

Town of Easton, Connecticut

State Single Audit Report
Year Ended June 30, 2016

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RSM US LLP

**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of State Financial Assistance Required by the State Single Audit Act**

Independent Auditor's Report

To the Members of the Board of Finance
Town of Easton, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Easton, Connecticut's (the Town) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2016. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Town, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated January 30, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

New Haven, Connecticut
January 30, 2017

Town of Easton, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2016**

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Education:		
Adult Education	11000-SDE64000-17030	\$ 218
Open Choice	11000-SDE64000-17053	47,031
Total Department of Education		<u>47,249</u>
Department of Environmental Protection:		
Nstar NU Settlement	12060-DEP43520-30592	<u>10,000</u>
Judicial Branch:		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>1,867</u>
Connecticut State Library:		
Grants to Public Libraries	11000-CSL66051-17003	1,088
Connecticard Payments	11000-CSL66051-17010	1,059
Historic Documents Preservation Grants	12060-CSL66094-35150	3,000
Total Connecticut State Library		<u>5,147</u>
Office of Policy and Management:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	270
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	102
Property Tax Relief for Elderly and Totally Disabled Exemption	11000-OPM20600-17018	30,581
Property Tax Relief for Veterans	11000-OPM20600-17024	8,506
Municipal Grants-in-Aid	12052-OPM20600-43587	2,660
Local Capital Improvement Program	12050-OPM20600-40254	148,777
Total Office of Policy and Management		<u>190,896</u>
Department of Transportation:		
Town Aid Road	12052-DOT57131-43455-34005	227,879
Bus Operations	12001-DOT57000-12175	19,995
Total Department of Transportation		<u>247,874</u>
Total State Financial Assistance Before Exempt Programs		<u>503,033</u>

(Continued)

Town of Easton, Connecticut

**Schedule of Expenditures of State Financial Assistance (Continued)
For the Year Ended June 30, 2016**

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
Exempt Programs:		
Office of Policy and Management		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	<u>\$ 11,278</u>
Department of Education:		
Public School Transportation	11000-SDE64000-17027	252
Educational Cost Sharing	11000-SDE64000-17041-82010	603,946
Excess Costs Student Based and Equity	11000-SDE64000-17047	<u>472,451</u>
Total Department of Education		<u>1,076,649</u>
Total Exempt Programs		<u>1,087,927</u>
Total State Financial Assistance		<u><u>\$ 1,590,960</u></u>

See notes to schedule of expenditures of state financial assistance.

Town of Easton, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance For the Year Ended June 30, 2016

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the Town of Easton, Connecticut, under programs of the State of Connecticut for the year ended June 30, 2016. Because the Schedule presents only a selected portion of the operations of the Town of Easton, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the Town of Easton, Connecticut.

Note 1. Summary of Significant Accounting Principles

The accounting policies of the Town of Easton, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of accounting: The expenditures reported on the schedule of expenditures of state financial assistance are presented on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

Town of Easton, Connecticut

**Schedule of State Single Audit Findings and Questioned Costs
For the Year Ended June 30, 2016**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Report? Yes No

The following schedule reflects the major programs included in the state single audit:

State Grantor and Program	State CORE-CT Number	Expenditures
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 148,777
Department of Transportation:		
Town Aid Road	12052-DOT57131-43455-34005	227,879
Dollar threshold used to distinguish between type A and type B programs:		<u>\$100,000</u>

Town of Easton, Connecticut

Schedule of State Single Audit Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

II. Financial Statement Findings

IC 2016-01. Cash Reconciliations

Criteria: To maintain proper internal controls over financial reporting, all reconciling items must be shown in the cash reconciliation from the bank balance to the pooled cash general ledger system

Condition: Bank reconciliations did not agree to the pooled cash general ledger balance.

Context: The general ledger pooled cash fund did not agree to the bank reconciliation

Effect: Transactions may be recorded in error, and errors could occur in the bank reconciliation process.

Recommendation: All bank reconciliations should reconcile to the general ledger, in addition to the excel worksheets.

Management Response: The error occurred when the Town implemented the MUNIS pooled cash system. We have made the proper adjustments to the MUNIS general ledger system, and will agree all bank reconciliations in the future.

IC 2016-02. Financial Reporting – Audit Adjustments

Criteria: Town management is responsible for financial reporting in the form of financial statements that present fairly, in all material respects, the respective financial position, changes in financial position and, each major fund and the aggregate remaining fund information of the Town.

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Town's existing internal controls and, therefore, could have resulted in a material misstatement to the Town's financial statements.

Context: Material audit adjustments were proposed for all major funds and for the nonmajor funds in the aggregate

Effect: The proposed audit adjustments were agreed to and posted by management and, therefore, there is no effect on the financial statements issued.

Cause: The cause is due to the no formal review process over the final trial balances.

Recommendation: We recommend that the management of the Town review the adjustments that have been proposed by the auditor. This should be a good indication of where controls need to be improved. Additionally, the Town should consider developing specific preparation and review procedures, required documentation and checklists to review their internally prepared financial reports prior to their release.

Management Response: All trial balances will be reviewed for completeness on a regular basis. Please see corrective action plan on page 13 of this report.

Town of Easton, Connecticut

**Schedule of State Single Audit Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016**

III. State Financial Assistance Findings and Questioned Costs

No matters were reported.

Town of Easton, Connecticut

**Summary of Prior Year Audit Findings
For the Year Ended June 30, 2016**

Finding IC 2015-01 Cash Reconciliations

Condition: Bank reconciliations did not agree to the pooled cash general ledger balance.

Current status: Comment repeated in 2016

Finding IC 2015-02 Financial Reporting – Audit Adjustments

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Town's existing internal controls and, therefore, could have resulted in a material misstatement to the Town's financial statements.

Current status: Comment repeated in 2016

**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**

Independent Auditor's Report

To the Members of the Board of Finance
Town of Easton, Connecticut

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Easton, Connecticut as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Easton, Connecticut's basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Easton, Connecticut's internal control over financial reporting (internal control) to determine the 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 Easton, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Easton, Connecticut's internal control.

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 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items (IC 2016-01 and IC 2016-02).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Easton, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Easton, Connecticut's Response to Finding

The Town of Easton, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Easton, Connecticut's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Easton, Connecticut's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Easton, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

New Haven, Connecticut
January 30, 2017



Town of Easton

TOWN HALL - 225 CENTER ROAD, P.O. BOX 61
EASTON, CONNECTICUT 06612

TELEPHONE (203) 268-6291
FAX (203) 268-4928

Corrective Action Plan
For the Fiscal Year Ended June 30, 2016

Section II – Financial Statement Findings

Finding: 2016-01 Cash Reconciliations
Finding: 2016-02 Financial Reporting – Audit Adjustments

Name of contact person: Christine Calvert, Finance Director

Corrective Action: The Board members will review a budget-to-actual report prepared by the finance officer at each monthly board meeting. Budget amendments will be made as will be necessary.

Proposed Completion Date: The Board will implement the above procedure at their February 7, 2017 meeting.