

**TOWN OF STOCKBRIDGE, MASSACHUSETTS**

**MANAGEMENT LETTER**

**June 30, 2022**

Table of Contents

	Page
Cover Letter	2
Comments and Recommendations	3 - 4
Status of Prior Year Recommendations	4



# Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

AUDIT | TAX | ADVISORY

Gary J. Moynihan, CPA  
Carol J. Leibinger-Healey, CPA  
David M. Irwin, Jr., CPA  
Of Counsel:  
Richard F. LaFleche, CPA  
Vincent T. Viscuso, CPA

To the Board of Selectmen  
**TOWN OF STOCKBRIDGE, MASSACHUSETTS**

Dear Members of the Board of Selectmen:

In connection with our audit of the financial statements of the Town of Stockbridge, Massachusetts as of June 30, 2022, 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 of 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 purposes 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.

Please indicate in the "Action Taken" space of the letter, what corrective measures the Town intends to implement with regard to each recommendation, which will be part of the final letter. 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

February 28, 2023

## Comments and Recommendations

1. During our review of Reserve Fund transfers approved for fiscal year 2022, we noted that the Reserve Fund transfers were recorded in the Town's general ledger as reductions to actual expenditures, as opposed to an amendment of the budget line items where the reserve fund was used. As a result, the departmental expenditures in the general ledger were understated by the amount of any reserve fund transfers.

Recommendation:

Reserve fund transfers should impact only the budget figures in the general ledger.

Action Taken:

The Town will be recording reserve fund transfers as amendment of the budget line items when reserve funds are used.

2. In fiscal year 2022, the Town received a bond premium of \$46,016 as part of its borrowing related to the Park Street Pump station upgrade project. The bond premium was recorded in the general ledger as revenue to the General Fund as opposed to the Capital Projects fund where it is being used.

Recommendation:

We recommend the Town make an adjustment to record the bond premium to the capital projects fund #34, for the Park Street Pump Station.

Action Taken:

The Accountant will make the adjustment to record the bond premium to the Capital Project Fund in fiscal year 2023.

## Comments and Recommendations

3. With the implementation of GASB Statement No. 87, *Leases*, the Town must review and evaluate all lease and similar contract agreements (i.e. embedded leases) on an annual basis to determine if right-to-use assets or long-term lease receivables need to be reported on the Town's Statement of Net Position. For contracts meeting the definition of a lease, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

### Recommendation:

As a best practice, the Town should adopt a policy in their Accounting Policies and Procedures Manual to review and evaluate all lease and similar contract agreements to assist in determining lease treatment according to GASB Statement No. 87, *Leases*. This policy should also require documentation of certain criteria, such as the terms of the lease/contract, term length (including all renewal options), discount rate, variable payments, and residual values in a single spreadsheet. This spreadsheet should also be made available to the auditors at year-end.

### Action Taken:

Annually, the Town will review and evaluate all leases and similar contract agreements to determine lease treatment in accordance with GASB 87, *Leases*. In accordance with the standard, the Town, as a lessee and/or lessor, will recognize intangible right-of-use assets and corresponding lease liabilities for all leases that are not considered short-term. Leases that meet the following requirements will not be considered short-term: the maximum possible lease terms(s) is non-cancelable by both lessee and lessor, and is more than 12 months. All information shall be organized to include the lease terms, term length, renewal options, discount rate, variable payments and residual values and shall be made available to external auditors at year-end.

## Status of Prior Year Recommendations

1. As recommended, the Town is in the process of adopting a formal investment policy in compliance with M.G.L. Chapter 44, Section 55.