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May 13, 2026

Selectboard
Town of Eden, Vermont
71 Old School House Road
Eden Mills, VT 05653

We have audited the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eden, Vermont as of and for the year ended June 30, 2025 and have issued our report thereon dated May 13, 2026. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the Town of Eden, Vermont's system of 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 of Eden, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Eden, Vermont's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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 discussed as follows, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency, described in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations as Item 2025-001 to be a significant deficiency.

We have also noted other matters during our audit as indicated in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations that are opportunities for strengthening internal control and operating efficiency. We have discussed the recommendations with the staff during the course of fieldwork and some of the recommendations may have already been implemented.

This communication is intended solely for the information and use of management, the Selectboard, and others within the Town of Eden, Vermont, and is not intended to be, and should not be, used by anyone other than these specified parties. If you would like to discuss any of the recommendations further, please feel free to contact us.

We would like to take this opportunity to thank the staff of the Town of Eden, Vermont for their assistance and cooperativeness throughout our audit. It has been a pleasure working with you.

Respectfully submitted,

Sullivan, Powers & Co.

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TOWN OF EDEN, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
AND OTHER RECOMMENDATIONS
JUNE 30, 2025

Deficiencies in Internal Control:

Material Weaknesses:

None Noted.

Significant Deficiencies:

2025-001 Authorization of General Journal Entries

Criteria:

Internal controls should be in place that require appropriate individuals to approve all adjustments to the books of original entry.

Condition:

Internal controls over recording of journal entries are inadequately designed. Journal entries posted are not consistently reviewed by another individual.

Cause:

Unknown.

Effect:

This one deficiency in internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Town enact a policy that requires appropriate officials to authorize and review all general journal entries so as not to circumvent the original approval process.

TOWN OF EDEN, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
AND OTHER RECOMMENDATIONS
JUNE 30, 2025

Other Recommendations:

Fraud Policy

The Town does not have a fraud policy in place. A fraud policy outlines the Town's position on fraudulent activities and dishonest conduct and sets out procedures for employees to report suspected fraud or misconduct to the appropriate personnel within the Town. This policy should further outline the responsibilities of different positions within the Town in regards to reporting and investigating these claims. It should also discuss the actions that will be taken to investigate the claim and the protection that will be afforded to the person making the claim against retaliation from the accused.

We recommend that the Town implement a fraud policy.

Fraud Risk Assessment

The Town has not performed a fraud risk assessment. A fraud risk assessment is important because it identifies the Town's vulnerabilities to fraudulent activities and whether those vulnerabilities could result in material misstatement of the financial statements. The fraud risk assessment would also identify processes, controls, and other procedures used to mitigate the identified fraud risks.

We recommend the Town perform a fraud risk assessment to reduce the possibility of fraudulent activities.

Accounting and Procedures Manual

The Town does not have an accounting and procedures manual in place. This manual should define duties and responsibilities for current personnel so as to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It will also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees.

We recommend that the Town develop this document for all accounting procedures as soon as possible. Each individual should document their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once developed, only changes in procedures or forms will require changes in the manual.

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

TOWN OF EDEN, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
AND OTHER RECOMMENDATIONS
JUNE 30, 2025

We also recommend that the Town make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

Documentation of Internal Control System

A solid understanding of internal control is essential to a well run organization. An organization must continually assess their internal control systems to evaluate financial health, ensure accurate financial reporting and comply with laws and regulations. As part of this process, management should formally document its control systems.

This will provide management with an understanding of the systems related to financial reporting and the controls over relevant assertions related to all significant accounts, disclosures in the financial statements, antifraud programs and controls over selection and application of accounting policies.

We recommend that the Town document the internal control process. This should break out the internal control process into the following five areas:

1. Control Environment – Sets the tone of an organization and is the foundation for all other components.
2. Risk Assessment – Identification and analysis of relevant risks to achieve its objectives, forming a basis for how risks should be managed.
3. Control Activities – The policies and procedures that help ensure management directives are carried out.
4. Information and Communication – The identification, capture and exchange of information in a form and timeframe that enables people to carry out their responsibilities.
5. Monitoring – The process that assesses the quality of internal control performance over time.

Uniform Guidance Policies

Sections of the Uniform Guidance require non-federal entities that receive federal awards to have certain written policies and procedures or standards of conduct. Examples of these requirements are listed below:

- Conflict of Interest Policy
- Financial Management Policy
- Payment – Cash Management – Drawdowns and Reimbursement Requests Policies
- Uniform Guidance Procurement Policy
- Compensation Policy
- Relocation Costs of Employees Policies
- Travel Cost Policy

We recommend that all policies be reviewed and amended to include the requirements outlined in the Uniform Guidance.

TOWN OF EDEN, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
AND OTHER RECOMMENDATIONS
JUNE 30, 2025

Investments

Certain investments are recorded at current market value rather than historical cost as required by the modified cash basis of accounting.

We recommend that the Town research the historical cost or liquidate its holdings and establish a new cost basis.

Interest Allocation Policy

The Town does not have a formal policy governing the allocation of interest earned on pooled or individual bank accounts. In addition, interest earnings are not consistently or systematically allocated to the various funds and reserve accounts that generate or are entitled to such earnings. The absence of a written policy increases the risk of inconsistent treatment across funds regarding how interest income is distributed.

We recommend that the Town develop and adopt a formal Interest Allocation Policy that clearly outlines the method by which interest earnings will be allocated to applicable funds. This policy may specify, for example, allocation based on each fund's proportionate share of pooled cash balances, direct crediting of interest to individually maintained accounts, or another method determined appropriate by management and the Selectboard. Establishing a written policy will help ensure consistency, strengthen internal controls, and improve clarity and accountability in the Town's financial management practices.

Cemetery Fund

The Cemetery Fund includes revenues received from cemetery lot sales, a portion of which is required to be maintained for perpetual care, where only the related interest earnings may be expended. In addition, the Fund receives property tax appropriations intended for ongoing cemetery upkeep. Due to the commingling of these revenue sources, the Town is currently unable to determine the appropriate amounts to be reported as restricted, committed, or assigned fund balance within the Cemetery Fund. This also affects the Town's ability to accurately report restricted net position related to cemetery activities in the government-wide financial statements.

We recommend that the Town utilize the General Fund to account for cemetery operating expenses. Interest earnings generated by the permanent fund established for perpetual care should be transferred annually to the General Fund to support cemetery maintenance costs. This approach will improve financial clarity and ensure proper classification of fund balance and net position.

TOWN OF EDEN, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
AND OTHER RECOMMENDATIONS
JUNE 30, 2025

Budgeting for Interest on Investments

Currently, the Town does not include interest income in its annual budget. While the budget is primarily used as a planning tool to compare estimated revenues and expenditures, the exclusion of interest income results in incomplete revenue projections.

We recommend that the Town include interest income as part of its budgeting process in future fiscal years. Budgeting for interest earnings will improve the accuracy of revenue estimates, enhance financial planning, and provide a more complete picture of anticipated resources available to support Town operations.