

**TOWN OF ERVING, MASSACHUSETTS**  
**MANAGEMENT LETTER**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**TOWN OF ERVING, MASSACHUSETTS**

**Management Letter**

**Year Ended June 30, 2016**

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To the Honorable Board of Selectmen  
Town of Erving  
Erving, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Town of Erving 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 Erving's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or 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.

A material weakness is a deficiency, or a combination of deficiencies, in internal control 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the management, the Board of Selectmen, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

June 12, 2017

## CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

### 1. Future GASB Statements - OPEB

#### Comment:

The GASB has issued new pronouncements that will significantly impact the accounting and financial reporting requirements for Other Post-employment Benefits (OPEB). The new standards issued are as follows:

- GASB Statement No. 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. This statement is required to be implemented in fiscal year 2017
- GASB Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This statement is required to be implemented in fiscal year 2018

Given the significant impact of these GASB statements on the Town's financial accounting and reporting we recommend that the Town familiarize and educate themselves with the statements.

### 2. School Departmental Accounting Records

#### Comment:

The School Department maintains departmental accounting records for all their financial accounts (budget, grants and revolving funds, etc.), which are used in the reconciliation process to the Town's general ledger. During our audit we reviewed the School's records and their reconciliation process and noted the following:

- The School does not track revenues for their special revenue fund (i.e. revolving funds) in their accounting system.
- Only payroll expenditures for school lunch are tracked through the school's accounting systems. Expenditures for vendors (non-payroll) are not tracked in the school's accounting system.

We recommend the School department account for revenues of all their special revenue funds and school lunch vendor expenditures within their accounting system. We believe that this will improve and enhance the reconciliation process between the School's accounting records and the Town's general ledger.

### 3. Surety Bonds – Treasurer and Collector Positions

Comment:

The Treasurer and Collector positions currently have surety bond amounts of \$100,000 each. The current recommend bond amount, as outlined in the Massachusetts Collector and Treasurer's manual, applicable to the Treasurer and Collector positions for the Town of Erving would be \$150,000 for the Treasurer's position and \$120,000 for the Collector's position. We recommend management review this situation to determine if the surety bond amount should be increased.

### 4. Deficit Account – School Lunch Revolving

Comment:

During our audit fieldwork we noted the school lunch revolving fund has a deficit balance of (\$14,475) at June 30, 2016. A summary of the account is as follows:

<b>Balance July 1, 2015</b>		\$	1,380
<b>Revenues:</b>			
Sales	\$	11,999	
Federal and State		47,518	
Transfer from Budget		<u>12,890</u>	72,407
<b>Expenditures:</b>			
Operating		<u>88,262</u>	<u>88,262</u>
<b>Balance June 30, 2016</b>		\$	<u><u>(14,475)</u></u>

Deficit accounts can be an indicator that the program revenues are not sufficient to cover program costs (not self-supporting), expenditure or revenues have been reported incorrectly, or a combination of both. During our testing we did not find any revenues or expenditures that were reported incorrectly. We recommend the School department review the school lunch revolving account to determine why the account is in deficit and also provide for the deficit.

### 5. Other Areas

- Reconciliation of Health Insurance Withholding Accounts.
- Internal Control Policies and Procedures Manual.
- Consider Allocation Retirement Assessment to Water and Wastewater Funds.