

TOWN OF ELLINGTON, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT
JUNE 30, 2020

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Members of the Board of Finance
Town of Ellington, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the Town of Ellington, Connecticut's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town of Ellington, Connecticut's major federal program for the year ended June 30, 2020. The Town of Ellington, Connecticut's major federal program is identified in the summary of auditors' results section of the accompanying schedule of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town of Ellington, Connecticut's major federal program 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 of Ellington, Connecticut'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 the major federal program. However, our audit does not provide a legal determination of the Town of Ellington, Connecticut's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Ellington, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Town of Ellington, Connecticut, 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 of Ellington, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 of Ellington, Connecticut'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 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 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.

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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Ellington, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Ellington, Connecticut's basic financial statements. We issued our report thereon dated October 27, 2020, 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 27, 2020

**TOWN OF ELLINGTON, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
United States Department of Agriculture			
<i>Passed Through the State of Connecticut Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	12060-SDE64370-20560	\$ 179,485
National School Lunch Program (Cares Act Lunch)	10.555	12060-SDE64370-29572	20,734
National School Lunch Program (Cares Act Breakfast)	10.555	12060-SDE64370-29576	8,472
School Breakfast Program	10.553	12060-SDE64370-20508	19,793
			<u>\$ 228,484</u>
United States Department of Transportation			
<i>Passed Through the State of Connecticut Department of Transportation:</i>			
Alcohol Open Container Requirements	20.607	12062-DOT57513-22091	<u>13,834</u>
United States Department of Education			
<i>Passed Through the State of Connecticut Department of Education:</i>			
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	12060-SDE64370-20977-2020	431,277
Special Education Grants to States	84.027	12060-SDE64370-20977-2019	24,414
Special Education Preschool Grants	84.173	12060-SDE64370-20983-2020	7,834
Special Education Preschool Grants	84.173	12060-SDE64370-20983-2019	1,444
			<u>464,969</u>
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2020	60,507
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2020	30,604
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2019	1,285
			<u>31,889</u>
Title IV - Student Support and Academic Enrichment Program	84.424	12060-SDE64370-22854-2020	3
Title IV - Student Support and Academic Enrichment Program	84.424	12060-SDE64370-22854-2019	10,000
			<u>10,003</u>
Total United States Department of Education			<u>567,368</u>
United States Department of Homeland Security			
<i>Passed Through the State of Connecticut Department of Emergency Services and Public Protection:</i>			
Emergency Management Performance Grants	97.042	12060-DPS32160-21881	7,889
<i>Passed Through the Federal Emergency Management Agency:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Project #145176	<u>69,328</u>
Total United States Department of Homeland Security			<u>77,217</u>
United States Department of Health and Human Services			
<i>Passed Through the United Way of Connecticut:</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		<u>15,694</u>
Total Federal Awards			<u>\$ 902,597</u>

The accompanying notes are an integral part of this schedule

**TOWN OF ELLINGTON, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Ellington, Connecticut, under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the 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).

Because the Schedule presents only a selected portion of the operations of the Town of Ellington, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the Town of Ellington, Connecticut.

Basis of Accounting

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. INDIRECT COST RECOVERY

Town of Ellington, Connecticut, has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

3. NONCASH AWARDS

Donated commodities in the amount of \$49,626 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

**Independent Auditors' 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 Ellington, 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 Ellington, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Ellington, Connecticut's basic financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ellington, Connecticut'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 of Ellington, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ellington, Connecticut'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ellington, Connecticut'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*.

The Town of Ellington, Connecticut's Response to Findings

The Town of Ellington, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Ellington, Connecticut'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 of Ellington, Connecticut'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 of Ellington, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 27, 2020

**TOWN OF ELLINGTON, CONNECTICUT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2020**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes X no

Major programs:

CFDA #	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? yes X no

II. FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Material Weakness in Internal Control over Financial Reporting

Criteria

The financial statements should be prepared in conformity with accounting principles generally accepted in the United States of America.

Condition

Numerous audit adjustments were required in order to prepare the financial statements.

Questioned Costs

Not applicable.

Effect

There is a risk that information necessary to make appropriate fiscal decisions may not be readily available or lead to misleading or misstated information. This could significantly affect the Town's financial reporting processes, including but not limited to budgeting, budgeting compliance and overall financial reporting.

Cause

Deficiencies in the design and effectiveness of the Town's internal control over financial reporting due to the following:

- The use of a single accounting ledger to account for multiple funds of the Town,
- The use of manual journal entries as part of the year-end closing process to reclassify activity recorded in one general ledger account to another general ledger account for fund reporting purposes,
- A lack of formal documented closing procedures to help ensure that accounts are reconciled and properly reported at year end in accordance with accounting principles generally accepted in the United States of America.

Recommendation

We recommend that the Town develop and implement a comprehensive plan to overhaul its current system of internal control over financial reporting. We recommend that the Town develop formal closing procedures to help ensure that accounts are reconciled and properly reported at year end. This includes maintaining detailed subsidiary ledgers or schedules to support all adjustments required to convert the Town's governmental fund financial statements to the government-wide financial statements.

Views of Responsible Officials and Planned Corrective Actions

The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

Finding 2020-002: Prior Period Adjustment**Criteria**

Capital assets are depreciated using straight-line method over the estimated useful lives of the assets per the Town's accounting policy.

Condition

Depreciation was erroneously calculated in prior years, thereby overstating the capital assets in the government-wide financial statements.

Questioned costs

The calculation error resulted in a restatement of the government-wide financial statements of \$3,672,214.

Effect

Prior period restatement within the government-wide financial statements.

Cause

The Town uses a manual spreadsheet to calculate depreciation, which is prone to error.

Recommendation

The Town should consider implementing a fixed assets accounting system.

Views of Responsible Officials and Planned Corrective Actions

The Town intends to implement a fixed assets accounting system within the new accounting system beginning July 1, 2021.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.