

TOWN OF SCOTLAND, CONNECTICUT

STATE SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2022

TOWN OF SCOTLAND, CONNECTICUT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2022

	Page
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 <i>Government Auditing Standards</i>	1
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	3
Schedule of Expenditures of State Financial Assistance	6
Note to Schedule of Expenditures of State Financial Assistance	8
Schedule of State Findings and Questioned Costs	9

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 Honorable First Selectman and
Members of the Board of Selectmen
Town of Scotland, 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 Scotland, Connecticut (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 19, 2022.

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 identified certain deficiencies in internal control, described in the accompanying schedule of state findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

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 responses to the findings identified in our audit and described in the accompanying schedule of state findings and questioned costs. The Town's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

A handwritten signature in black ink that reads "Mahoney Sabol & Company, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants
Glastonbury, Connecticut
December 19, 2022

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 Honorable First Selectman and
Members of the Board of Selectmen
Town of Scotland, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Scotland, 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, 2022. 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.

In our opinion, the Town of Scotland, 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, 2022.

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 Connecticut 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 Connecticut 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 Connecticut 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.

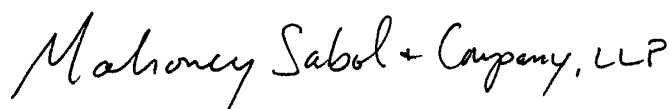
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant 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, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated December 19, 2022, 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.

A handwritten signature in black ink that reads "Mahoney Sabol & Company, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants
Glastonbury, Connecticut
December 19, 2022

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core-CT Number	Expenditures
NONEXEMPT PROGRAMS:		
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Tiered Payment in Lieu of Taxes	11000-OPM2060-17111	\$ 13,394
Tiered Payment in Lieu of Taxes	12060-OPM2060-35691	4,760
		18,154
Municipal Grants-In-Aid	12052-OPM20600-43587	7,681
Property Tax Relief on Property of Totally Disabled	11000-OPM20600-17011	505
Property Tax Relief for Veterans	11000-OPM20600-17024	468
		26,808
Total Office of Policy and Management		
DEPARTMENT OF ADMINISTRATIVE SERVICES		
Direct:		
P-Card Rebate 2021	34003-DAS23920-42350	739
DEPARTMENT OF HOUSING		
Direct:		
Affordable Housing (Flexible Program)	12063-DOH-46900-40237	11,500
DEPARTMENT OF EDUCATION		
Direct:		
Adult Education	11000-SDE64370-17030	1,786
Talent Development	11000-SDE64370-12552	372
		2,158
Total Department of Education		
CONNECTICUT STATE LIBRARY		
Direct:		
Historic Documents Preservation Grants	12060-CSL66094-35150	5,500
Connecticard Payments	11000-CSL66051-17010	186
		5,686
Total Connecticut State Library		
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grants - Transportation Fund	12052-DOT57131-43455-34005	67,456
Town Aid Road Grants - Transportation Fund	13033-DOT57131-43459-34005	67,456
		134,911
Total Department of Transportation		
OFFICE OF EARLY CHILDHOOD		
Direct:		
School Readiness in Competitive Grant Municipalities	11000-OEC64845-16274-83013	113,400
School Readiness Supplemental	11000-OEC64845-16274-83013	1,620
		115,020
School Readiness Quality Enhancement	11000-OEC64845-16158	3,881
		118,901
Total Office of Early Childhood		
JUDICIAL BRANCH		
Direct:		
Court fees	34001-JUD95162-40001	90
Total State Financial Assistance Before Exempt Programs		
		300,793

The accompanying note is an integral part of this schedule.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core-CT Number	Expenditures
EXEMPT PROGRAMS:		
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	\$ 11,620
Municipal Stabilization Grant	11000-OPM20600-17104	13,960
Total Office of Policy and Management		<u>25,580</u>
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	11000-SDE64370-17041-82010	<u>1,274,671</u>
Total Exempt Programs		<u>1,300,251</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>\$ 1,601,044</u></u>

The accompanying note is an integral part of this schedule.

TOWN OF SCOTLAND, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Scotland, Connecticut (the Town), under programs of the State of Connecticut for the year ended June 30, 2022. 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.

NOTE 1 - 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 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 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.

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.

NOTE 2 - SUBRECIPIENTS

The Town did not pass through any state financial assistance to a subrecipient organization.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION 1 - 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 Grants - Transportation Fund	12052-DOT57131-43455-34005	\$ 67,456
Town Aid Road Grants - Transportation Fund	13033-DOT57131-43459-34005	67,456
		<u>\$ 134,911</u>
Office of Early Childhood:		
School Readiness in Competitive Grant Municipalities	11000-OEC64845-16274-83013	\$ 113,400
School Readiness Supplemental	11000-OEC64845-16274-83013	1,620
		<u>\$ 115,020</u>

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

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2022-001: *Significant Deficiency in Internal Control over Financial Reporting - Year End Cut-off of the School District's Encumbrances*

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 SCOTLAND, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2022-001: *Significant Deficiency in Internal Control over Financial Reporting - Year End Cut-off of the School District's Encumbrances (Continued)*

Condition: Expenditures budgeted for and incurred by the School District during the year ended June 30, 2023 were improperly encumbered and recognized as expenditures for the year ended June 30, 2022.

Cause: Lack of a formal encumbrance policy.

Effect: General Fund budgetary expenditures initially reported by the School District were overstated by \$23,500.

Auditor's Recommendation: We recommend that the School District develop a Board approved encumbrance policy. The policy should address the definition of a valid encumbrance and the continuation and lapsing of encumbrances at year end.

Views of Responsible Officials and Planned Corrective Actions: Management of School District agrees with the finding and intends to take corrective action to address the deficiency.

Finding 2022-002: *Significant Deficiency in Internal Control over Financial Reporting - Completeness and Accuracy of the School District's General Ledger*

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.

Condition: The debits and credits within the School District's trial balance reports do not always equal. In addition, general ledger account detail reports do not always agree with the trial balance. Grant and program revenues are currently being recognized on a cash basis rather than on a modified accrual basis of accounting. As a result, revenues and the related receivables or deferrals are not always complete and accurate.

Cause: The cause relating to the completeness and accuracy of the School District's accounting system is unknown. The cause relating to the completeness and accuracy of grant and program revenues, receivables and related deferrals can be attributed to a lack of formalized accounting procedures and reconciliations.

Effect: Reports generated by the School District may contain inaccurate financial information.

Auditor's Recommendation: We recommend that the School District investigate and resolve the reporting issues. In addition, we recommend that the School District develop and implement accounting procedures and reconciliations to ensure that revenues and the related receivables and deferrals are recognized on a modified accrual basis of accounting.

Views of Responsible Officials and Planned Corrective Actions: Management of School District agrees with the finding and intends to take corrective action to address the deficiency.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2022

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No state financial assistance findings or questioned costs were reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No prior audit findings were reported.