

**TOWN OF DEEP RIVER, CONNECTICUT**

**STATE SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2018**

**TOWN OF DEEP RIVER, CONNECTICUT**  
**TABLE OF CONTENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

---

	<u><b>Page</b></u>
 <b>INTERNAL CONTROL AND COMPLIANCE REPORT</b>	
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
 <b>STATE SINGLE AUDIT SECTION</b>	
Independent Auditor's Report on Compliance for Each Major State Program, on Internal Control over Compliance , and on the Schedule of Expenditures of State Financial Assistance Required by the Connecticut State Single Audit Act	3
Schedule of Expenditures of State Financial Assistance	5
Notes to Schedule of Expenditures of State Financial Assistance	6
Schedule of State Findings and Questioned Costs	7

**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, 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 February 15, 2019.

**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 state findings and questioned costs as 2018-001 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 state 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.

Certified Public Accountants  
Glastonbury, Connecticut  
February 15, 2019

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

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* that could have a direct and material effect on each of 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 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, 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 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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated February 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 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.



Certified Public Accountants  
Glastonbury, Connecticut  
February 15, 2019

**TOWN OF DEEP RIVER, 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
<b>NONEXEMPT PROGRAMS:</b>		
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Child Nutrition State Matching Grant	11000-SDE64370-16211	\$ 1,363
Healthy Foods Initiative	11000-SDE64370-16212	2,592
School Breakfast	11000-SDE64370-17046	2,894
<b>Total Department of Education</b>		<u>6,849</u>
<b>CONNECTICUT STATE LIBRARY</b>		
<b>Direct:</b>		
Historic Documents Preservation Grant	12060-CSL66094-35150	4,000
Connecticard Payments	11000-CSL66051-17010	480
<b>Total Connecticut State Library</b>		<u>4,480</u>
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	266
Property Tax Relief for Veterans	11000-OPM20600-17024	3,123
Local Capital Improvement Program	12050-OPM20600-40254	54,471
Municipal Grants-In-Aid	12052-OPM20600-43587	104,136
<b>Total Office of Policy and Management</b>		<u>161,996</u>
<b>DEPARTMENT OF TRANSPORTATION</b>		
<b>Direct:</b>		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	99,018
Town Aid Road Grants - STO	13033-DOT57131-43459	99,018
<b>Total Department of Transportation</b>		<u>198,036</u>
<b>CONNECTICUT JUDICIAL BRANCH</b>		
<b>Direct:</b>		
Court fees	34001-JUD95162-40001	2,925
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>374,286</u>
<b>EXEMPT PROGRAMS:</b>		
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	16,522
Municipal Stabilization Grant	11000-OPM20600-17104	18,051
<b>Total Office of Policy and Management</b>		<u>34,573</u>
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Education Cost Sharing	11000-SDE64000-17041-82010	1,454,298
Excess Costs Student Based and Equity	11000-SDE64370-17047	11,028
<b>Total Department of Education</b>		<u>1,465,326</u>
<b>Total Exempt Programs</b>		<u>1,499,899</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u><u>\$ 1,874,185</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, 2018**

---

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 year ended June 30, 2018. 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 1 - 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 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. 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.

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. In accordance with Section 4-236-22 of the regulations to the Connecticut State Single Audit Act, these financial assistance 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 finance assistance shall include loans and loan activities. The following is a summary of the loan program activity for the year ended June 30, 2018:

**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, 2017</u>	<u>Loan Proceeds</u>	<u>Loan Repayments</u>	<u>Balance June 30, 2018</u>
500-C	2006	2.0%	\$ 3,375,000	\$ 1,642,308	\$ -	\$ (171,701)	\$ 1,470,607



**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF STATE 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?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
○ Significant deficiency(ies) identified?	_____ <input checked="" type="checkbox"/> Yes	_____ None Reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

**STATE FINANCIAL ASSISTANCE**

Internal control over major programs:			
○ Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
○ Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> 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	_____ <input checked="" type="checkbox"/> No
---	-----------	--

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

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
<b>Office of Policy and Management:</b>		
Municipal Grants-In-Aid	12052-OPM20600-43587	\$ 104,136
<b>Department of Transportation:</b>		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	99,018
Town Aid Road Grants - STO	13033-DOT57131-43459	99,018

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, 2018**

---

**II. FINANCIAL STATEMENT FINDINGS**

**Finding 2018-001: 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 reconcile interfund balances and activities between funds;
  - to properly record year end accruals and deferrals for certain Education grants;
  - to agree tax and sewer assessment receivables 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.

**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 2017-001, *Significant Deficiency in Internal Control over Financial Reporting* has been repeated as Finding 2018-001.