

TOWN OF DEEP RIVER, CONNECTICUT

STATE SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF DEEP RIVER, CONNECTICUT
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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, 2023, 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 7, 2024.

Report on 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) as a basis for designing 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 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 certain deficiency in internal control, described in the accompanying schedule of state findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on 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 financial statements. 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*.

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of state findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Certified Public Accountants
Glastonbury, Connecticut
March 7, 2024

STATE SINGLE AUDIT SECTION

**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 STATE SINGLE AUDIT ACT**

To the Board of Finance
Town of Deep River, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Deep River, Connecticut's, (the Town) compliance with the types of compliance requirements identified as subject to audit 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, 2023. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major State Program

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 the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated March 7, 2024, which contained unmodified opinions on those financial statements. Our audit was performed 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.



Certified Public Accountants
Glastonbury, Connecticut
March 7, 2024

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
NONEXEMPT PROGRAMS:			
DEPARTMENT OF EDUCATION			
Direct:			
Child Nutrition State Matching Grant	11000-SDE64370-16211	\$ -	\$ 1,190
Healthy Foods Initiative	11000-SDE64370-16212	-	2,263
School Breakfast	11000-SDE64370-17046	-	2,662
Talent Development	11000-SDE64370-12552	-	414
Total Department of Education		-	6,529
CONNECTICUT STATE LIBRARY			
Direct:			
Historic Documents Preservation Grant	12060-CSL66094-35150	-	5,500
Connecticard Payments	11000-CSL66051-17010	-	496
Total Connecticut State Library		-	5,996
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION			
Direct:			
Solid Waste Management Account	11000-DEP44920-12488	-	71,247
OFFICE OF POLICY AND MANAGEMENT			
Direct:			
Tiered Payment in Lieu of Taxes	12060-OPM20600-35691	-	2,484
Tiered Payment in Lieu of Taxes	11000-OPM20600-17111	-	9,191
Tiered Payment in Lieu of Taxes	12060-OPM20600-35458	-	88,231
		-	99,906
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	391
Property Tax Relief for Veterans	11000-OPM20600-17024	-	1,971
Municipal Grants-In-Aid	12052-OPM20600-43587	-	104,136
Total Office of Policy and Management		-	206,404
DEPARTMENT OF TRANSPORTATION			
Direct:			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455-34005	-	98,531
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459-34005	-	98,531
		-	197,062
Intrastate Highway Projects	13033-DOT57124-41404	-	37
Total Department of Transportation		-	197,099
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT			
Direct:			
Small Town Economic Assistance Program	12052-ECD46000-42411	-	21,097
CONNECTICUT JUDICIAL BRANCH			
Direct:			
Court fees	34001-JUD95162-40001	-	1,075
Total State Financial Assistance Before Exempt Programs		-	509,447
EXEMPT PROGRAMS:			
OFFICE OF POLICY AND MANAGEMENT			
Direct:			
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	4,490
DEPARTMENT OF EDUCATION			
Direct:			
Education Cost Sharing	11000-SDE64370-17041-82010	-	1,671,063
Total Exempt Programs		-	1,675,553
TOTAL STATE FINANCIAL ASSISTANCE		\$ -	\$ 2,185,000

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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2023. Various departments and agencies of the State of Connecticut have provided financial assistance 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. Because the schedule of expenditures of state financial assistance 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 balances, changes in net position or cash flows of the Town.

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. 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 expenditure 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, 2023:

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, 2022</u>	<u>Loan Proceeds</u>	<u>Loan Repayments</u>	<u>Balance June 30, 2023</u>
500-C	2007	2.0%	\$ 3,375,000	\$ 748,446	\$ -	\$ (189,743)	\$ 558,703

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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
Department of Transportation:		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455-34005	\$ 98,531
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459-34005	98,531
		<u>\$ 197,062</u>
Office of Policy and Management:		
Municipal Grants-In-Aid	12052-OPM20600-43587	<u>\$ 104,136</u>

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

II. FINANCIAL STATEMENT FINDINGS

Finding 2023-001: Significant Deficiency in Internal Control over Financial Reporting

Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

TOWN OF DEEP RIVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

II. FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2023-001: *Significant Deficiency in Internal Control over Financial Reporting (Continued)*

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.

- Adjusting entries were required:
 - to reconcile the Town's general ledger with the School District's general ledger;
 - to reconcile interfund balances and activities between funds;
 - to reconcile tax and sewer use and assessment receivable balances to supporting reports; and
 - to convert the Sewer Fund reported as an enterprise fund from the modified accrual basis of accounting to the full accrual basis of accounting.

Context: A significant number of audit adjustments were proposed and recorded in order to prepare the Town's financial statements in conformity with accounting principles generally accepted in the United States of America..

Effect: Inaccurate financial reporting.

Cause: The deficiencies are attributed to a lack of formal closing procedures over the identified areas.

Repeat Finding: Yes

Recommendation: We recommend that the Town develop formal closing procedures and reconciliations over these areas.

Views of Responsible Officials: 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 state financial assistance findings or questioned costs were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Finding 2022-001: *Significant Deficiency in Internal Control over Financial Reporting*, regarding the Town's closing procedures has been repeated and reported as current year finding 2023-001.

Finding 2022-002: *Significant Deficiency over Capital Assets* is no longer considered to be a significant deficiency.

Finding 2022-003: *Significant Deficiency over Leases* is no longer considered to be a significant deficiency.

Finding 2022-004: *Noncompliance - Major State Award Program* is considered to have been resolved.