



Batchelder Associates, PC

December 12, 2022

Town of Granville, Vermont Select Board
4157 Vt Route 100
Granville, Vermont 05764

Dear Select Board,

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 Granville, Vermont for the fiscal year ended June 30, 2022. 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 13, 2022. 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 Granville, 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, 2022. Please see Finding 2022-01 to 2022-02 for details related to the Town's significant material weakness.

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 a couple of difficulties while performing this audit:

- There were several communication issues regarding requested data. In some cases, such as the interest charged between July and August of 2022, we deemed it to be immaterial and decided to waive, however, it was due to the fact that we could not receive this data from the Town after several requests.
- Knowledge base of the software or how to interpret accounting issues was low, which hindered the ability to obtain information in an efficient manner.

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 have attached the audit adjustments passed by the finance department and recorded to finalize and properly report the Town's balances.

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 December 12, 2022.

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 Granville, Vermont, as of and for the year ended June 30, 2022, 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 items are in addition to Finding 2022-01 through 2022-02. These comments and recommendations are offered with the hope of improving internal controls and financial reporting.

- The Town of Granville uses QuickBooks Desktop to track town finances. During 2022 and prior, use of classes to track funds was not used. This has created over and understatements of revenue and expenses, largely created from transfers from and to various funds. QuickBooks can be used if the user has a strong municipal accounting background, understands how to use classes, and understands when transactions need to be recognized as Due to/from transactions, as well as revenue and expenses, specifically in the case of transfers from one fund to another. We do not feel there is enough understanding currently of municipal accounting and suggest that additional training be taken to understand the necessary transactions. We do suggest consideration of moving to a municipal accounting software with appropriate training.
- We strongly recommend the Town adopt a policy for handling stale transactions that arise on their bank reconciliations. By carrying deposits in transit indefinitely, The Town creates overstatements of the cash account, and transversely, by carrying forward outstanding checks/payments, they create an understatement.
- To this point, the Town has not tracked their fixed assets. Going forward, it is important to keep track of all assets purchased for the Town in excess of \$5,000. This would include any costs necessary for getting the asset ready to be placed in service (set-up costs, freight costs, electrical or plumbing requirements, outfitting vehicles with public safety or public works packages). Keeping asset information together in one file is strongly suggested.

Material Weaknesses in Internal Control

2022-01:

- Criteria:* Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.
- Condition:* Balance sheet accounts were misstated in several cases, causing unreliable information to Select Board.
- Cause:* Payments for loan proceeds, debt payments, inaccurate deposits in transit and outstanding checks were recorded on the balance sheet incorrectly.

Effect: The Town's account balances were incorrect.

Recommendation: We recommend that all balance sheet accounts be reconciled to supporting documentation in order to detect and correct errors.

2022-02:

Criteria: Municipalities' are required to use fund accounting

Condition: Accounting software was not established to track funds, transfers between funds and/or creating of Due to/from accounts.

Cause: Fund balances by fund did not exist due to the lack of tracking the accounting by fund.

Effect: The Town's fund balances were inaccurate and incorrect information is relied on to make Town decisions, set tax rates and spend funds.

Recommendation: We recommend that the Town move to a fund based accounting system and ensure that proper training is in place for staff responsible for the Town's finances.

Restriction on Use

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

Bonnie Batchelder

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