



Batchelder Associates, PC

November 9, 2018

Herbert A. Durfee III
Town Manager
Town of Norwich, Vermont
300 Main Street
PO Box 376
Norwich, Vermont 05055

Dear Mr. Durfee,

This letter includes two separate forms of communication: *Communication with Those Charged with Governance at or Near the Conclusion of the Audit* and *Management Letter Comments*.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT OR NEAR THE CONCLUSION OF THE AUDIT

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Norwich, Vermont for the fiscal year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 November 9, 2018. 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 of Norwich, Vermont are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended June 30, 2018. We noted no transactions entered into by the Town of Norwich, Vermont 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(s) affecting the Town's financial statements were, Management's estimated useful lives used to calculate depreciation of property, plant and equipment. We evaluated the key factors and assumptions used to develop the useful lives, in determining that they are 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. We encountered no such misstatements, material, either individually or in the aggregate, to the Town's financial statements taken as a whole.

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 9, 2018.

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

Other Matters

We were not engaged to report on Schedule of Proportionate Share of the Net Pension Liability VMERS Defined Benefit Plan – Schedule 1 and the Schedule of Contributions – VMERS Defined Benefit Plan – Schedule 2, which accompany the financial statements but are Required Supplemental Information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance to them.

MANAGEMENT LETTER COMMENTS

In planning and performing our audit of the financial statements of the Town of Norwich, Vermont, as of and for the year ended June 30, 2018, we considered its internal control to determine our auditing procedures for expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses or significant deficiencies under standards established by the American Institute of Certified Public Accountants. We noted certain matters involving internal controls that are presented below for your consideration. These comments and recommendations are offered with the hope of improving internal controls and financial reporting.

- As part of internal control testing, we look at all outstanding items on the bank reconciliations. We noted old outstanding items. We suggest that outstanding items, older than three months be researched and corrected.
- During our expense testing and audit procedures, we found some invoices that had been paid erroneously. Specifically, the bond interest that was billed to the Town. The amount was found to be significantly overbilled and was subsequently refunded, however, we suggest a second review and comparison of original documents to ensure that third parties have not billed the Town in excess.
- All invoices should be reviewed, approved and coded.

Restriction on Use

This information is intended solely for the information and use of the board of Selectmen and management of Town of Norwich, Vermont and is not intended to be, and should not be, used by anyone other than these specified parties. Thank you for your help in another successful audit.

Batchelder Associates, P.C.

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