



Batchelder Associates, PC

August 4, 2022

Town of Grand Isle, Vermont
9 Hyde Road
Grand Isle, VT 05458

Dear Select Board Members,

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 Grand Isle, Vermont for the fiscal years ended June 30, 2018. 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, 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 Grand Isle, 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 years ending December 31, 2018 through 2020. We have noted some transactions entered into by the Town of Grand Isle during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Gathering of financial information was extremely difficult and over an extremely extended period of time. The timing was not conducive for being able to complete a sufficient and economical audit process.
- A matter regarding the payments made to the Town Treasurer, initiated by the Town Treasurer, for responsibilities completed on behalf of the school district came to our attention during audit testing. When questioned, the Town Treasurer told us, as the auditors, that this was payment of the school services as Treasurer and that the school reimbursed these payroll and benefit costs. As part of our audit process, we asked for backup to the invoice submitted to the School District showing how the reimbursement was calculated and appropriate details. This was never produced.

Difficulties Encountered in Performing the Audit (continued)

After waiting for months and discussing several times with the Select Board, the board has decided to ignore the evidence and documents presented.

- As a result, Batchelder Associates, P.C. has resigned as auditor or any further services with the Town.

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 found such misstatements, which were material, either individually or in the aggregate, to the Town's financial statements taken as a whole.

The value of funds paid to the Town Treasurer for school services and associated benefits and payroll taxes appear to be approximately \$4,000 per year and existed in the years audited, which were 2018-2020. I would conclude that there may be other years that this existed. Due to the fact that the Treasurer or Select Board could not produce this information, it is only an estimate.

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.

Although the items above regarding the Town Treasurer are not material to any one year, the accumulation of several years could be significant.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 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.

Findings:

1. Bank accounts are reconciled by Treasurer with no oversight by the Selectboard. An independent review of the monthly bank reconciliations is suggested. Timing of reconciliations should be within the month following to ensure proper identification and correction of irregularities.

2. The only signers to the bank account are the elected Treasurer and Assistant Treasurer. There is no established dollar limit which would require a second signature. We suggest that a Selectboard member be a second signer for checks over an established dollar threshold.
3. During audit testing, we chose a sample of invoices to review, checking for valid amounts, approvals, coding, and clearing of the bank. We found that 80% of the invoices contained no form of approval on the invoice. All invoices should be approved prior to being entered into NEMRC by appropriate departments, treasurer or board members based on the Town's policies and procedures.
4. Entries are being made to investment accounts which have not happened due to errors in how funds were supposed to be transferred. Cash should not be adjusted for transactions which have not physically happened as it over/under states the value of the particular investment account.
5. Warrants presented to Selectboard exclude all bank transfers to the School District and transfers to investments such as Certificate of Deposits. We suggest that all funds owed to the school district be sent via check and included on the warrants authorized by the Selectboard. We suggest that 100% of checks and disbursements go through the warrant process and there is a policy in place for emergency disbursements.
6. Currently, the Treasurer moves funds between Town bank accounts and investment accounts without authority or knowledge of the Selectboard. Based on Vermont Statute, the Treasurer is required to have the authorization of the Selectboard and should present at regular meetings for approval or an alternative method defined and agreed upon by the Selectboard.
7. Payroll warrants only show payroll gross, taxes and net. There is no backup or time sheets included with payroll. Without proper backup, the Selectboard does not have the necessary information to properly review and authorize warrant or employee compensation.
8. During payroll testing, we found that staff were accounting for time under a comp time policy that did not exist. Time was being added to a comp time bank at straight time and later paid out at overtime. Selectboard was unaware of this practice until 2022.
9. A comp time policy should be established, addressing approval process, tracking, payout guidelines, inclusive of how it would be handled should an employee leave with comp time on the books.
10. The Library and Cemetery work independently of the Town even though they are part of the Town and should adhere to the same controls and oversight by the Treasurer and Selectboard. Policies and procedures should be put in place to ensure that all established policies and controls are being followed by all departments.
11. Auditor adjustments were not given by the auditor to correct transactions which lead to misleading financial statements and inaccurate funds balances presented to the board throughout the year. Adjustments in 2018 needed exceeded \$350,000 due to transferring reserve funds from the general fund to a specific reserve fund.
12. Fixed assets were not fairly stated in 2018, 2019 and 2020 but were eventually corrected throughout 2020 and 2021. Although these schedules were prepared by the auditor, the Town Treasurer should be maintaining the fixed asset schedule and annual additions.
13. We suggest there be additional training taken by the Treasurer and Assistant Treasurer through VLCT offerings, as well as Selectboard training regarding financial review.
14. We suggest that the Board establish a policy of standard reporting and transactions with regards to completeness, timing and presentation for the Treasurer to adhere to.
15. There were several variances found in the audited 2018 financial statements, however, for the most part, immaterial. In 2018, a property tax cash account was included in the audit as a receivable. We have corrected this in our 2018 audit presentation.
16. The prior auditor failed to record approximately \$374,700 in fixed assets in 2018, however cumulatively corrected the data moving into 2019 and 2020.

Overall, the figures presented, with the exception of the fund balance over/under statements from 2018-2020, payments to the Treasurer for School Treasurer work and other minor variances, were fairly stated. As the auditor of 2018-2020 also completed 2021, they were able to catch up with many of the items we found during 2018-2020 to bring the Town's records and the audit more in line with one another.

Restriction on Use

This information is intended solely for the information and use of the board of Selectmen and management of Town of Grand Isle and is not intended to be, and should not be, used by anyone other than these specified parties.

Bonnie Batchelder

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