
Certified Public Accountants

February 15, 2018

Honorable Paul A. Miscione
Town of New Hartford Supervisor
48 Genesee Street
New Hartford, New York 13413

Dear Supervisor Miscione:

The following represents our understanding of the services we will provide the Town of New Hartford, New York (the "Town").

You have requested that we audit the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2017, and for the year then ended and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America, (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board ("GASB") require that supplementary information, such as management's discussion and analysis, budgetary comparison information, the schedule of the local government's proportionate share of the net pension liability relating to retirement systems, and the schedule of the local government's contributions relating to retirement systems be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information ("RSI") in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis
- Schedule of the Local Government's Proportionate Share of the Net Pension Liability
- Schedule of the Local Government's Contributions
- Required Supplementary Budgetary Comparison Schedule—General Fund and each major special revenue fund with a legally adopted budget

Supplementary information other than RSI will accompany the Town's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Combining Balance Sheet—Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS and in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have

not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management and those charged with governance are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management and those charged with governance for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing financial statements that indicates that such financial statements have been audited by the entity's auditor;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities; and
- f. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole; and
- g. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of the Town's basic financial statements. Our report will be addressed to the Town Board. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing of internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The timing of our audit will be scheduled for performance and completion as follows:

	<u>Begin</u>	<u>Targeted for Completion</u>
Audit Performance Schedule:		
Planning audit procedures	March 5	March 9
Year-end audit procedures	May 15	May 31
Audit Communications:		
Report on audit (including communications to the Town Board)		June 2018
Significant deficiencies or material weaknesses, if any, and other management comments		June 2018

The aforementioned schedule is based on our prior discussions, should you wish to schedule differently, we believe we can accommodate you. Assistance to be supplied by the Town's personnel, including preparation of schedules and analyses of accounts, will be described in a separate communication. Timely completion of the Town's work will facilitate the completion of our audit by the targeted completion dates. Appendix A provides a description of circumstances that could significantly change the targeted completion dates.

Matthew J. Montalbo is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Drescher and Malecki LLP's services performed as part of this. Our fees will be billed as work progresses and are based on the anticipated amount of time required to complete. We estimate our fees for the aforementioned audit services relating to the basic financial statements will not exceed \$21,000, inclusive of expenses for the audit of the year ending December 31, 2017. Our fees will be payable as work is performed. To the extent that certain circumstances, as listed in Appendix A, arise during the engagement, our fee estimate may be affected and additional fees may be necessary. We will notify you of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary. Whenever possible, we will attempt to use the Town's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

D&M will also assist the Town in compiling the following reports for the years ending December 31, 2017:

- Basic financial statements
- Required Supplementary Information

With respect to any nonattest services we perform, the Town's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

At the conclusion of our audit engagement, we will communicate to management the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;

- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm dated June 18, 2015 as Appendix B for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

Drescher & Malecki LLP

RESPONSE:

This letter correctly sets forth our understanding.

Town of New Hartford, New York

Acknowledged and agreed on behalf of Town of New Hartford, New York

By:  _____

Title: Town Supervisor

Date: 2/20/18

APPENDIX A

Town of New Hartford, New York Circumstances Affecting Timing and Fee Estimate Year Ended December 31, 2017

The estimate of our fees is based on certain assumptions. To the extent that certain circumstances as listed in this Appendix arise during the engagement, our fee estimate may be significantly affected and additional fees may be necessary. We will notify you of circumstances that we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary. Such circumstances include but are not limited to the following:

1. Changes to the timing of the engagement at the Town's request. Changes to the timing of the engagement usually require reassignment of personnel used by Drescher & Malecki LLP ("D&M") in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, D&M may incur significant unanticipated costs.
2. All audit schedules are not (a) provided by the Town on the date requested, (b) completed in a format acceptable to D&M (c) mathematically correct, or (d) in agreement with the appropriate Town records (e.g., general ledger accounts). D&M will provide the Town with a separate listing of required schedules and deadlines.
3. Weaknesses in the internal control structure.
4. Significant new issues or changes as follows:
 - a. Significant new accounting issues that require an unusual amount of time to resolve.
 - b. Significant changes in accounting policies or practices from those used in prior years.
 - c. Significant changes or transactions that occur prior to the issuance of our reports.
 - d. Significant changes in the Town's accounting personnel, their responsibilities, or their availability.
 - e. Significant changes in auditing requirements set by regulators.
5. Significant delays in the Town's assistance in the engagement or delays by the Town in reconciling variances as request by D&M. All invoices, contracts, and other documents, which we will identify for the Town, are not located by the Town's personnel or made ready for our easy access.
6. Deterioration in the quality of the Town's accounting records during the current-year engagement in comparison with the prior-year engagement.
7. The procedures necessary to adopt new Governmental Accounting Standards Board Statements have not been completed by Town personnel.
8. A significant level of proposed audit adjustments are identified during our audit.
9. Changes in audit scope caused by events that are beyond our control.