



**Creedle
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A Professional Corporation

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To the City Council
City of Franklin, Virginia

In planning and performing our audit of the financial statements of the City of Franklin, Virginia of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control other than a significant deficiency and material weakness and matters that are an opportunity for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding the matters. We reported on the City's internal control in our report dated October 3, 2025. This letter does not affect our report dated October 3, 2025, on the financial statements of the City of Franklin, Virginia.

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

This communication is intended solely for the information and use of management, Council members, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

Creedle, Jones & Associates, P.C.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
October 3, 2025

MEMORANDUM

City of Franklin, Virginia

Management Letter Points

Timely Bank Reconciliations

The City should prepare bank reconciliations for all deposit and SNAP accounts upon receipt of the bank statements in order to avoid unrecorded transactions in the general ledger. Furthermore, a third-party not involved in the daily collection and disbursement of funds should review and approve the bank reconciliation.

Timely Accounts Receivable Reconciliations

The City should reconcile all Enterprise fund accounts receivable accounts on a monthly basis in order to avoid unrecorded transactions in the general ledger. Any discrepancies found or posting errors should be corrected as soon as possible after the reconciliation is complete. Furthermore, a third-party not involved in the billing and collection processes should review and approve the reconciliations.

Timely Recording of Debt

The City should record all debt activity on a timely basis. The Series 2023 bond proceeds were received in December 2023 yet the journal entries were not recorded until year end. This relates to the above bank reconciliation comment.

Prior Year Audit Adjustments and Current Year Audit Accruals

The City should record year end audit adjustments promptly upon conclusion of the audit. In addition, accruals for receivables and payables for the current year's audit should be recorded within 90 days of the end of the audit period in order to better comply with cut off procedures at year end.

Transfers between Funds

The City's finance department should analyze the status of the funds on a monthly basis and propose transfers between the funds as needed. This primarily relates to the Capital Projects funds and the Debt Service funds. The debt proceeds need to be allocated to the appropriate funds as the funds are expended in various departments within the City. In addition, as debt is being paid, funds may need to be transferred to cover the debt payments.

Accounts Payable versus Purchase Orders

The City's finance department should carefully distinguish the year-end accrual for accounts payable based on invoices paid and checks written, not outstanding purchase orders. Accruals for governmental entities are normally 60 to 90 days for audit purposes. In certain instances, for the fiscal year ended June 2024, the City posted outstanding purchase orders as expenses and payables well beyond this date. CJA proposed audit adjusting entries to reverse these accruals.

Edmunds System Training

The City's finance department is experiencing a significant turnover in its key personnel within the department. Incoming new employees and existing employees who remain should be given ample opportunity to receive extensive training in using the Edmunds System as soon as possible. The benefits of learning the system will far outweigh the costs. The City could also explore hiring an Edmunds consultant that would visit onsite and support the employees. Various key reports are not being generated and key processes such as closing the year end are new to the employees remaining.