

**Town of New Hartford
State Single Audit
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June 30, 2017**

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**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***

Independent Auditor's Report

To the Board of Finance of the
Town of New Hartford, CT

We have audited, in accordance with 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, and each major fund and the aggregate remaining fund information of the Town of New Hartford, CT, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Town of New Hartford's basic financial statements, and have issued our report thereon dated December 9, 2017.

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 opinion 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 findings and questions costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2017-01 to be a significant deficiency.

Compliance and Other Matters

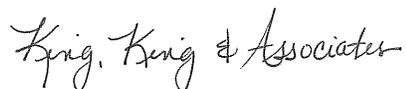
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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*.

The Town of New Hartford's Response to Findings

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the audited 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 result 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.



King, King & Associates, CPAs
Winsted, CT
December 9, 2017

**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**

Independent Auditor's Report

To the Board of Finance of the
Town of New Hartford, CT

Report on Compliance for Each Major State Program

We have audited the Town of New Hartford, CT's (the Town) 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's major state programs for the year ended June 30, 2017. The Town'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'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 New Hartford, CT 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, 2017.

Report on Internal Control over Compliance

Management of the Town of New Hartford, CT 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 our 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 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 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated December 9, 2017 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 Town's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for the purpose 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.

King, King & Associates

King, King & Associates, CPAs
Winsted, CT 06098
December 9, 2017

TOWN OF NEW HARTFORD
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2017

<u>State Grantor Pass-Through Grantor Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
State Dept. of Education		
Adult Education	11000-SDE64000-17030	\$ 2,731
Child Nutrition State Matching Grant	11000-SDE64000-16211	1,421
Healthy Foods Initiative	11000-SDE64000-16212	2,880
CN Food Equipment	12060-SDE-64370-22386	1,280
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
Department of Transportation		
Town Aid Road	13033-DOT57131-43459	269,713
Local Bridge Program Transportation Fund	13033-DOT57000-43456	76,777
Judicial Department		
Parking Fines	34001-JUD95162-40001	2,357
Office of Policy and Management		
Property Tax Relief:		
Veteran's Exemptions	11000-OPM20600-17024	2,426
Elderly Circuit Breaker	11000-OPM20600-17018	29,084
Totally Disabled	11000-OPM20600-17011	510
Municipal Purpose & Projects	12052-OPM20600-43587	139,174
Department of Housing		
Incentive Housing Zone Program	12052-DOH46930-43529	5,000
Department of Public Safety		
Emergency Management	12060-DPS32160-21881	<u>3,465</u>
Total State Financial Assistance before exempt programs		<u>540,818</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	3,113,123
Excess Cost-Student Based	11000-SDE64370-17047	24,430
Office of Policy and Management		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	19,069
Municipal Revenue Sharing	12009-OPM20600-17102	140,338
Department of Administrative Services		
School Construction	13010-DAS27635-40901	<u>731</u>
Total Exempt Programs		<u>3,297,691</u>
Total State Financial Assistance		<u>\$ 3,838,509</u>

See notes to schedule

**TOWN OF NEW HARTFORD, CT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of New Hartford under programs of the State of Connecticut for the fiscal year ended June 30, 2017. 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 including the construction and maintenance of public roads.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of New Hartford, CT conform to accounting principles generally accepted in the United States of America as applicable to Governments.

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.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulation 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 of Expenditure of State Financial Assistance.

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 Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2017:

Rural Economic and Community Development

	(93-03)
	Prospect St.
	<u>Sewers</u>
Issue Date	07/16/1996
Interest Date	4.5%
Original Amount	\$ 96,300
Balance, July 1, 2016	38,520
Paid during fiscal year	<u>(6,420)</u>
Balance, June 30. 2017	<u>\$ 32,100</u>

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 9, 2017, on internal control over financial reporting and on compliance and other matters based on our audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated a significant deficiency, as described below:

FINDING 2017-01

Criteria

The central general ledger should be reconciled to subsidiary ledgers and systems.

Condition

We identified multiple areas where the general ledger, while reconciled to the bank balances, is not reconciled to subsidiary ledgers and systems.

Context

The Recreation general ledger is maintained in the Fiscal Office. Various recreation programs are also tracked by participant in Recreation software by the Recreation Director, and the related revenues delivered to the Fiscal Office periodically. The Recreation revenue reported in the Recreation software is not periodically reconciled to the general ledger.

The Board of Education receives revenues and other reimbursements which are deposited into the General Fund. In Board of Education reports, the revenues that affect budgeted Board of Education line-items are offset against the applicable education expense. Other revenues offset non-budgeted expenditures such as community custodial services. At year-end, an adjustment must be made for financial statement purposes to reduce the applicable expense by the reimbursement. The revenues and reimbursements reported by the Board of Education bookkeeper are not reconciled to the revenue accounts reported by the Fiscal office.

The Town refinanced BANS and older debt. The older debt was paid off with the new financing directly (with a bank to bank wire) and did not flow through the Town's bank accounts, therefore; it was not recorded in the accounting records.

The Small Cities Housing Rehabilitation Fund includes a revolving loan program. The schedule tracking the outstanding revolving loan balances did not agree to the amounts reported in the financial statements.

The Board of Education's schedule of transfers made from the Town accounts to cover their expenses did not agree to their reported expenditures for the year. As a result, the Board of Education reported expenditures did not agree to the Town line item. An adjustment was made during the audit to reflect additional Board of Education Accounts Payable in the Town budget.

Effect

Internal reports may be misstated (unrecorded financing activity) and internal controls over account balances weakened (Recreation Fund, revolving loan program). Board of Education expenses could be misstated. Auditor incurs additional hours reconciling activity, which is outside the scope of the audit. As activity in these areas increases and becomes more complicated, financial reporting could be misstated.

Cause

Past practice, lack of formal policies requiring reconciliation between the general ledger and subsidiary systems.

Recommendation

To make the financial reports generated by the accounting system as meaningful as possible, we recommend the general ledger activity be reconciled with subsidiary information periodically.

Views of Responsible Officials and Planned Corrective Actions

The Town will implement a monthly schedule of consultation and training for both bookkeepers (town and board of education) and related town staff with our CPA consultant to improve internal communication and protocol with regard to reconciliation of the general ledger to subsidiary ledgers and systems.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

- No findings or questioned costs are reported related to State Financial Assistance Programs.