

TOWN OF WINCHESTER, CONNECTICUT
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 Selectmen of the
Town of Winchester, 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, each major fund, and the aggregate remaining fund information of the Town of Winchester, CT (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, and have issued our report thereon dated January 23, 2018.

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.

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.

Our consideration of internal control was for the limited purpose described in 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as Finding 2017-01.

Compliance and Other Matters

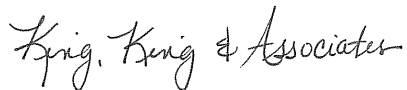
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

The Town's response to the findings identified in our audit is described in the accompanying schedule of 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 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
January 23, 2018

**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 Selectmen of the
Town of Winchester, CT

Report on Compliance for Each Major State Program

We have audited the Town of Winchester, CT's (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.

Auditor's Responsibility

Our responsibility is to express an opinion 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, 2017.

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 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 January 23, 2018, 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 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.

King, King & Associates

King, King & Associates, CPAs
Winsted, CT
January 23, 2018

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
Department of Education		
Alliance District	11000-SDE64370-17041-82164	\$ 200,966
Healthy Foods Initiative	11000-SDE64370-16212-82010	7,100
Health Services	11000-SDE64370-17034	20,776
Child Nutrition Program - (School Lunch State Match)	11000-SDE64370-16211-82051	4,102
Family Resource Centers	11000-SDE64370-16110	103,000
Youth Services Bureau - Enhancement	11000-SDE64370-16201	6,250
Adult Education	11000-SDE64370-17030	11,156
School Breakfast	11000-SDE64370-17046	5,777
After School Program	11000-SDE64370-17084	143,350
Youth Services Bureau	11000-SDE64370-17052	16,531
Commissioner's Network	11000-SDE64370-12547	1,560,750
Low Performing Schools	12052-SDE64370-43679	57,868
Office of Early Childhood		
School Readiness and Child Care in Competitive Grant Municipalities	11000-OEC64845-16274	275,764
School Readiness Quality Enhancement	11000-OEC64845-17097	3,881
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
Judicial Department		
Parking Fines	34001-JUD95162-40001	1,685
Office of Policy and Management		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	31,191
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	40,379
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	1,079
Local Capital Improvement Program	12050-OPM20600-40254	129,349
Municipal Grants-in-aid	12052-OPM20600-43587	306,204
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	59,957
Property Tax Relief for Veterans	11000-OPM20600-17024	1,626
Department of Consumer Protection		
Bingo Payments	34003-DCP39930-42350	20

See notes to schedule.

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
Department of Economic and Community Development		
Small Town Economic Assistance Program	12052-ECD46260-42411	321,003
Department of Veterans Affairs		
Headstones	11000-DVA21134-16049	400
Department of Energy and Environmental Protection		
Environmental Conservation Fund	11000-DEP44165-12491	1,232
Responsible Growth Incentive	12052-DEP43153-43130	4,665
Department of Transportation		
Local Road and Bridge Project	13033-DOT-57191-43456	287,269
Town Aid Road Grant	12052-DOT57131-43455	300,692
Department of Development Services		
Employment Opportunities & Day Services	11000-DDS50148-16108	<u>240,427</u>
Total State Financial Assistance Before Exempt Programs		\$ 4,148,449
EXEMPT PROGRAMS		
Office of Policy and Management		
Municipal Revenue Sharing	12002-OPM20600-17102	224,447
Mashantucket Pequot and Mohegan Fund	12009-OPM20600-17005	78,447
Department of Education		
Educational Cost Sharing	11000-SDE64370-17041-82010	7,581,084
Excess Costs Student Based and Equity	11000-SDE64370-17047	<u>765,393</u>
Total Exempt Programs		<u>8,649,371</u>
Total State Financial Assistance		<u>\$ 12,797,820</u>

See notes to schedule.

**TOWN OF WINCHESTER, CONNECTICUT
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 Winchester, CT 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 education programs, public safety programs, veterans' programs, and environmental programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Winchester, 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 financial statements contained in the Town of Winchester, Connecticut's annual report are prepared on the modified accrual basis of accounting. The following is a summary of such basis:

Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, if measurable.

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 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 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:

Department of Environmental Protection:

Clean Water Funds:

<u>Date</u>	<u>Rate</u>	<u>Amount</u>	<u>Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u>
1/08	2%	\$ 642,019	\$ 368,017	\$ -	\$ 31,540	\$ 336,477

**TOWN OF WINCHESTER, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

We audited the financial statements of the Town of Winchester, CT as of and for the year ended June 30, 2017 and issued our unmodified report thereon dated January 23, 2018.

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

We have issued an unmodified opinion relating to compliance for major State programs.

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 and Program	State Core - CT Number	Expenditures
Department of Education		
Low Performing Schools	12052-SDE64370-43679	\$ 57,868
Commissioner's Network	11000-SDE64370-12547	\$ 1,560,750
Office of Early Childhood		
School Readiness and Child Care	11000-OEC64845-16274	\$ 275,764
Office of Policy and Management		
PILOT - State Owned Property	11000-OPM20600-17004	\$ 31,191
Department of Economic and Community Development		
Small Town Economic Assistance Program	12052-ECD46260-42411	\$ 321,003
Department of Transportation		
Local Road and Bridge Project	13033-DOT-57191-43456	\$ 287,269
Dollar threshold used to distinguish between type A and type B programs		<u>\$ 200,000</u>

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated January 23, 2018, 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, described below as finding 2017-01.

FINDING 2017-01

Criteria

Review and approval of Year-end Fund Trial Balances by management indicate that management takes responsibility for the completeness and accuracy of Fund financial statements.

Condition

The June 30, 2017 trial balance for the Cafeteria Fund required numerous audit adjustments, including adjusting journal entries for the prior year.

Context

The Cafeteria Fund operations and financial reporting is outsourced to a third party.

Effect

The financial reporting of the Cafeteria Fund by the third party as represented by the June 30, 2017 trial balance was materially misstated.

Recommendation

The financial reporting function should be monitored by a responsible individual at the Board of Education offices. Any necessary adjustments should be made to the Cafeteria Fund general ledger on a timely basis.

Views of Responsible Officials and Planned Corrective Actions

The keeping of the Cafeteria Fund general ledger including vendor payments will be transferred from the third party to the Board of Education financial accounting staff who will prepare an accrual basis year-end trial balance to be reviewed for completeness and accuracy by the Town's financial staff prior to audit.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

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