements, the Town changed accounting policies in fiscal year 2019 by adopting Statement of Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions*. 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 depreciation is based on estimated useful lives of Town assets. We evaluated the key factors and assumptions used to develop the assets useful lives in determining that depreciation 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. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

The uncorrected misstatements of the financial statements were due to:

1. Unrecorded accrued interest in the Wastewater Fund
2. Current year effect resulting from uncorrected misstatements in the prior year from: unrecorded accrued interest in the Wastewater Fund, unrecorded Wastewater delinquent penalty & interest, missed payables in the Wastewater Fund, unadjusted delinquent penalty & interest in the General Fund, unrecorded deferred penalty & interest in the General Fund, and incorrect prepaid amounts in both the General Fund and the Highway Fund

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

We proposed six (6) adjustments to your financial statements which were accepted and recorded by management. None of the adjustments were material adjustments as a result of audit procedures.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is 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 November 22, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

*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.

*Other Matters*

We applied certain limited procedures to management's 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 in Schedules 1 through 4, 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 Royalton 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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