

Town of Easton, Connecticut

State Single Audit Report
Year Ended June 30, 2018

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Report required by the State Single Audit Act C.G.S. Section 4-230 to 4-236

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**Report on Compliance for the 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 the 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 the Town's major state programs for the year ended June 30, 2018. 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 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 the major state programs. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the 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 its major state programs for the year ended June 30, 2018.

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 the major state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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, the major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2018, 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 15, 2019, 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 VS LLP

New Haven, Connecticut
January 15, 2019

Town of Easton, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2018**

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Education:		
Adult Education	11000-SDE64370-17030	\$ 332
Open Choice	11000-SDE64370-17053	89,053
Total Department of Education		89,385
Judicial Branch:		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	1,879
Connecticut State Library:		
Connecticard Payments	11000-CSL66051-17010	1,558
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
Total Connecticut State Library		5,558
Office of Policy and Management:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	375
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	177
Property Tax Relief for Veterans	11000-OPM20600-17024	6,676
Municipal Grants-in-Aid	12052-OPM20600-43587	2,660
Neglected Cemetery Account	12060-OPM20600-35570	2,000
Total Office of Policy and Management		11,888
Department of Emergency Services and Public Protection		
Emergency Management Performance Grant	12060-DPS32160-21881	3,782
Enhanced 911 Telecommunication Fund	12060-DPS32741-35190	3,462
Total Department of Emergency Services and Public Protection		7,244
Department of Transportation:		
Bus Operations	12001-DOT57000-12175	19,995
Town Aid Road Grants - Municipal	12052-DOT57131-43455	114,060
Elderly Persons Disabilities Grants	12062-DOT57931-21361	32,311
Town Aid Road - STO	13033-DOT57131-43459	114,060
Total Department of Transportation		280,426
Department of Economic and Community Development:		
Arts Commission	11000-ECD46820-16258	5,107
Total Department of Economic and Community Development		5,107
Total State Financial Assistance Before Exempt Programs		401,487

(Continued)

Town of Easton, Connecticut

**Schedule of Expenditures of State Financial Assistance (Continued)
For the Year Ended June 30, 2018**

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
Exempt Programs:		
Office of Policy and Management		
Municipal Revenue Sharing	11000-OPM20600-17104	12,194
Grants to Towns	12009-OPM20600-17005	10,434
Total Office of Policy and Management		<u>22,628</u>
Department of Education:		
Educational Cost Sharing	11000-SDE64370-17041-82010	167,775
Excess Costs - Student Based	11000-SDE64370-17047	253,151
Total Department of Education		<u>420,926</u>
Total Exempt Programs		<u>443,554</u>
Total State Financial Assistance		<u>\$ 845,041</u>

See note 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, 2018

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the Town of Easton, Connecticut (the Town), under programs of the State of Connecticut for the year ended June 30, 2018. Because the Schedule presents only a selected portion of the operations of the Town 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.

Note 1. Summary of Significant Accounting Principles

The accounting policies of the Town 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.

Note 2. Subrecipients

The Town did not pass-through any state awards to subrecipients.

Town of Easton, Connecticut

**Schedule of State Single Audit Findings and Questioned Costs
For the Year Ended June 30, 2018**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified?	<u> X </u> Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

State Financial Assistance

Internal control over major programs:

• Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> 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 X No

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

State Grantor and Program	State CORE-CT Number	Expenditures
Department of Transportation:		
Town Aid Road Grants - Municipal	12052-DOT57131-43455	\$ 114,060
Town Aid Road - STO	13033-DOT57131-43459	114,060

Dollar threshold used to distinguish between type A and type B programs:

\$100,000

Town of Easton, Connecticut

**Schedule of State Single Audit Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018**

II. Financial Statement Findings

IC 2018-001. 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, the major fund and the aggregate remaining fund information of the Town.

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

Context: Audit adjustments were proposed for several funds.

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 fact that there is 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.

Town of Easton, Connecticut

Schedule of State Single Audit Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

III. State Financial Assistance Findings and Questioned Costs

No matters to report.

Town of Easton, Connecticut

**Summary of Prior Year Audit Findings
For the Year Ended June 30, 2018**

Finding IC 2017-01 Financial Reporting – Audit Adjustments

Condition: During the course of our engagement, we proposed significant 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 significant misstatement to the Town's financial statements.

Current status: Comment repeated in 2018 as IC 2018-001.

**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, the major fund, and the aggregate remaining fund information of the Town of Easton, Connecticut (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 15, 2019. Our report includes an emphasis of a matter paragraph because of the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item (IC 2018-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM VS LLP

New Haven, Connecticut
January 15, 2019