

TOWN OF DEEP RIVER, CONNECTICUT

**FEDERAL AND STATE
SINGLE AUDIT REPORTS**

JUNE 30, 2017

CONTENTS

	<u>Page</u>
INTERNAL CONTROL AND COMPLIANCE REPORT	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
FEDERAL SINGLE AUDIT SECTION	
Independent Auditor's Report on Compliance for Each Major Program, on Internal Control over Compliance Required by the Uniform Guidance, and on the Schedule of Expenditures of Federal Awards	3
Schedule of Expenditures of Federal Awards	
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Federal Findings and Questioned Costs	8
STATE SINGLE AUDIT SECTION	
Independent Auditor's Report on Compliance for Each Major Program, on Internal Control over Compliance Required by the Connecticut State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance	10
Schedule of Expenditures of State Financial Assistance	
Schedule of Expenditures of State Financial Assistance	12
Notes to Schedule of Expenditures of State Financial Assistance	13
Schedule of State Findings and Questioned Costs	14

INTERNAL CONTROL AND COMPLIANCE REPORT

**INDEPENDENT AUDITOR'S 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***

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 30, 2018.

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 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 federal findings and questioned costs as 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

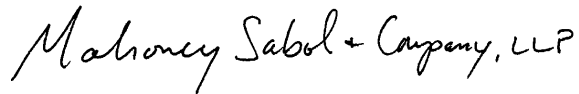
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

Management's Response to the Finding

Management's response to the finding identified in our audit is described in the accompanying schedule of federal findings and questioned costs . Management'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'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.

A handwritten signature in black ink that reads "Mahoney Sabol & Company, LLP". The signature is written in a cursive, flowing style.

Glastonbury, Connecticut

March 30, 2018

FEDERAL SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE,
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Finance
Town of Deep River, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the Town of Deep River, Connecticut's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2017. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal 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 federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Deep River, Connecticut, 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 federal programs for the year ended June 30, 2017.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 federal 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 federal 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 federal 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.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated March 30, 2018, 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 federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Glastonbury, Connecticut
March 30, 2018

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor; Program Title	Grant Number	Federal CFDA Number	Grant Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct:			
Water and Waste Disposal Systems for Rural Communities - Grant	-	10.760	\$ 794,419
Child Nutrition Cluster:			
Passed through the State of Connecticut			
Department of Administrative Services:			
National School Lunch Program - USDA Commodities	-	10.555	10,004
Passed through the State of Connecticut Department of Education:			
School Breakfast Program - 2017	12060-SDE64370-20508	10.553	6,636
School Breakfast Program - 2016	12060-SDE64370-20508	10.553	874
School Breakfast Program - 2014	12060-SDE64370-20508	10.553	643
National School Lunch Program - 2017	12060-SDE64370-20560	10.555	34,892
National School Lunch Program - 2016	12060-SDE64370-20560	10.555	4,400
National School Lunch Program - 2014	12060-SDE64370-20560	10.555	3,502
Summer Food Service Program for Children	12060-SDE64370-20540	10.559	2,433
Summer Food Service Program for Children	12060-SDE64370-20548	10.559	251
Total Child Nutrition Cluster			<u>63,635</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>858,054</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the State of Connecticut Department of Transportation:			
Highway Planning and Construction	12062-DOT57191-22108	20.205	5,425
Alcohol Open Container Requirements	12062-DOT57513-22091	20.607	44,484
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>49,909</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of Connecticut Department of Education:			
Title I - Grants to Local Educational Agencies - 2017	12060-SDE64370-20679	84.010	53,419
Title I - Grants to Local Educational Agencies - 2016	12060-SDE64370-20679	84.010	3,032
Title II - Improving Teacher Quality - 2017	12060-SDE64370-20858	84.367	4,000
Title II - Improving Teacher Quality - 2016	12060-SDE64370-20858	84.367	11,676
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>72,127</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 980,090</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF DEEP RIVER, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of the Town of Deep River, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of federal awards.

COST ALLOCATION PRINCIPLES

The Town has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. The Town has no federal awards for which an indirect cost rate is applicable.

NOTE B - OTHER FEDERAL ASSISTANCE

The United States Department of Agriculture provides commodities to the Town's schools. An amount of \$10,004 has been reflected in the expenditures column in the accompanying schedule of expenditures of federal awards, which represents the fair market value of such commodities received during the year ended June 30, 2017.

TOWN OF DEEP RIVER, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE B - OTHER FEDERAL ASSISTANCE (Continued)

The following is a summary of loan program activity for the year ended June 30, 2017.

U.S. Department of Agriculture: Drinking Water and Wastewater Loan Programs:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance July 1, 2016</u>	<u>Loan Additions</u>	<u>Loan Repayments</u>	<u>Balance June 30, 2017</u>
2016	2.75%	\$ 2,910,000	\$ 2,910,000	\$ -	\$ (41,992)	\$ 2,868,008
2016	2.75%	144,000	144,000	-	(2,078)	141,922
2016	2.75%	605,000	605,000	-	(9,487)	595,513
		<u>\$ 3,659,000</u>	<u>\$ 3,659,000</u>	<u>\$ -</u>	<u>\$ (53,557)</u>	<u>\$ 3,605,443</u>

No other federal assistance was received in the form of loan guarantees or insurance.

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION 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

Federal Awards

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 the Uniform Guidance, Section 200.516? _____ Yes ✓ No

Identification of major programs:

CFDA Number	Name of Federal Program
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes ✓ No

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Significant Deficiency over Internal Control over Financial Reporting

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Condition: During our audit, we noted the following deficiencies in the Town's internal control over financial reporting that collectively are indicative of a significant deficiency in the Town's internal control over financial reporting.

- Adjusting entries were required:
 - to balance trial balances and to adjust beginning fund balances to agree with prior year financial statements;
 - to reconcile interfund balances and activities between funds;
 - to recognize the Town's net obligation for other post-employment benefits provided to retirees;
 - to properly record year end accruals and deferrals for certain grants;
 - to agree tax and sewer assessment receivable balances to supporting reports; and
 - to present the Sewer Fund (an enterprise fund) on a full accrual basis of accounting.

Effect: Audit adjustments were required in order to prepare the Town's financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: The deficiencies are attributed to a lack of formal closing procedures to ensure the completeness and accuracy of the general ledger.

Auditor's Recommendation: We recommend that the Town develop formal closing procedures to ensure that all accounts, including balance sheet accounts, are properly reconciled periodically throughout the year and at year-end. In addition, we recommend that all funds be maintained in an accounting system.

Management's Response: Management agrees with the finding and intends to take corrective action to address the identified deficiencies.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Finding 2016-001, *Significant Deficiency in Internal Control over Financial Reporting Requirements* has been repeated as Finding 2017-001.

STATE SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT,
AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

To the Board of Finance
Town of Deep River, Connecticut

Report on Compliance for Each Major Program

We have audited the Town of Deep River, Connecticut's (the "Town") compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management's *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2017. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state 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 of Deep River, Connecticut, 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, 2017.

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.

Purpose of this Report

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 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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated March 30, 2018, 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 Connecticut State Single Audit Act and is not a required part of the basic financial statements. The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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.

Mahoney Sabol & Company, LLP

Glastonbury, Connecticut

March 30, 2018

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS:		
DEPARTMENT OF EDUCATION		
Direct:		
Child Nutrition Program - State Match	11000-SDE64000-16211	\$ 1,407
Healthy Foods Initiative	11000-SDE64000-16212	2,853
School Breakfast Match	11000-SDE64000-17046	2,902
Total Department of Education		<u>7,162</u>
CONNECTICUT STATE LIBRARY		
Direct:		
Historic Documents Preservation Grant	12060-CSL66094-35150	4,000
Connecticard Payments	11000-CSL66051-17010	364
Total Connecticut State Library		<u>4,364</u>
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Property Tax Relief for the Totally Disabled	11000-OPM20600-17011	303
Property Tax Relief for Elderly and Disabled Homeowners	11000-OPM20600-17018	34,342
Property Tax Relief for Veterans	11000-OPM20600-17024	3,124
Municipal Grants-In-Aid	12052-OPM20600-43587	104,136
Total Office of Policy and Management		<u>141,905</u>
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road	12052-DOT57131-43455	198,414
Funds Awaiting Distribution - Village Street	34003-DOT57331-42350	14,202
Total Department of Transportation		<u>212,616</u>
DEPARTMENT OF JUSTICE		
Direct:		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	3,093
Total State Financial Assistance Before Exempt Programs		<u>369,140</u>
EXEMPT PROGRAMS:		
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Mashantucket Pequot Grant	12009-OPM20600-17005	17,346
Municipal Revenue Sharing	12002-OPM20600-17102	95,401
Total Office of Policy and Management		<u>112,747</u>
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	11000-SDE64370-17041	1,660,798
Special Education: Excess Cost Student Based	11000-SDE64370-17047	102,515
Total Department of Education		<u>1,763,313</u>
Total Exempt Programs		<u>1,876,060</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>\$ 2,245,200</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF DEEP RIVER, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Deep River, Connecticut (the "Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

NOTE B - 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 finance assistance shall include loans and loan activities. The following is a summary of the loan program activity for the year ended June 30, 2017:

Department of Energy and Environmental Protection: Clean Water Funds

<u>Project</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2016</u>	<u>Loan Proceeds</u>	<u>Loan Repayments</u>	<u>Balance June 30, 2017</u>
500-C	2006	2.0%	\$ 3,375,000	\$ 1,810,611	\$ -	\$ (168,303)	\$ 1,642,308

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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
None

☐ Significant deficiency(ies) identified? _____ ✓ Yes _____ Reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:

☐ Material weakness(es) identified? _____ Yes ✓ No
None

☐ Significant deficiency(ies) identified? _____ Yes ✓ 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 ✓ No

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

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management:		
Municipal Grants-In-Aid	12052-OPM20600-43587	\$ 104,136
Department of Transportation:		
Town Aid Road	12052-DOT57131-43455	198,414

Dollar threshold used to distinguish between Type A and Type B programs: \$100,000

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS

Refer to significant deficiency 2017-001 disclosed as a financial statement finding in the schedule of federal findings and questioned costs.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Finding 2016-001, *Significant Deficiency in Internal Control over Financial Reporting Requirements* has been repeated as Finding 2017-001.