



Town of Vinton, Virginia

Report on Comments and Suggestions,
Accounting and Other Matters, and
Required Communications

June 30, 2024

Town of Vinton, Virginia

Contents

Independent Auditor’s Report on Comments and Suggestions	1
Comments and Suggestions.....	3
Prior Year Comments and Suggestions	4
Accounting and Other Matters	7
Required Communications with Those Charged with Governance	11

Independent Auditor's Report on Comments and Suggestions

To the Honorable Members of the Town Council
Town of Vinton, Virginia
Vinton, Virginia

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vinton, Virginia (the "Town") as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered its 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 opinion on the financial statements and to comply with any other applicable standards, such as *Government Auditing Standards* and the regulations set forth in the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as presented in this letter, we identified certain deficiencies in internal controls that we consider to be material weaknesses.

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 *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. A *significant deficiency* is a deficiency, or a 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.

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included in the ***Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*** which should be read in conjunction with this report.

Additionally, during our audit, we may have become aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are also included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detail review of all systems and procedures, these comments should not be considered as being all-



inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that our suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, 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. A review of the status of our prior year comments and suggestions is included on pages 4-6.

The Town's responses to our recommendations are included in this report. The responses were not subjected to the auditing 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 the Council, management, and the appropriate state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
July 6, 2026

Town of Vinton, Virginia

Comments and Suggestions

June 30, 2024

Audit Adjustments (Material Weakness)

During the audit, we noted that several year-end adjustments were required to ensure that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The adjustments related to debt, receivables, deferred revenue, and capital assets are as follows:

- Regarding governmental activities long-term debt, it appears that the roll forward was not reviewed before year-end entries were made, resulting in additional adjustments to long-term debt ending balances.
- Regarding governmental activities intergovernmental receivables, tax receivables, and deferred revenue were not reconciled and adjusted at year-end.
- Regarding governmental activities capital assets, roll forward workbook and depreciation schedules were not reviewed before entries were made, resulting in additional adjustments.

We recommend establishing procedures in which qualified supervisors review year-end work papers and reconciliations that feed into the final trial balance and financial statement reporting.

Management's Response: Management acknowledges the audit findings regarding the year-end adjustments to long-term debt, receivables, deferred revenue, and capital assets. The FY period represented a significant transition for our team due to the implementation of a new accounting system and limited staffing capacity. These factors contributed to the noted issues in year-end reconciliations, review procedures, and roll-forward schedules.

Despite these challenges, we recognize the importance of accurate year-end reporting and agree with the recommendation to strengthen supervisory review processes. Management is committed to improving controls and has taken or will take the following actions:

- *Formalizing year-end procedures to ensure roll-forwards, reconciliations, and supporting workpapers are completed and reviewed.*
- *We will continue to take advantage of training opportunities to support staff growth and understand year-end processes.*
- *We will create a structured review process in which qualified supervisory personnel verify the accuracy and completeness of all year-end workpapers and reconciliations before they are incorporated into the trial balance and financial statements.*

Schedule of Expenditures and Federal Awards (Material Weakness)

During the audit, we noted that the Town does not have effective internal controls with regard to federal awards. The Schedule of Expenditures of Federal Awards (SEFA) was prepared without supervisor review, resulting in several auditor corrections. We recommend that management develop and implement internal controls with regard to federal awards.

Management Response: Management acknowledges the audit finding regarding internal controls over federal awards reporting. We understand the importance of accurate federal awards reporting and concur with the recommendation to develop and implement stronger internal controls. To address the issue, management is taking the following steps:

- *We will establish a formal process requiring all departments managing grant-funded activities to submit complete, standardized grant expenditure reports and support documentation to Finance on a timely basis.*
- *Finance will implement a supervisory review step for the SEFA preparation process to ensure that expenditures are properly classified, current-period activity is correctly captured, and prior-year amounts are excluded.*

Town of Vinton, Virginia

Comments and Suggestions

June 30, 2024

- *Management will evaluate opportunities to centralize key aspects of federal awards tracking within Finance, to the extent feasible, to improve oversight and ensure consistent reporting.*

Fund Balance Accounting (Material Weakness)

Some funds did not balance due to manual entries crossing funds or utilization of fund balance accounts during the year. Auditor adjustments were required to make each fund balance and correct beginning fund balance. Manual entries and transactions should balance within a fund. Use transfer accounts when moving funds and account balances between funds. Entries to fund balance accounts should be within the fund balance category unless a prior period adjustment is necessary. Entries made to Fund 999 Treasurer Accountability Fund should balance as well.

In addition, during our audit procedures, we noted that following the implementation of the Town's new financial accounting system, Munis, General Fund activity and government-wide reporting information were combined within the system's chart of accounts and reporting structure. This increases the likelihood of recording entries that cross funds. We recommend creating a government-wide fund in Munis.

Management Response: Management agrees with the auditors' recommendation and are committed to strengthening controls and improving system configuration to ensure fund integrity. Management has initiated or will initiate the following corrective actions:

- *We will work with the Munis support team to correct the underlying configuration and establish a dedicated government-wide fund within the system, which will prevent entries from being combined with General Fund activity and reduce the risk of unintended cross-fund postings.*
- *Internal procedures will be updated to emphasize that manual entries must remain within the same fund, and that transfers between funds must be recorded through proper transfer accounts rather than through direct entries to fund balance or expenditure accounts.*
- *Staff will receive additional training in Munis on the correct use of fund balance categories, transfer accounts, and the proper handling of Fund 999 Treasurer Accountability Fund transactions to ensure these entries also remain in balance.*

Grant Management (Material Weakness)

During the audit, we noted that certain expenditures, revenue, receivables, and unearned revenue related to Highway Construction funds were not properly recorded. Expenditures had been overstated by approximately \$740,000 on the schedule of expenditures of federal awards. Several audit adjustments and prior period adjustments were required to reconcile grant expenditures, revenue, receivables, and unearned revenue at year end. We also note that reimbursement requests were not filed timely. We recommend grant training related to timely reimbursement requests, methods for recording expenditures in the correct fiscal year, reconciling grant reports to the general ledger, and proper treatment of funding received and tracked as unearned revenue. We also recommend that management develop a process to monitor the recording of revenue, receivables, and unearned revenue associated with this grant, and to ensure that amounts expended are correctly reported on the schedule of expenditures of federal awards

Management Response: Management acknowledges the auditors' findings some of these issues were influenced by the transition to the new financial system, as well as the fact that grant activity and supporting documentation are managed by departments outside of Finance, which can create timing and reconciliation challenges during year-end close.

Town of Vinton, Virginia

Comments and Suggestions

June 30, 2024

- *Provide targeted grant training for departments responsible for grant management, including topics such as timely reimbursement requests, cash-flow management, fiscal year cut-off procedures, and appropriate documentation requirements.*
- *Reinforce procedures for reconciling grant reports to the general ledger to ensure expenditures and revenues are recorded in the correct fiscal year.*
- *Develop guidance regarding the proper classification and treatment of funds received in advance, including when amounts should be recorded as unearned revenue.*
- *Improve coordination between departments and Finance during year-end close to ensure all grant activity is fully supported, reconciled, and properly reflected in the financial statements.*
- *Evaluate opportunities to standardize grant tracking practices across departments to reduce variability and strengthen consistency in reporting.*

Depreciation Allocation (Material Weakness)

During the audit, we noted inconsistencies in the classification of capital assets across departments. The client documented approximately \$4.9 million in community development capital asset additions at the time of construction or purchase. However, these assets were reassigned to different departments when added to the depreciation listing. We recommend that management implement a process to ensure capital assets are consistently classified and tracked by department from acquisition through inclusion in the depreciation schedules.

Management Response:

Management acknowledges the recommendation. As we transition to a new financial ERP system and continue onboarding staff, we are actively learning and interpreting the asset categorizations used in the prior system. At the same time, staff have been working to identify and correct items that were previously misclassified. These simultaneous efforts contributed to the inconsistencies noted during the audit.

Management will evaluate and strengthen internal procedures to ensure capital assets are consistently classified and tracked by department from acquisition through inclusion in the depreciation schedules. Additional review and reconciliation steps will be implemented to maintain accuracy and consistency across departments going forward.

Town of Vinton, Virginia
Prior Year Comments and Suggestions
June 30, 2024

Segregation Of Duties (Material Weakness)

Internal controls are designed to safeguard assets and detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the Town's accounting staff prohibits complete adherence to this concept, we believe that the following practice could be implemented to improve existing internal control without impairing efficiency:

- Checks and remittance advice should be placed into envelopes and mailed by someone with no other accounting responsibilities.

Current Year Status: Condition is still present.

Management Response: Checks and remittance advice for accounts payable items are reviewed before mailing by two individuals signing for the checks. With the limited staffing and the job responsibilities within the office, all staff members have accounting responsibilities. Delegation of responsibilities within the Finance department is limited by the staffing. Management will segregate these functions as much as possible and implement system controls to the extent possible with the ERP Software Upgrade.

We noted that the Finance Staff has the ability to edit the master vendor file. Although there are compensating controls in place such as the review and purging of the vendor listing yearly, the review of vendors names during the check preparation process by multiple finance employees, and budget to actual variances, we recommend someone independent of the accounts payable function review the master vendor list periodically for new vendors added and also changes to vendor addresses. This review should include a verification of the vendor's validity. Additionally, there should be a standard operating procedure in place to document the review.

Current Year Status: Conditions are no longer present.

Audit Adjustments (Material Weakness)

During the audit, we noted that several year-end adjustments were required to ensure that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The adjustments related to debt, receivables, deferred revenue, and capital assets are as follows:

- Regarding governmental activities long-term debt, it appears that the roll forward was not reviewed before year-end entries were made, resulting in additional adjustments to long-term debt ending balances.
- Regarding the business-type activities long-term debt, principal payments were recorded as an expense rather than a reduction to long-term debt, resulting in additional adjustments to these accounts.
- Regarding governmental activities and business-type activities accrued interest, amortization schedules were not reviewed before entries were made, resulting in additional adjustments to these accounts.
- Regarding governmental activities, intergovernmental receivables, tax receivables, and deferred revenue were not reconciled and adjusted at year-end.
- Regarding governmental activities and business-type activities capital assets, roll forward workbook and depreciation schedules were not reviewed before entries were made, resulting in additional adjustments.

We recommend establishing procedures in which qualified supervisors review year-end work papers and reconciliations that feed into the final trial balance and financial statement reporting.

Current Year Status: Similar conditions are still present. See Comments and Suggestions section for current year conditions.

Town of Vinton, Virginia
Prior Year Comments and Suggestions
June 30, 2024

Management's Response: Management agrees that procedures must be established for the year-end review of work papers and reconciliation.

Education and Training

During our audit, it became apparent that the Finance Department employees involved in the year-end audit preparation would benefit from additional education and training in generally accepted accounting principles. Training serves several functions:

- It is vital to employees' understanding of their job requirements;
- It enables new employees to master the learning curve;
- It provides a sense of belonging and value for an employee;
- It can foster team spirit; and
- It is evidence of the Town's commitment to development the skill-set of its employees.

Because of these benefits, we recommend that training be expanded to include all Finance Department employees. Since the Town may operate under budget constraints, a cost-effective way to stretch training dollars is to have employees who are sent to outside specialized training seminars also hold onsite training sessions for the other employees. In addition, we would be happy to provide some basic governmental accounting course for a nominal amount. As a side benefit, by having those employees hold on-site training sessions, concepts learned are reinforced, thus increasing knowledge retention.

Current Year Status: Condition is still present.

Management's Response: Management concurs with the recommendation.

Schedule of Expenditures and Federal Awards (Significant Deficiency)

During the audit, we noted that the Town does not have effective internal controls with regard to federal awards. The Schedule of Expenditures of Federal Awards (SEFA) was prepared without supervisor review, resulting in several auditor corrections. We recommend that management develop and implement internal controls with regard to federal awards.

Current Year Status: Condition is still present. Condition is a material weakness in the current year. See Comments and Suggestions section.

Management's Response: Management agrees that internal control policies concerning federal awards should be established. An internal control policy and procedure is being developed.

Timeliness of Reconciliation Review

In our review of one out of twelve bank reconciliations, we noted that the reconciliation was not completed and reviewed timely. Timely completion and review are one of the most important internal controls to promptly detect and recognize potential errors. This mitigates the risk of errors or problems progressing and provides more accurate reports for management decisions. We recommend that a schedule of completing reconciliations and reconciliation reviews on a set time frame is implemented and adhered to.

Current Year Status: Condition is still present.

Town of Vinton, Virginia
Prior Year Comments and Suggestions
June 30, 2024

Management Response: Management agrees with the recommendation. Staff is prioritizing completing and reviewing the monthly bank reconciliations by the 15th of the following month. Staff will use the next fiscal year to work out and rearrange any duties to ensure the completion of this task.

Final Inventory Listing (Significant Deficiency)

While the Town performed an inventory count at year-end, they failed to produce a finalized inventory listing as of June 30, 2023. We were unable to determine if the inventory remaining after the transfer of water and sewer operations to Western Virginia Water Authority was material. Once the finalized list was provided, it was determined that the inventory balance in the stormwater fund was material.

We recommend having an up-to-date inventory listing as of year-end to ensure that inventory is appropriately recorded and reconciled to the general ledger.

Current Year Status: Condition is no longer present.

Town of Vinton, Virginia
Accounting and Other Matters
June 30, 2024

New GASB Pronouncements

In this section, we would like to make you aware of certain confirmed and potential changes that are on the horizon that may affect your financial reporting and audit.

The GASB issued **Statement No. 103, *Financial Reporting Model Improvements*** in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Management's Discussion and Analysis: This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

Unusual or Infrequent Items: This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the 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.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position: This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

Town of Vinton, Virginia

Accounting and Other Matters

June 30, 2024

Major Component Unit Information: This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information: This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. 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.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Current GASB Projects

GASB currently has a variety of projects in process. Some of these projects are discussed below.

Going Concern Uncertainties and Severe Financial Stress. The objective of this project is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The project will consider (1) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate, (2) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (3) what information about a government's exposure to severe financial stress is necessary to disclose. This project is currently in the initial deliberations period.

Implementation Guidance Update – 2025. The objective of this project is to update implementation guidance for additional issues that come to the attention of the staff. This project will result in the issuance of an Implementation Guide when sufficient need exists for new or improved guidance and the Board does not object to its issuance. All updates are incorporated into the Codification of Governmental Accounting and Financial Reporting Standards and the Comprehensive Implementation Guide, as appropriate. This project is currently in the initial proposals period.

Infrastructure Assets. The objective of this project is to address issues related to accounting and financial reporting for infrastructure assets. The project would evaluate standards-setting options related to reporting infrastructure assets to make information (1) more comparable across governments and more consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government's economic condition, and (4) better reflect the capacity of those assets to provide service and how that capacity may change over time. This project is currently in the initial deliberations period.

Revenue and Expense Recognition. The objective of this project is to develop a comprehensive application model for the classification, recognition, and measurement of revenues and expenses. The purpose for developing a comprehensive model is (1) to improve the information regarding revenues and expenses that users need to make decisions and assess accountability, (2) to provide guidance regarding exchange and exchange-like transactions that have not been specifically addressed, (3) to evaluate revenue and expense recognition in the context of the conceptual framework, and (4) to address application issues identified in practice, based upon the results of the pre-agenda research on revenue for exchange and exchange-like transactions. This project is currently in the preliminary views re-deliberations period.

Subsequent Events. The objective of this project is to improve the accounting and financial reporting for subsequent events. The project will reexamine existing requirements related to subsequent events in **Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards**, to address

Town of Vinton, Virginia
Accounting and Other Matters
June 30, 2024

issues related to (1) confusion about and challenges associated with applying the existing standards, (2) inconsistency in practice in the information provided about subsequent events, and (3) the usefulness of the information provided about subsequent events. This project is currently in the initial deliberations period toward an Exposure Draft.