



Proven Expertise & Integrity

September 9, 2025

Selectboard
Town of Limerick
55 Washington Street
Limerick, Maine 04048

MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Limerick as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control. We did so to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for expressing our opinion on the effectiveness of the Town of Limerick's internal control over financial reporting or compliance.

During our audit we became aware of several matters referred to as "management letter comments" that offer opportunities for strengthening internal control and improving operating efficiencies of the Town of Limerick. The following pages summarize our comments and suggestions on those matters.

This report is intended solely for the information and use of the Selectboard, management, and others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

These matters do not modify our opinion on the financial statements for the year ended December 31, 2024, where we expressed an unmodified opinion on our independent auditors' report dated **[IAR DATE]**.

Old Outstanding Checks:

While performing the audit for the above-mentioned fiscal year, we noted that the Town has outstanding checks remaining on bank reconciliations that were older than 6 months from the date of issuance. We recommend that management establish procedures that address all outstanding checks that are older than 6 months from the date of issuance to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements. (Some examples of ways to address these checks are: voiding and reissuing a new check to the payee, contacting the payee directly, submitting the payment information through the State's Unclaimed Property Program for payees who cannot be contacted or who do not respond.)

Fiscal Control and Administration of Capital Projects and Grants:

While performing our audit for the above-mentioned year, we noted that the Town does not have formal written policies and procedures regarding the process of tracking capital projects and grants. We recommend that the Town establish a monthly reconciliation process to manage capital projects and grants and associated reporting from inception to completion. This reconciliation process should include all aspects of capital projects and grants, including balancing financial information to the Town's general ledger including revenue and expenditure accounts, loans established and grants awarded/received. This would allow the Town to more easily report the flow of finances for each capital project or grant throughout each year to the Selectboard as well as the public. This will also help ensure accuracy and completeness of transactions in the correct reporting period, help ensure compliance with any and all applicable federal/state statutes and regulations and help avoid material misstatements in the financial statements.

Internal Control Policy & Procedural Manual:

While performing the audit for the above-mentioned year, we noted that while the Town has certain formal written policies concerning financial processes and procedures, several of these policies need to be updated to reflect appropriate practices under generally accepted accounting principles (GAAP). We recommend that the Town review, revise and approve all fiscal procedures and policies to help ensure that the Town has adequate internal controls that will reduce the Town's exposure to loss and misappropriation of funds and are in compliance with state and federal statutes and regulations.

Cash Reconciliations:

While performing the audit for the above-mentioned year, we noted that the Town did not reconcile its bank statements to the general ledger without variances. We recommend that bank statements are reconciled to the general ledger without variances to help ensure that all cash transactions are reconciled, to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements.

General Ledger Reconciliations:

While performing the audit for the above-mentioned year, we noted that general ledger accounts were not being reconciled in a timely manner throughout the year. We recommend that all general ledger accounts be reconciled on a monthly basis within 30 days from the date of the month end and, when necessary, to subsidiary ledgers, to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements.

Deficit Fund Balances/Net Position:

While performing the audit for the above-mentioned year, we noted that certain funds had a deficit fund balance or portion of deficit fund balance/net position. We recommend that management review and revise its budget and procedures to adequately support the needs of all funds, to help ensure that funds are properly presented in its financial statements in compliance with generally accepted accounting principles (GAAP) and to help avoid material misstatements in the financial statements. *NOTE: The Fire Station Capital Reserve Fund has a deficit fund balance at the end of 2024. The lender only allowed the Town to borrow up to 75% of the valuation of the project, which was less than the debt amount authorized by the taxpayers at Town Meeting.*

Revenue/Expense Activity:

While performing the audit for the above-mentioned year, we noted that expense accounts contained posted activity in its financial accounting software that was not related to expense/expenditure transactions. We recommend that management review and revise its procedures to help ensure that all expense/expenditure transactions are properly recorded in its financial software in compliance with generally accepted accounting principles (GAAP), to help ensure that accurate financial information is provided to the Selectboard and the public and to help avoid material misstatements in the financial statements.

Revenue Recognition:

While performing the audit for the above-mentioned year, we noted that the Town did not record all accounts receivable and revenue required to be recorded in the current fiscal year as part of the modified or full accrual basis of accounting. We recommend that management review and revise its procedures to help ensure that all accounts receivable and revenue transactions are properly recorded in its financial accounting software in compliance with generally accepted accounting principles (GAAP), to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements.

Cross Training:

While performing the audit for the above-mentioned year, we noted that the Town has little defined back up for the duties related to the finance position. We recommend that the Town cross train existing, qualified personnel within the Town Office to each be knowledgeable of the duties required for the finance position and have the ability to perform functions of this job when necessary to help ensure adequate internal controls that will reduce the Town's exposure to loss and misappropriation of funds and to help avoid material misstatements in the financial statements.

Overspent Articles and Appropriations:

While performing the audit for the above-mentioned year, we noted that the Town over-expended various warrant articles as approved in the legally adopted appropriation budget. We recommend that management review and revise its procedures to ensure that the legally adopted appropriation budget is adhered to. We also recommend that management consider any and all applicable federal/state statutes and regulations concerning this process to ensure compliance with all applicable regulatory requirements.

Incorrect/Incomplete Budgetary Postings:

While performing the audit for the above-mentioned year, we noted that the Town did not have an accurate budget posted in its financial accounting software. We recommend that management review and revise its procedures to ensure that the legally adopted budget is used in all applicable reports to provide accurate financial information to the Selectboard and the public.

Activity Posting:

While performing the audit for the above-mentioned fiscal year, we noted that financial transactions were routinely posted to incorrect accounts and funds in the Town's financial accounting software. We recommend that management review and revise its procedures to help ensure that all transactions are properly recorded in correct accounts and funds in its financial accounting software in compliance with generally accepted accounting principles (GAAP) and to help avoid material misstatements in the financial statements.

While performing the audit for the above-mentioned fiscal year, we noted that financial transactions related to grants were not properly identified and were routinely posted to incorrect accounts and funds in the Town's financial accounting software. We recommend that management review and revise its procedures to help ensure that all grant-related transactions are properly identified and recorded in its financial accounting software in compliance with generally accepted accounting principles (GAAP), to help ensure compliance with all applicable regulatory requirements and to help avoid material misstatements in the financial statements.

Material Audit Adjustments:

While performing the audit for the above-mentioned year, we identified and proposed adjustments of misstatements as a result of audit procedures that were material and were appropriate to be recorded in this fiscal period before the audit process were not posted in the Town's financial accounting software. We recommend that management review and revise its procedures to ensure that all appropriate transactions are posted before the audit process as required to help ensure accuracy and completeness of transactions in the correct reporting period and to help avoid material misstatements in the financial statements.

We would like to thank John, Julie and all of the staff at the Town of Limerick for their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

RHR Smith & Company, CPAs

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