

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Jane M. Burroughs, CPA
Donald J. Murray, CPA

February 8, 2010

Selectboard Members
Town of Fayston
866 No. Fayston Road
Fayston, VT 05673

Dear Selectboard Members,

In planning and performing our audit of the financial statements of each major fund and the aggregate remaining fund information of the Town of Fayston, Vermont as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

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. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During the audit we noted matters that we have listed below along with our recommendations. We believe that the implementation of the recommendations will provide the Town with a stronger system of internal control while also making its operations more efficient.

RECOMMENDATIONS

I-9s

During our audit testing we became aware that I-9's were not completed for all employees. According to the Department of Homeland Security, employers must retain completed Forms I-9 for three years after the date of hire or one year after the date employment ends, whichever is later. We recommend that you follow the regulations for I-9s.

Invoice sign-off

We found that although there was evidence that invoices were being reviewed, there was no formal approval by management. We recommend that a procedure be put in place to assure that all invoices are signed-off by appropriate management personnel.

AUDIT REPORT DEPARTURES

As discussed in the audit report, due to the Town reporting its financial information on the pre-GASB 34 reporting model, the financial statements do not present fairly, the financial position or changes in the financial position of the Town of Fayston in conformity with generally accepted accounting principles.

FINANCIAL PERFORMANCE

At December 31, 2009 your General Fund had a fund balance of \$162,250.

Exhibit C of the financial statements on pages 5 - 8 compares General Fund actual revenues and expenditures to budget. Revenues were greater than expenditures by \$125,415, which was \$162,249 better than what was budgeted. The largest variances were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Property taxes	\$ 734,942	\$ 774,574	\$ 39,632
Fees, licenses and permits	30,400	37,667	7,267
Interest on taxes	10,000	19,754	9,754
Miscellaneous income	43,000	51,959	8,959
Expenditures:			
Road crew	135,000	115,389	19,611
Highway equipment	73,500	55,504	17,996
Highway supplies	49,000	36,675	12,325
Officers' salaries	105,500	118,800	(13,300)
Planning/board of adjustment	49,900	38,568	11,332
Administration	45,200	20,803	24,397

Fund balances for the Capital Projects Funds, Special Revenue Funds and the Cemetery Perpetual Care Fund totaled \$483,653 as of December 31, 2009. Please see Note 8 to the Financial Statements and Schedules 3 and 4 for more details related to these funds. As shown on Exhibit B the Road Retreatment Fund has a fund balance of \$257,167 as of December 31, 2009.

Thank you for the opportunity to perform the audit. If you have any questions please call us.

This communication is intended solely for the information and use of management, the selectboard, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Fothergill Segale & Valley CPAs

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