



**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

November 30, 2023

To the Honorable Mayor, City Council  
and City Manager  
Newport, Vermont

In planning and performing our audit of the financial statements of City of Newport, Vermont as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered City of Newport, Vermont's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in City of Newport's internal control to be material weaknesses:

1. In-House Accounting Limitations – As is common in small operations, the City's personnel do not have the experience and training needed to –
  - a. Prepare year-end adjustments and prepare its financial statements, complete with notes, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the City is unable to, and has not established internal controls over the preparation of year-end adjustments and preparation of financial statements.
  - b. Select and apply accounting principles that are in conformity with accounting principles generally accepted in the United States of America. Accordingly, the City is unable to, and has not established internal controls over the selection and application of accounting principles.

Statement on Auditing Standards (SAS) 115 requires that we report these deficiencies. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

The objective of SAS 115 is to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the control deficiencies at Number 1 above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor. In other words, if an organization is not able to issue, without the auditors' involvement, complete financial statements with notes, in accordance with generally accepted accounting principles, and free of material misstatement, that inability is a symptom of material deficiencies in internal control.

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. Accordingly, you may decide that curing the deficiencies described at Number 1 above would not be cost effective and take no action.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Very truly yours,

A handwritten signature in cursive script that reads "Kittell Branagan & Sargent". The signature is written in black ink and is positioned above the printed name of the firm.

KITTELL, BRANAGAN & SARGENT