

# **Town of Deep River, Connecticut**

State Financial and Compliance Report  
Fiscal Year Ended June 30, 2015

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### Report Required by Government Auditing Standards

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### Report Required by the State Single Audit Act

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**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 Board of Finance  
Town of Deep River, 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 business-type activities, each major fund, and the aggregate remaining fund information of the Town of Deep River, Connecticut (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 8, 2016. Our report includes an emphasis of matter paragraph due to the adoption of Governmental Accounting Standards Board Statement ("GASB") No. 68, *Accounting and Financial Reporting for Pensions* and its amendment, GASB Statement No. 71.

**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 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. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 US LLP*

New Haven, Connecticut  
February 8, 2016

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

**Independent Auditor's Report**

To the Board of Finance  
Town of Deep River, Connecticut

**Report on Compliance for Each Major State Program**

We have audited the Town of Deep River, 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, 2015. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state single audit compliance 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, 2015.

## **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 an 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 a 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 business-type activities, each major fund and the aggregate remaining fund information of the Town of Deep River, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated February 8, 2016, 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 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  
February 8, 2016

**Town of Deep River, Connecticut**

**Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2015**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
<b>Department of Economic and Community Development</b>		
Small Town Economic Assistance Program (STEAP)	12052-ECD46350-42411	\$ 47,737
<b>Department of Education</b>		
Child Nutrition Program - School Lunch State Match	11000-SDE64000-16211	1,395
Healthy Foods Initiative	11000-SDE64000-16212	2,862
School Breakfast Program	11000-SDE64000-17046	3,045
High Quality Schools Start Up	12052-SDE64370-43538	7
<b>Total Department of Education</b>		<u>7,309</u>
<b>Connecticut State Library</b>		
Historic Documents Preservation Grant	12060-CSL66094-35150	5,000
Grants to Public Libraries	11000-CSL66051-17003	1,158
Connecticard Payments	11000-CSL66051-17010	426
<b>Total Connecticut State Library</b>		<u>6,584</u>
<b>Office of Policy and Management</b>		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	11,165
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	287
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	38,223
Property Tax Relief for Veterans	11000-OPM20600-17024	3,380
Municipal Grants in Aid	12052-OPM20600-43587	97,940
<b>Total Office of Policy and Management</b>		<u>150,995</u>
<b>Department of Transportation</b>		
Town Aid Road	12052-DOT57131-43455	<u>198,719</u>
<b>JUDICIAL BRANCH</b>		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	<u>5,483</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>416,827</u>

(Continued)

**Town of Deep River, Connecticut**

**Schedule of Expenditures of State Financial Assistance (Continued)  
For the Year Ended June 30, 2015**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
<b>Exempt Programs</b>		
<b>Office of Policy and Management</b>		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	\$ 12,373
<b>Total Office of Policy and Management</b>		<u>12,373</u>
<b>State Department of Education</b>		
Transportation for School Children - Public	11000-SDE64370-17027	8,284
Education Cost Sharing	11000-SDE64370-17041	1,732,856
Excess Cost - Student Based	11000-SDE64370-17047	133,766
<b>Total State Department of Education</b>		<u>1,874,906</u>
<b>Total Exempt Programs</b>		<u>1,887,279</u>
<b>Total State Financial Assistance</b>		<u>\$ 2,304,106</u>

See Notes to Schedule of Expenditures of State Financial Assistance.



## Town of Deep River, Connecticut

### Notes to Schedule of Expenditures of State Financial Assistance For the Year Ended June 30, 2015

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Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Deep River, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs including education, public safety, general government, public works, library, public health, transportation, property tax relief for certain individuals and economic and community development.

#### **Note 1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Deep River, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**Basis of accounting:** The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported 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. Loan Programs**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the loan program activity for the year ended June 30, 2015:

#### ***Department of Environmental Protection:***

##### Clean Water Fund 21014-OTT14230-42318

Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
\$ 2,137,294	\$ -	\$ 161,708	\$ 1,975,586

**Town of Deep River, Connecticut**

**Schedule of State Single Audit Compliance Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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I. Summary of Independent Auditor's Audit Results

*Financial Statements*

Type of auditor's report issued: unmodified.

Internal control over financial reporting:

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

*State Financial Assistance*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   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 Act? \_\_\_\_\_ Yes      X   No

The following schedule reflects the major programs included in the State Single Audit.

State Program	State Grant Program State Core - CT	Expenditures
Department of Economic and Community Development		
Small Town Economic Assistance Program	12052-ECD46350-42411	\$ 47,737
Department of Transportation		
Town Aid Road	12052-DOT57131-43455	\$ 198,719
• Dollar threshold to distinguish between Type A and Type B programs		<u>\$100,000</u>

II. Financial Statement Findings

No matters were reported.

III. State Financial Assistance Findings and Questioned Costs

No matters were reported.

**Town of Deep River, Connecticut**

**Summary of Prior Year's Audit Findings  
For the Year Ended June 30, 2015**

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There were no findings in the prior year for the State Single Audit.