



Batchelder Associates, PC

March 6, 2022

Town of Halifax, Vermont Select Board
PO Box 127
Halifax, Vermont 05358

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 Halifax, Vermont for the fiscal year ended June 30, 2020. 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 August 4, 2021. 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 Halifax, 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, 2020. Please see Findings 2020-01 to 2020-03 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 no significant difficulties in dealing with management in performing and completing our audit.

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 March 6, 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 Halifax, Vermont, as of and for the year ended June 30, 2020, 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 2020-01 through 2020-03. These comments and recommendations are offered with the hope of improving internal controls and financial reporting.

- The Town of Halifax uses QuickBooks Desktop to track town finances. During 2020 and prior, use of classes to track funds was not used. This has created over and understatement 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.
- One bank account is being utilized for both the general operating and reserve accounts. We strongly suggest, at a minimum that the reserve accounts be removed and transferred to an account of their own. Most banks will manage a municipalities reserve cash account and offer a segregation of reserves within one account.
- Of particular and important note during our audit, it came to our attention that funds were used to put a deposit on a piece of land to be purchased from a related party. The transaction did not happen, the funds were not refunded to the Town and the funds were charged to a Sand account, ultimately, hiding these spent funds in an account of which it did not pertain.
- School funds were included in the Town's financial statements, which should not have been and should have been excluded. Adjustments were made to remove these accounts from the Town's records.
- There are two Town bank accounts which were not included in the Town's finance reporting. The Town Clerk and Celebration accounts are two additional accounts that are kept offline. They should be included in the financial statements of the Town.
- There are accounts held by the Board of Public Trustees which also could be setup as a fund and tracked with quarterly reports from the Trustees. This would create a complete and accurate reporting to the Board on a quarterly basis, at a minimum.
- Bank accounts do not appear to be reconciled timely. Often times, reconciliations occur several months after the close of the statement. Reconciling within the month following the close of the statement would be a stronger control, allowing for quicker resolution of items that may have occurred in error. There is notation of the Assistant Treasurer signing off on the reconciliations, but no indication that the Treasurer has reviewed. We would suggest that the Treasurer sign-off and date the reconciliations upon review as well.
- The Master Audit Memo states that all invoices are coded by appropriate Town employees, however, based on our testing sample, we did not find this to be accurate. All invoices should be reviewed, approved with a signature and coded to the appropriate general ledger account by qualified staff within the departments.

- During testing of the Town Clerk account, we found that deposits were not always timely. For example, the August 19, 2020 deposit included checks dated back to May, 2020. All deposits should be recorded and deposited on a regular basis, certainly within the appropriate month and certainly all at year end.
- We found a transfer of \$41,198 completed from the General fund checking to the Equipment Fund checking without approval from the Selectboard. All transfers between funds should be approved by the Board and/or voted on at Town meeting.
- During our review of Town policies, it is our understanding that all items are to be presented to the Selectboard on the Selectboard's Orders. We found several instances where this has not happened. We strongly suggest that policies be in place to ensure that all transactions are presented and approved to the Selectboard for approval. We will ask the Selectboard to review the attached paid vendor listing to ensure there are no questions or concerns with vendors paid during 2020.
- Transfers voted during Town meeting were made between the General Fund and Equipment Fund checking. In addition, other transfers were made due to misinterpretation of the budget. The funds were transferred back to the General Fund, however, there should be a policy in place with checks and balances and Selectboard approval prior to transfers being made to ensure accuracy.
- Loan balances were recorded on the balance sheets of the Town's financial reports. Municipal accounting, modified accrual, does not show debt on the face of the balance sheet, but rather shows the current year principal and interest payments as separate accounts within the expenses of the Town's financial statements. Likewise, loan proceeds are shown as current year revenue of the Town's records.
- Purchase of capital assets should also be maintained by fund in a separate expense account. An accurate fixed asset schedule has been prepared, which should be maintained and updated by the Town on an annual basis.
- The delinquent tax list presented in the Town report does not agree with the delinquent tax listing in NEMRC. Although immaterial at June 30, 2020, these reports should reconcile. A process and procedure for ensuring that this happens on a regular basis should be established.
- Tax payments are considered late if paid after September 30th. If the envelope is postmarked September 30th or before, even if received after the deadline, interest and penalties are not assessed. There were several tax payments from residents that were dated after September 30th with no interest or penalties. The envelopes were not kept which was evidence of the postmark and the checks were dated in October. We strongly suggest that the envelopes be maintained in the future so it is easily identifiable if taxpayers should have been assessed interest and penalties.

Restriction on Use

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

Client: TOWN OF HALIFAX, VERMONT
Engagement: 2020 Town of Halifax, Vermont
Current Period: 06/30/2020
Workpaper: June 30, 2020 Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AHE #17					
To reclass Debt payments and capital assets					
630.7665.000	TRUCKS		0.00	35,055.00	
630.9800.000	Capital Asset Outlay		35,055.00	0.00	
100.7500.000	Repayment of Debt		0.00	150,000.00	
100.6552.000	BOND PAYMENT		150,000.00	0.00	
630.7695.000	Interest on loan		260.36	0.00	
630.7698.000	Loan Principal Payments		0.00	260.36	
Total			185,315.36	185,315.36	0.00
AJE #1					
Remove School Transactions from Town Records					
999.0135.000	Playground CD # 1		0.00	57,989.18	
999.0134.000	Playground CD # 2		0.00	40,145.71	
999.0131.000	Playground Fund Money Market		0.00	11,884.02	
999.3000.000	Opening Bal Equity		110,007.60	0.00	
999.5945.000	Playground Fnd Interest Earned		11.31	0.00	
Total			110,018.91	110,018.91	(11.31)
AJE #10					
To book Celebration bank account that was kept					
500.1100.000	Celebration Bank Account		7,217.75	0.00	
500.5000.000	Celebration Fund Donations		0.00	7,217.75	
Total			7,217.75	7,217.75	7,217.75
AJE #11					
To book deferred taxes at June 30, 2021					
100.2600.000	Deferred Property Taxes		0.00	61,205.35	
100.5120.000	Delinquent Tax Payments		61,205.35	0.00	
Total			61,205.35	61,205.35	(61,205.35)
AJE #13					
To reclass Due to From to Transfers					
510.2500.000	Due to from		0.00	8,773.50	
510.9950.000	Transfers Out - General Fund		8,773.50	0.00	
100.2500.000	Due to/from other funds		8,773.50	0.00	
100.9955.000	Transfers In - Emergency Reserve		0.00	8,773.50	
580.9950.000	Transfers Out - General Fund		27,496.07	0.00	
580.2500.00	Due to/from other funds		0.00	27,496.07	
100.9960.000	Transfers In - Scott and Eames		0.00	27,496.07	
100.2500.000	Due to/from other funds		27,496.07	0.00	
Total			72,539.14	72,539.14	0.00
AJE #14					
Prepaid Expenses					
100.1200.000	Prepaid Expenses		9,945.41	0.00	
100.7220.000	EHealth Insurance		0.00	9,730.41	
100.6253.000	DUES & SUBSCRIPTIONS		0.00	215.00	
Total			9,945.41	9,945.41	9,945.41
AJE #15					
Accrued Payroll					
100.2100.000	Accrued Payroll		0.00	7,545.28	
100.7110.000	Road Crew Gross Wages		3,195.89	0.00	
100.6121.000	Town Clerk Assistant		1,495.00	0.00	
100.6130.000	Lister Wages/ Regular		1,002.00	0.00	
100.6113.000	Selectboard Assistant		1,208.00	0.00	
100.8210.000	Delinquent Tax Collector		108.20	0.00	
100.9720.000	FICA		536.19	0.00	
Total			7,545.28	7,545.28	(7,545.28)
AJE #16					
To record Accrued Expenses					
100.2200.000	Accrued Expenses		0.00	43,962.22	
100.7430.000	Gravel		1,316.00	0.00	
100.7440.000	Chloride		2,225.00	0.00	
100.7380.000	Shop Supplies		49.99	0.00	
100.7370.000	Trash Collection		120.00	0.00	
100.7340.000	Building Repair & Maint		1,107.27	0.00	
100.7270.000	Uniform Town Contribution		375.61	0.00	
100.7380.000	Shop Supplies		309.11	0.00	
100.7330.000	Telephone		95.64	0.00	
630.7680.000	REPAIRS & MAINTENANCE		679.47	0.00	
630.7685.000	DIESEL FUEL		5,552.71	0.00	
630.7680.000	REPAIRS & MAINTENANCE		13,120.50	0.00	
100.6271.000	Street Lights		97.16	0.00	

100.9520.000	TREASURER:9520 ? Expenses	83.73	0.00	
100.6256.000	Lister Supplies	184.28	0.00	
100.8100.000	Annual Discretionary	178.65	0.00	
100.6610.000	Dispatching Fee	7,254.50	0.00	
100.6851.000	VLCT-Employment Practices Liabi	577.25	0.00	
100.6852.000	VLCT-Public Officials Liability	235.75	0.00	
100.6852.000	VLCT-Public Officials Liability	1,860.00	0.00	
100.6253.000	DUES & SUBSCRIPTIONS	3,736.75	0.00	
100.8310.000	Delinquent Tax Coll Expense	2,920.00	0.00	
100.6256.000	Lister Supplies	55.00	0.00	
100.6256.000	Lister Supplies	55.90	0.00	
100.6260.000	Selectmen Expenses	23.58	0.00	
100.7462.000	Cold Patch & Culverts	23.10	0.00	
630.7670.000	VLCT Property & Casualty/Equip	11,576.00	0.00	
100.7380.000	Shop Supplies	2,917.00	0.00	
100.6320.000	Legal Services	145.50	0.00	
100.6255.000	Office Supplies	5,422.35	0.00	
100.6715.000	Contracted Recycling	141.23	0.00	
100.6340.000	VT Law Enforcement Services	1,307.10	0.00	
100.6710.000	WSWMD	500.00	0.00	
100.7380.000	Shop Supplies	1,197.71	0.00	
630.7680.000	REPAIRS & MAINTENANCE	175.31	0.00	
100.6720.000	Landfill Closure	905.29	0.00	
630.2200.000	Accrued Expenses	512.75	0.00	
		0.00	23,174.97	
Total		67,137.19	67,137.19	(67,137.19)
AJE #2				
Record Delinquent Property Taxes at 6/30/20				
100.1150.000	Delinquent Tax Receivable	55,664.40	0.00	
100.1155.000	Delinquent Penalty and Interest Receivable	9,006.92	0.00	
100.5110.000	Residential & Land Property Tax	0.00	64,671.32	
Total		64,671.32	64,671.32	64,671.32
AJE #3				
To remove Brattleboro Savings balance as it was				
100.0900.000	BRATTLEBORO SAVINGS & LOAN	0.00	336.06	
100.5611.000	General Account	336.06	0.00	
Total		336.06	336.06	(336.06)
AJE #4				
To reclass debt to expenses by fund				
630.2300.000	People's United Bank	0.00	62,829.80	
630.7698.000	Loan Principal Payments	62,829.80	0.00	
Total		62,829.80	62,829.80	(62,829.80)
AJE #5				
Reclass Debt to Expenses				
100.2300.000	People's United Bank	133,319.20	0.00	
100.2310.000	Capital Equipment Note	191,191.00	0.00	
630.7000.000	Equipment Account - Loan Proceeds	0.00	191,191.00	
100.3000.000	Opening Bal Equity	759,615.02	0.00	
100.3900.000	Unrestricted Fund Balance	0.00	892,934.22	
100.3900.000	Unrestricted Fund Balance	0.00	191,191.00	
630.3000.000	Opening Bal Equity	191,191.00	0.00	
Total		1,275,316.22	1,275,316.22	191,191.00
AJE #7				
To record transfers between general fund and ec				
630.5900.000	Transfers In - General Fund	0.00	392,812.00	
100.9950.000	Transfers Out - Equipment Fund	392,812.00	0.00	
630.5900.000	Transfers In - General Fund	129,328.00	0.00	
100.9950.000	Transfers Out - Equipment Fund	0.00	129,328.00	
100.2500.000	Due to/from other funds	0.00	263,484.00	
630.2500.000	Due to/from other funds	263,484.00	0.00	
Total		785,624.00	785,624.00	0.00
AJE #8				
To book Town Clerk Bank account not recorded c				
100.1110.000	Town Clerk Account	7,217.75	0.00	
100.5230.000	Town Clerk Fees	0.00	7,217.75	
Total		7,217.75	7,217.75	7,217.75
AJE #9				
To remove land owned by Town and bought bac				
100.1210.000	Property Purchase Asset	0.00	14,161.70	
100.3900.000	Unrestricted Fund Balance	14,161.70	0.00	
Total		14,161.70	14,161.70	0.00
AJE# 6				
Reclass funds transferred between the General F				
630.5900.000	Transfers In - General Fund	0.00	41,198.35	
100.9950.000	Transfers Out - Equipment Fund	41,198.35	0.00	

100.2500.000
630.2500.000

Due to/from other funds
Due to/from other funds

Total

GRAND TOTAL

	0.00	41,198.35	
	<u>41,198.35</u>	<u>0.00</u>	
	<u>82,396.70</u>	<u>82,396.70</u>	<u>0.00</u>
	<u>2,813,477.94</u>	<u>2,813,477.94</u>	<u>81,178.24</u>