

TOWN OF ELLINGTON, CONNECTICUT

STATE SINGLE AUDIT REPORT
JUNE 30, 2020

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Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

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

Report on Compliance for Each Major State Program

We have audited the Town of Ellington, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Ellington, Connecticut's major state programs for the year ended June 30, 2020. The Town of Ellington, Connecticut's major state programs are 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 the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

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

Opinion on Each Major State 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 each of its major state programs 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 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 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 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 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 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 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 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 27, 2020

**TOWN OF ELLINGTON, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures	
Department of Education			
Early Childhood Quality Improvements - Cognitive Disabilities	12060-SDE64215-20977	\$	6,000
Improving Outcomes for Students with Cognitive Disabilities	12060-SDE64215-20977		6,000
Sheff Settlement	11000-SDE64370-12457		97,325
Talent Development	11000-SDE64370-12552		7,000
Child Nutrition State Match	11000-SDE64370-16211		7,324
Health Foods Initiative	11000-SDE64370-16212		13,953
Adult Education	11000-SDE64370-17030		21,680
School Breakfast Program	11000-SDE64370-17046		11,468
Open Choice Program	11000-SDE64370-17053-82060	\$	551,659
Open Choice Program	11000-SDE64370-17053-82162		<u>55,000</u>
			<u>606,659</u>
Total Department of Education			<u>777,409</u>
Connecticut State Library			
Connecticard Payments	11000-CSL66051-17010		1,682
Historic Document Preservation	12060-CSL66094-35150		<u>5,500</u>
Total Connecticut State Library			<u>7,182</u>
Department of Children and Families			
Youth Service Bureaus	11000-DCF91141-17052		14,000
Youth Service Bureau Enhancement	11000-DCF91141-17107		<u>8,656</u>
Total Department of Children and Families			<u>22,656</u>
Department of Transportation			
Bus Operations	12001-DOT57931-12175		27,023
Town Aid Road Grants-Municipal	12052-DOT57131-43455		170,370
Town Aid Road-STO	13033-DOT57131-43459		<u>170,370</u>
			340,740
Local Transportation Capital Improvement Program	13033-DOT57197-43584		<u>727,003</u>
Total Department of Transportation			<u>1,094,766</u>
Department of Emergency Services and Public Protection			
Fire School Training and Education Extension	12060-DPS32251-35180		<u>275</u>

The accompanying notes are an integral part of this schedule

**TOWN OF ELLINGTON, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Department of Social Services		
Medicaid	11000-DSS60000-16020	\$ <u>38,453</u>
Office of Early Childhood		
Child Care Quality Enhancement	11000-OEC64845-16158	3,881
Early Care and Education	11000-OEC64845-16274	<u>134,565</u>
Total Office of Early Childhood		<u>138,446</u>
Office of Policy and Management		
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	4,540
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	1,611
Property Tax Relief for Veterans	11000-OPM20600-17024	15,083
Local Capital Improvement Program	12050-OPM20600-40254	108,005
Municipal Grants-In-Aid	12052-OPM20600-43587	223,527
Small Town Economic Assistance Program Grant	12052-OPM20870-40530	<u>500,000</u>
Total Office of Policy and Management		<u>852,766</u>
Total State Financial Assistance Before Exempt Programs		<u>2,931,953</u>
Exempt Programs		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041-82010	9,830,116
Excess Cost - Student Based	11000-SDE64370-17047	<u>493,662</u>
Total Department of Education		<u>10,323,778</u>
Office of Policy and Management		
Grants To Towns	12009-OPM20600-17005	<u>4,081</u>
Total Exempt Programs		<u>10,327,859</u>
Total State Financial Assistance		<u>\$ <u>13,259,812</u></u>

The accompanying notes are an integral part of this schedule

**TOWN OF ELLINGTON, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of the Town of Ellington, Connecticut, under programs of the State of Connecticut for the year ended June 30, 2020. 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. 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

The accounting policies of the Town of Ellington, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Expenditures reported on the Schedule are presented on the modified accrual basis of accounting. 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 expenditures column of the Schedule.

**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

State Financial Assistance

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 Section 4-236-24 of the Regulations to the State Single Audit Act? yes X no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education: Open Choice Program	11000-SDE64370-17053	\$ 606,659
Department of Transportation: Local Transportation Capital Improvement Program	13033-DOT57197-43584	727,003
Office of Policy and Management: Small Town Economic Assistance Program Grant	12052-OPM20870-40530	500,000
Dollar threshold used to distinguish between type A and type B programs:		\$ 200,000

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 in the current year.

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. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.