

**Town of New Hartford  
State Single Audit  
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June 30, 2018**

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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, 2018 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 January 3, 2019.

**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 questioned 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**

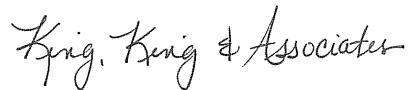
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 matter that is 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  
January 3, 2019

**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, 2018. 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, 2018.

### **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, 2018, 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 3, 2019 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  
January 3, 2019

**TOWN OF NEW HARTFORD**  
Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2018

| <u>State Grantor Pass-Through<br/>Grantor Program Title</u>    | <u>State Grant Program<br/>Core-CT Number</u> | <u>Expenditures</u>        |
|--|---|----------------------------|
| <b>State Dept. of Education</b>                                |   |                            |
| Adult Education  | 11000-SDE64000-17030                          | \$ 2,960                   |
| School Breakfast   | 12060-SDE64370-20560                          | \$ 1,489                   |
| Child Nutrition State Matching Grant                           | 11000-SDE64000-16211                          | 1,389                      |
| Healthy Foods Initiative                                       | 11000-SDE64000-16212                          | 2,642                      |
| <b>Connecticut State Library</b>                               |   |                            |
| Historic Documents Preservation Grants                         | 12060-CSL66094-35150                          | 4,000                      |
| <b>Department of Transportation</b>                            |   |                            |
| Town Aid Road  | 13033-DOT57131-43459                          | 134,959                    |
| Town Aid Road  | 13033-DOT57131-43455                          | 134,959                    |
| Elderly Persons - Disabilities Grant                           | 12062-DOT57931-21361                          | 44,000                     |
| <b>Judicial Department</b>                                     |   |                            |
| Parking Fines  | 34001-JUD95162-40001                          | 1,205                      |
| <b>Office of Policy and Management</b>                         |   |                            |
| Municipal Purpose & Projects                                   | 12052-OPM20600-43587                          | 139,174                    |
| Local Capital Improvement                                      | 12050-OPM20600-40254                          | 114,998                    |
| <b>Department of Housing</b>                                   |   |                            |
| Incentive Housing Zone Program                                 | 12052-DOH46930-43529                          | <u>3,750</u>               |
| <b>Total State Financial Assistance before exempt programs</b> |   | <u><b>585,525</b></u>      |
| <b>EXEMPT PROGRAMS</b>   |   |                            |
| <b>Department of Education</b>                                 |   |                            |
| Education Cost Sharing   | 11000-SDE64370-17041                          | 2,709,346                  |
| <b>Office of Policy and Management</b>                         |   |                            |
| Mashantucket Pequot and Mohegan Fund Grant                     | 12009-OPM20600-17005                          | 18,753                     |
| <b>Department of Administrative Services</b>                   |   |                            |
| School Construction  | 13010-DAS27635-40901                          | <u>119,746</u>             |
| <b>Total Exempt Programs</b>                                   |   | <u><b>2,847,845</b></u>    |
| <b>Total State Financial Assistance</b>                        |   | <u><b>\$ 3,433,370</b></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, 2018**

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, 2018. 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 and elderly transportation.

**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 Expenditures 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, 2018:

***Rural Economic and Community Development***

|                         |                  |
|-------------------------|------------------|
|                         | (93-03)          |
|                         | Prospect St.     |
|                         | <u>Sewers</u>    |
| Issue Date              | 7/16/1996        |
| Interest Date           | 4.5%             |
| Original Amount         | \$ 96,300        |
| Balance, July 1, 2017   | 32,100           |
| Paid during fiscal year | <u>(3,210)</u>   |
| Balance, June 30, 2018  | <u>\$ 28,890</u> |



**TOWN OF NEW HARTFORD, CT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

We audited the basic financial statements of the Town of New Hartford, CT as of and for the year ended June 30, 2017 and issued our unmodified report thereon dated December 9, 2017.

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?   X   Yes        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

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          X   No

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

| <b>State Grantor<br/>and Program</b>                                      | <b>State Core - CT<br/>Number</b> | <b>Expenditures</b> |
|---|-----------------------------------|---------------------|
| <b>Department of Transportation</b>                                       |                                   |                     |
| Elderly Persons Disability Grant  | 12062-DOT57931-21361              | \$ 44,000           |
| <b>Office of Policy and Mangement</b>                                     |                                   |                     |
| Municipal Purposes & Projects   | 12052-OPM20600-43587              | \$ 139,174          |
| Local Capital Improvement Fund  | 12050-OPM20600-40254              | \$ 114,998          |
| • Dollar threshold used to distinguish between type A and type B programs |                                   | <u>\$ 100,000</u>   |

## II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated January 3, 2019, 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 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 investment activity for investments held in the Cemetery Fund is not recorded in the accounting records.

#### **Effect**

Internal reports may be misstated (unrecorded investment activity) and internal controls over account balances weakened (Recreation Fund).

#### **Cause**

Past practice and 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.

#### **Management's Response/ Views of Responsible Officials**

The Town agrees with the finding and will continue to have staff consult with our CPA consultant to improve internal controls and reporting. Town staff did a great job this year with all departments, capital and special appropriation projects being completed under budget expectations. While this result is significant, and a benefit to all New Hartford taxpayers, we acknowledge that there is always room for improvement in communication and reporting.

### **III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

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