

TOWN OF BEACON FALLS, CONNECTICUT

State Single Audit Report

For The Year Ended June 30, 2015

DRAFT - FOR DISCUSSION PURPOSES ONLY - SUBJECT TO CHANGE

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INTERNAL CONTROL AND COMPLIANCE REPORT

DRAFT - FOR DISCUSSION PURPOSES ONLY - SUBJECT TO CHANGE

**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 Members of the Board of Finance
Town of Beacon Falls, 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, each major fund, and the aggregate remaining fund information of the Town of Beacon Falls, 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 January 29, 2016

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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of state findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of state findings and questioned costs as item 2015-1 to be a material weakness.

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*.

Town's Response to the Finding

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

Glastonbury, Connecticut
January 29, 2016

STATE SINGLE AUDIT SECTION

DRAFT - FOR DISCUSSION PURPOSES ONLY - SUBJECT TO CHANGE

**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 Members of the Board of Finance
Town of Beacon Falls, Connecticut

Report on Compliance for Each Major Program

We have audited the compliance by the Town of Beacon Falls, Connecticut (the "Town"), with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *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, 2015. 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 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.

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 Connecticut State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated January 29, 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 Connecticut 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.

**TOWN OF BEACON FALLS, 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
NONEXEMPT PROGRAMS:		
OFFICE OF POLICY AND MANAGEMENT		
Direct Programs:		
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	\$ 50,469
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	53,629
Property Tax Relief for Veterans	11000-OPM20600-17024	12,545
Payment in Lieu of Taxes on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	13,117
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	1,801
Municipal Reimbursement & Revenue Account	12050-OPM20600-40254	47,841
Municipal Projects and Purposes Grant	12052-OPM20600-43587	41,202
Total Office of Policy and Management		220,604
DEPARTMENT OF ADMINISTRATIVE SERVICES		
Direct Programs:		
Fire Training Schools	17041-DAS27662-42710	383
Fire Training School Repairs	17071-DAS27662-43328	6,600
Total Department of Administrative Services		6,983
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION		
Direct Programs:		
Publicly Accessible EV Charging Infrastructure Funding Program	12060-DEP43720-30623	7,684
CONNECTICUT STATE LIBRARY		
Direct Programs:		
Historical Preservation Grant	12060-CSL66094-35150	5,000
Connecticard Payments	11000-CSL66051-17010	188
Grants to Public Libraries	11000-CSL66051-17003	1,159
Total Connecticut State Library		6,347
DEPARTMENT OF TRANSPORTATION		
Direct Programs:		
Town Aid Road	12052-DOT57131-43455	188,588
JUDICIAL BRANCH		
Direct Programs:		
Judicial Distribution to Towns	34001-JUD95162-40001	3,371
Total State Financial Assistance Before Exempt Programs		433,577
EXEMPT PROGRAMS:		
OFFICE OF POLICY AND MANAGEMENT		
Direct Programs:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	25,604
DEPARTMENT OF EDUCATION		
Direct Programs:		
Education Cost - Sharing	11000-SDE64370-17041	4,128,939
Total Exempt Programs		4,154,543
TOTAL STATE FINANCIAL ASSISTANCE		\$ 4,588,120

The accompanying note is an integral part of this schedule.

TOWN OF BEACON FALLS, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Beacon Falls, Connecticut (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.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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

State Financial Assistance

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 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 Grant	12052-DOT57131-43455	\$ 188,588
Office of Policy and Management:		
Municipal Purposes & Projects Grant	12052-OPM20600-43587	139,694

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

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

II. FINANCIAL STATEMENT FINDINGS

Finding 2015-1: Material Weakness in Internal Control Over Financial Reporting

Criteria

The accounting records and financial statements are the responsibility of management and, accordingly, the Town should have internal control over financial reporting that provides reasonable assurance that the accounting records can be relied upon and used to prepare the basic financial statements and related notes to the basic financial statements, in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Condition

During our audit, we noted that the Town does not have appropriate closing procedures to ensure that accounts are reconciled and properly accounted for in conformity with US GAAP on a timely basis. Specifically, we noted the following:

- The General Fund was not fully closed out to a modified accrual basis of accounting and a number of general ledger accounts were either not updated from the prior year or not properly reconciled as of year-end.
- The General Fund operating bank account was not fully reconciled to the general ledger on a timely basis.
- Certain funds were not maintained under general ledger control during the year. Activity for each of these funds were tracked on a cash basis in an excel file. Interfund balances and activities were not properly accounted for and reconciled with the General Fund as of year-end.
- Schedules for government-wide conversion entries were not maintained and reconciled to the supporting records.

Questioned Costs

No costs were questioned.

Effect

A significant number of audit adjustments were required to prepare and present the Town's financial statements in conformity with US GAAP. In addition, there is an increased risk that the Town will not be able to prevent, detect, or correct a potential material misstatement, whether due to error or fraud, to future financial statements in a timely manner.

Cause

Lack of appropriate closing procedures.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

II. FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2014-1: Material Weakness in Internal Control Over Financial Reporting (Continued)

Auditor's Recommendation

We recommend that the Town develop formal closing procedures to ensure that all accounts are reconciled and properly accounted for in timely manner. In addition, we recommend that the Board of Finance perform a needs assessment to determine whether additional resources and/or training are needed to meet the Town's financial reporting requirements.

Management Response

The Town intends to take the appropriate actions to strengthen its internal control over financial reporting and remedy the conditions giving rise to this reported material weakness.

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 2014-1, *Material Weakness in Internal Control Over Financial Reporting*, has been repeated as finding 2015-1.

The following findings are no longer considered to be significant deficiencies in internal control over financial reporting:

- 2014-2: *Significant Deficiency over Budgetary Procedures*
- 2014-3: *Significant Deficiency over Payroll Tax Remittance*
- 2014-4: *Significant Deficiency over Records Management*
- 2014-5: *Significant Deficiency over tracking of Capital Projects*
- 2014-6: *Significant Deficiency over Compensated Absences*