December 14, 2016

Board of Selectmen
Town of Wells, Maine
P. O. Box 398
Wells, Maine 04090-0398

We have audited the financial statements of the Town of Wells, Maine, for the year ended June 30, 2016.

In planning and performing our audit of the financial statements of the Town of Wells, Maine as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered The Town of Wells, Maine’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 Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’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 assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. However, as discussed below, we did not identify deficiencies in internal control that we considered to be a material weakness but did identify a deficiency that we considered to be a significant deficiency.

A deficiency in the design of internal controls exists when:
- A control necessary to meet the control objective is missing; or
- An existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

A deficiency in the operation of internal control exists when:
- A properly designed control does not operate as designed; or
- The person performing the control does not possess the necessary authority or competence to perform the control effectively.
A material weakness is a significant deficiency, or combination of deficiencies, 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.

A significant deficiency is a control 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.

These matters do not modify our opinion on the financial statements for the year ended June 30, 2016, where we expressed an unqualified opinion on our independent auditors’ report dated November 15, 2016.

**Significant Deficiencies:**

**Transfer Station Deficit:**

During our audit for the above mentioned year, we noted that the Town’s Transfer Station has a cumulated deficit approximating $357,000 as of June 30, 2016. This has increased from the previous years’ deficit by another $180,000. While the Town recognized it was the sensible choice at the time of making this accounting change in treating the Transfer Station as an enterprise fund, the Town now is realizing that this fund may not meet the definition of an enterprise fund. The Town will look into this matter and address in a future budget. It appears the logical budget to address this will be fiscal year 18’s or now 19’s because of the size of the deficit.

This letter is intended solely for the information and use of management, those charged with governance, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Jon, Jodie and all of the staff at the Town for all of their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

RHR Smith and Company, CPAs