



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF FAIRHAVEN, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2023



Powers & Sullivan, LLC
CPAs AND ADVISORS

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To the Honorable Select Board
Town of Fairhaven, Massachusetts:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts (Town) as of and for the year ended June 30, 2023 (except for the Fairhaven Contributory Retirement System which is as of and for the year ended December 31, 2022), in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 matters that are opportunities for strengthening internal controls and enhancing operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

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 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.

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

March 29, 2024

TOWN OF FAIRHAVEN, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2023

TABLE OF CONTENTS

	Page
<i>COMMENTS AND RECOMMENDATIONS</i>	1
Expand Chart of Accounts	2
Consider Writing-off Uncollectible Motor Vehicle Excise Tax Receivables	2

COMMENTS AND RECOMMENDATIONS

EXPAND CHART OF ACCOUNTS

Comment

The Town currently records the activity associated with multiple opinion units within fund 084 in the general ledger. As a result, numerous reclassifying adjustments are required to properly present activity in the respective fund financial statements in accordance with Generally Accepted Accounting Principles.

The following activity should be accounted for in separate funds in the general ledger:

- Internal service fund (proprietary funds)
- Stabilization fund (governmental funds)
- Sewer stabilization fund (proprietary funds)
- Various special revenue funds (governmental funds)

Additionally, the expendable portion of trust funds is reported in fund 082 and the nonexpendable portion is reported in fund 081 in the general ledger. As a result, numerous reclassifying adjustments are required to properly present activity in the permanent trust fund (governmental funds) and private purpose trust fund (fiduciary funds) financial statements. These accounts should be classified in the general ledger based on the type of each trust fund, instead of expendable versus nonexpendable portions.

Additionally, the Town currently records other financing sources and uses activity directly to fund balance control accounts in the general ledger. As a result, numerous reclassifying adjustments are required to properly breakout interfund transfer and bond issuance activity for financial reporting.

Recommendation

We recommend the Town expand the general ledger chart of accounts to eliminate the need for these reclassifying adjustments. Implementation of these recommendations will result in proper classification of the above noted funds and accounts.

CONSIDER WRITING-OFF UNCOLLECTIBLE MOTOR VEHICLE EXCISE TAX RECEIVABLES

Comment

The Town is carrying motor vehicle excise tax receivables that date back to 2002 within the general ledger and department records. As of June 30, 2023, the Town had approximately \$93,000 of motor vehicle excise tax receivables that were greater than five years old.

For receivables that cannot be liened, the likelihood of collection is significantly diminished the longer each receivable remains outstanding. Some of the motor vehicle accounts have been flagged with the Registry of Motor Vehicles, which may result in collections at some point in time; however, experience indicates that those collections will be not significant to the total receivable balances outstanding.

Recommendation

We recommend the Town review the receivable accounts and determine which are considered to be uncollectible. Accounts determined to be uncollectible should be brought to the Board of Assessors for approval to write-off the impacted accounts. Upon approval of the abatement request from the Board of Assessors, the Town should record the appropriate entries to the general ledger to formally write-off the receivable balances.