

TOWN OF CLARKSBURG, MASSACHUSETTS

MANAGEMENT LETTER

June 30, 2023

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To the Select Board of
TOWN OF CLARKSBURG, MASSACHUSETTS

Dear Members of the Select Board:

In connection with our audit of the financial statements of the Town of Clarksburg, Massachusetts as of June 30, 2023, we have made a review of the Town's accounting procedures and internal control. While the primary objective of such a review is to afford us a basis for determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for the Town's consideration, suggestions for changes in procedures, which, in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments and recommendations in this letter are based upon observations made in the course of such review. The review was not designed for the purpose of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our examination of the above-mentioned financial statements, and they did not modify the opinion expressed in our report on those financial statements.

After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you.

We would like to express our thanks and appreciation to the Town and its personnel for the cooperation given us during the course of our examination.

Sincerely yours,

Adelson + Company PC
ADELSON & COMPANY PC

October 4, 2024

Background

A major benefit of an independent audit of a city or town is the management report generated as an adjunct to the audited financial statements.

To derive maximum benefit from this report, the respective department heads should review the comments and recommendations and as soon thereafter as possible, respond in writing to the Town Administrator as follows:

- How they plan to implement the recommendations and the anticipated date of implementation.
- If they disagree, they should outline their reasons and submit alternative recommendations and dates of implementation.

The Town Administrator should meet with the department heads and after due consideration, decide on a course of action. The department heads should be required to submit monthly written reports to the Town Administrator of their progress in implementing the recommendations.

Comments and Recommendations

1. It was noted that the Town has not added any properties into tax title from 2019 to 2023. The creation of tax titles is one of the most effective remedies for the enforcement of the collection of taxes. At June 30, 2023, real estate taxes receivable total \$283,680, of which \$145,401 are due from fiscal year 2021 and prior.

Recommendation:

The Town should regularly evaluate properties with delinquent taxes and determine if they need to be placed into tax title.

2. The Town has funds on deposit at UniBank, which ended its membership in the Depositors Insurance Fund (DIF) effective September 20, 2023. The DIF insures bank deposits in excess of the FDIC limit of \$250,000. In the event of a bank failure, uninsured cash balances may not be returned to the Town. At June 30, 2023, the Town's balance at UniBank was \$67,461, and all cash balances are fully insured.

Recommendation:

The Town should be aware of the change in coverage offered by its financial institutions and should regularly monitor its bank balances in order to mitigate risk to the Town's cash deposits.

3. Within the past several years, the Town has had significant turnover in the Town Hall positions, including the Accountant and Treasurer/Collector. The Town does not have a formally documented accounting policies and procedures manual. It was noted that the Town has begun to develop a manual.

Recommendation:

The Town should continue to move forward with the development and adoption of a formal, written accounting policies and procedures manual, which should include job descriptions and duties of each position. This will assist the Town in the event of staff turnover. The manual should also include the Town's financial policies, such as departmental turnovers policy, credit card use policy, and document retention policies.

4. The Town's financial statements do not report the Other Postemployment Benefits (OPEB) expense and liability in the government-wide Statement of Net Position and Statement of Activities. As a result, the Town's financial statements contain an Adverse Opinion on its government-wide financial statements.

Recommendation:

The Town should obtain an actuarial valuation of its OPEB plan and record the related expense and liability in its government-wide financial statements.

5. During our audit of cash, we noted the following:
- a. The bank reconciliation for the Town's primary checking account for June 30, 2023 was prepared on February 29, 2024, eight months after year-end.
 - b. The bank reconciliation for the Town's primary checking account reported outstanding checks, however a detailed listing of the outstanding checks was not included with the bank reconciliation originally provided during the audit.

Recommendation:

- a. Bank statements should be reconciled within three weeks of the end of each month. This will mitigate risk and allow for prompt identification of any unusual or unauthorized transactions in the cash accounts.
 - b. The listing of the individual outstanding checks should be included as part of the bank reconciliation and maintained as part of the Town's records, and filed with the bank statements.
6. The Town's School Department has a Student Activities Fund, which is currently accounted for as a Special Revenue fund (Fund 35) in the Town's general ledger. While the Town is the custodian of the Student Activity funds, the monies are being held on behalf of the students, and must be used for their benefit. The funds cannot be used to support the Town's operations. The fund balance in the Student Activities fund as of June 30, 2023 is \$23,137.

Recommendation:

The Town should report the Student Activity fund as an agency fund.

7. The Governmental Accounting Standards Board (GASB) has issued the following Statements which will be effective for the Town's fiscal year ending June 30, 2025:
- a. GASB No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Town's compensated absence policy allows employees to accrue and carry over vacation and sick time from year to year.
 - b. GASB No. 102, *Certain Risk Disclosures*. The objective of this statement is to identify potential risks in governmental environments and develop disclosure requirements associated with information about risks related to a government's vulnerabilities due to certain concentrations or constraints. As a result of this statement, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

Recommendation:

Management of the Town should familiarize themselves with GASB No. 101 and 102 in order to prepare for their implementation and the impact on the Town's financial reporting beginning for fiscal year 2025. The Town should maintain calculations of the compensated absence liabilities for sick and vacation time allowed to be carried over to subsequent fiscal years per GASB No. 101. The Town should also identify whether there are any concentrations or constraints meeting the definitions per GASB No. 102 that would require disclosure in the financial statements.