

**TOWN OF BLACKSTONE, MASSACHUSETTS**  
**MANAGEMENT LETTER**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023**



Management  
Town of Blackstone, Massachusetts

In planning and performing our audit of the financial statements of the Town of Blackstone, Massachusetts (Town) as of and for the years ended June 30, 2022 and June 30, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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.

However, during our audit we became aware of opportunities to strengthen your internal control and improve the efficiency of your operations. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our reports on the Town's financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The Town's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Boston, Massachusetts  
October 29, 2024

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**MANAGEMENT LETTER**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2023**

---

**TABLE OF CONTENTS**

	<b>Page</b>
Inactive Funds (Fiscal Year 2022 and 2023).....	1
Chapter 90 (Fiscal Year 2022) .....	2
Compensated Absences (Fiscal Year 2022 and 2023).....	3
Informational Comment – Water and Sewer Indirect Costs (Fiscal Year 2022).....	4
Informational Comment – New Reporting Standard - GASB 101 (Fiscal Year 2022 and 2023).....	5
Informational Comment – New Reporting Standard - GASB 103 (Fiscal Year 2022 and 2023).....	6

## **Inactive Funds (Fiscal Year 2022 and 2023)**

### Comment

We identified that several of the funds reported in the Town's accounting system had no revenue or expense activity in fiscal year 2022 and/or 2023. Funds with no revenue or expense activity during a fiscal year could be indicative of stale funds for which there will be no remaining activities in the future.

For funds deemed inactive, the Town will have to research and analyze how to account for the remaining balances (for example, the inactive fund may represent grant funds to be returned to the granting agency, etc.).

### Recommendation

We recommend the Town perform a formal, documented analysis of funds with no revenue and expense activity in fiscal year 2022 and/or 2023. The analysis should identify if the fund is active or inactive. For inactive funds, the analysis should document the Town's plan to account for the remaining balance (return to granting agency, transfer surplus to the General Fund, etc.).

### Management's Response

Over the last several years, the Town Accountant has researched many of the inactive accounts. The Town has cleaned up many of these accounts through researching information and working with both the auditors and legal counsel. We will continue this work to clean up the remaining active accounts under the direction of the auditors.

## **Chapter 90 (Fiscal Year 2022)**

### Comment

The Town's Chapter 90 fund accounts for road infrastructure projects funded by state grants. It is a reimbursement-based grant in which expenditures are incurred and then submitted to the state for reimbursement.

We identified that the reimbursement for the Town's fiscal year 2022 Chapter 90 expenses was not recorded until late October 2022. Ideally, reimbursements should be received as soon as possible after the expenditures are incurred, both for cash flow purposes and to avoid potential negative impacts to the annual "Free Cash" calculation (which can be impacted by fund deficits).

### Recommendation

We recommend the Town review its processes for obtaining Chapter 90 reimbursements and ensure that procedures are in place to obtain reimbursements as timely as possible.

### Management's Response

The reimbursement paperwork was signed and approved by the DPW Superintendent, Town Accountant, and Town Administrator on June 7, 2022. Due to a clerical error, the paperwork was not submitted to the state aid engineer for the reimbursement. This was realized on September 15<sup>th</sup> and immediately corrected. The reimbursement was then received from the state in late October. The Town departments will work together to ensure paperwork is submitted in a timely manner.

## **Compensated Absences (Fiscal Year 2022 and 2023)**

### Comment

We identified the Town tracks its employees' sick and vacation balances (i.e. compensated absences) using Excel. While this method is acceptable, it may be more accurate and efficient to utilize the Town's accounting information system. In addition, the Town's fiscal year 2023 compensated absences analysis did not include pay rates.

### Recommendation

We recommend the Town include pay rates in its analysis of sick and vacation balances. We also recommend the Town analyze whether its accounting information system has the ability to track employees' sick and vacation balances. If so, the Town should then analyze if the accounting information system approach would be an improvement over the current methodology using Excel.

### Management's Response

Currently both the Treasurer's Office and the Town Accountant's Office tracks compensated absences for all employees. This is to ensure proper record keeping and accuracy. Although the Town agrees this process could be more efficient and is currently updating the process for this record keeping with the implementation of a new Time & Attendance system.

## **Informational Comment – Water and Sewer Indirect Costs (Fiscal Year 2022)**

### Comment

The Town charges indirect costs to the Water and Sewer enterprise funds. While we did not identify any issues or concerns with the indirect costs, we offer the following informative considerations:

- The Town charges indirect costs for shared employees and resources. No indirect costs are charged for health insurance, pension or debt.
- The Massachusetts Department of Revenue offers many resources to assist municipalities with indirect costs of enterprise funds and other budgeting considerations

### Recommendation

We recommend the Town conduct a robust, formal, annual process for analyzing indirect costs of enterprise funds, to include considerations of health insurance, pension and debt. The annual process should factor in guidance from the Massachusetts Department of Revenue.

### Management's Response

Over the past few years, the Town has analyzed the indirect costs of the enterprise funds. With the guidance of the Massachusetts Department of Revenue resources, the Town has incorporated a detailed breakdown of these indirect cost categories. Each year the Town Accountant analyzes these expenditures which are then incorporated into the budgeting process. Town Administration will continue to work with the Water & Sewer Commission to ensure that the enterprise funds operate accordingly.

## **Informational Comment – New Reporting Standard - GASB 101 (Fiscal Year 2022 and 2023)**

### Comment

The Governmental Accounting Standards Board (GASB) has issued Statement Number 101 related to compensated absences (accrued sick and vacation time, etc.). The Statement will become effective for fiscal year 2025.

Compensated absences are already reported in the Town's financial statements. However, Statement Number 101 adds some considerations in determining the liability by stating that the liability should be recognized for leave that is "more likely than not" to be used, paid or otherwise settled. In accordance with the Statement, the Town will need to re-evaluate the liability in the context of "more likely than not", considering factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

### Recommendation

We recommend the Town prepare for the implementation of GASB Statement Number 101 for fiscal year 2025.

### Management's Response

The Town's financial team will work together with the Town Auditors to prepare for this implementation for FY2025.

## **Informational Comment – New Reporting Standard - GASB 103 (Fiscal Year 2022 and 2023)**

### Comment

The Governmental Accounting Standards Board (GASB) has issued Statement Number 103 related to the financial reporting model. The Statement will become effective for fiscal year 2026.

The following are highlights of GASB 103:

- Management's Discussion and Analysis (MD&A): GASB 103 provides further definition and emphasis of what needs to be included in MD&A.
- Unusual or infrequent items: GASB 103 describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. It also requires the display of inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.
- Budgetary comparison information: GASB 103 requires governments to present budgetary comparison information in the Required Supplementary Information (RSI) section. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

### Recommendation

We recommend the Town prepare for the implementation of GASB Statement Number 103 for fiscal year 2026.

### Management's Response

The Town's financial team will work together with the Town Auditors to prepare for this implementation for FY2026.