

TOWN OF EAST LYME, CONNECTICUT
STATE SINGLE AUDIT REPORT
JUNE 30, 2022



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**TOWN OF EAST LYME, CONNECTICUT
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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

Town Council
Town of East Lyme, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of East Lyme, Connecticut's 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 of East Lyme, Connecticut's major state programs for the year ended June 30, 2022. The Town of East Lyme, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of East Lyme, Connecticut complied, in all material respects, with the 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 (GAAS); 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). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of East Lyme, Connecticut 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 of East Lyme, Connecticut'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 of East Lyme, Connecticut's state programs.

Auditors' 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 of East Lyme, Connecticut'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 GAAS, *Government Auditing Standards*, and the State Single Audit 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 of East Lyme, Connecticut's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 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 of East Lyme, Connecticut'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 of East Lyme, Connecticut'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 State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of East Lyme, Connecticut'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 Auditors' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Lyme, Connecticut, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of East Lyme, Connecticut's basic financial statements. We have issued our report thereon, dated June 28, 2024, 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 basic 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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
June 28, 2024

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022**

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Education		
Talent Development	11000-SDE64370-12552	\$ 3,160
Non Sheff Transportation	11000-SDE64370-12632	15,600
Child Nutrition State Match	11000-SDE64370-16211	14,325
Health Foods Initiative	11000-SDE64370-16212	16,561
Adult Education	11000-SDE64370-17030	15,202
School Breakfast Program	11000-SDE64370-17046	13,245
Magnet Schools	11000-SDE64370-17057	<u>15,600</u>
Total Department of Education		<u>93,693</u>
Connecticut State Library		
Historic Document Preservation	12060-CSL66094-35150	<u>5,500</u>
Total Connecticut State Library		<u>5,500</u>
Department of Children and Families		
Youth Service Bureaus	11000-DCF91141-17052	\$ 8,359
Youth Service Bureaus	11000-DCF91141-17052	<u>19,852</u>
		28,211
Youth Service Bureau Enhancement	11000-DCF91141-17107	<u>2,942</u>
Total Department of Children and Families		<u>31,153</u>
Department of Energy and Environmental Protection		
Small Town Econ Assistance Prog DEP	12052-DEP43153-40531	9,569
Public/Educ/Govern Programming	12060-DEP44620-35363	<u>24,300</u>
Total Department of Energy and Environmental Protection		<u>33,869</u>
Department of Transportation		
Town Aid Road Grants-Municipal	12052-DOT57131-43455	157,508
Town Aid Road-STO	13033-DOT57131-43459	<u>157,508</u>
Total Department of Transportation		<u>315,016</u>
Department of Emergency Services and Public Protection		
Enhanced 911 Telecomm Fund	12060-DPS32741-35190	1,500
Nuclear Emergency Safety Fund	12060-DPS32982-90428	<u>106,479</u>
Total Department of Emergency Services and Public Protection		<u>107,979</u>

See accompanying Notes to Schedule of Expenditures of State Financial Assistance.

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2022**

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	19,974
Total Department of Social Services		<u>19,974</u>
Office of Policy and Management		
Reimburse Property Tax-Disability Exemption	11000-OPM20600-17011	1,467
Property Tax Relief For Veterans	11000-OPM20600-17024	8,981
Tiered PILOT	11000-OPM20600-17111	760,958
Local Capital Improvement	12050-OPM20600-40254	66,811
Body and Dash Cameras	12052-OPM20350-43760	13,440
MUNICIPAL PURPOSES & PROJECTS	12052-OPM20600-43587	22,442
MRSA- Tiered PILOT	12060-OPM20600-35691	270,417
Total Office of Policy and Management		<u>1,144,516</u>
Total State Financial Assistance Before Exempt Programs		<u>1,751,700</u>
Exempt Programs		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041-82010	6,081,722
Excess Cost - Student Based	11000-SDE64370-17047	268,051
Total Department of Education		<u>6,349,773</u>
Office of Policy and Management		
Municipal Stabilization Grant	11000-OPM20600-17104	524,097
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005-13045	270,204
Total Office of Policy and Management		<u>794,301</u>
Total Exempt Programs		<u>7,144,074</u>
Total State Financial Assistance		<u>\$ 8,895,774</u>

See accompanying Notes to Schedule of Expenditures of State Financial Assistance.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022**

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 East Lyme, Connecticut, 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. Because the Schedule presents only a selected portion of the operations of the Town of East Lyme, 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 East Lyme, Connecticut.

Basis of Accounting

The accounting policies of the Town of East Lyme, 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***

Town Council
Town of East Lyme, 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 East Lyme, Connecticut, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of East Lyme, Connecticut's basic financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of East Lyme, 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 Town of East Lyme, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of East Lyme, 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 were not identified.

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

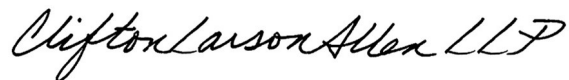
As part of obtaining reasonable assurance about whether the Town of East Lyme, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-002.

Town of East Lyme, Connecticut's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of East Lyme, Connecticut's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town of East Lyme, Connecticut's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

West Hartford, Connecticut
June 28, 2024

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? x yes no

State Financial Assistance

1. Internal control over major programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major programs: Unmodified
3. 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>
Office of Policy and Management:		
Tiered PILOT	11000-OPM20600-17111	\$ 760,958
MRSA- Tiered PILOT	12060-OPM20600-35691	270,417
Department of Transportation:		
Town Aid Road Grants - Municipal	12052-DOT57131-43455	157,508
Town Aid Road - STO	13033-DOT57131-43459	157,508

Dollar threshold used to distinguish between Type A and Type B programs: \$ 200,000

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

Finding: 2022-001

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition:

Financial information was not provided by management prior to filing deadlines. As a result, financial statements could not be delivered in a timely manner. In addition, material audit adjustments were proposed to restate beginning net position of governmental activities to adjust for overstatement of accumulated depreciation of capital assets and long-term debt outstanding as well as entries to adjust activity for the defined contribution trust fund.

Criteria or Specific Requirement:

The Town of East Lyme, Connecticut, is responsible for issuing financial statements that are free of material misstatements and issue them in a timely manner on or before December 31, 2022.

Effect:

Delays in financial reporting by management.

Cause:

Lack of an effective year-end financial closing process.

Repeat Finding:

Yes, Finding 2021-001

Recommendation:

We recommend the Town develop, document, communicate and monitor a financial closing process in order to facilitate an effective and timely year-end close. The process should outline the necessary procedures to be performed and a timeline for completing them.

Views of Responsible Officials and Planned Corrective Actions:

Management agrees with this finding.

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

Finding: 2022-002

Type of Finding: Compliance Finding

Condition:

The Town did not comply with the Municipal and State Single Auditing Act and Uniform Guidance Reporting Requirements.

Criteria or Specific Requirement:

Section 7-393 of the Connecticut General Statutes requires that a certified copy of the financial audit report be filed with the Secretary of the Office of Policy and Management (OPM) within six months after the end of the fiscal year of the municipality or audited agency. State statute allows for a maximum of 6 months of extensions to file subsequent to the due date. Uniform Guidance requires entities to electronically file required reports within nine months of year-end.

Effect:

The State of Connecticut, Office of Policy and Management referred the Town to the Municipal Finance Advisory Committee for potential oversight. The Town no longer qualifies as a low-risk entity for federal single audit filing.

Cause:

The Town was unable to secure a deputy finance director as well as other finance support staff for a significant period of time.

Repeat Finding:

No

Recommendation:

We recommend that the Town develop a formal financial close process to ensure the financial statements of the Town are ready for audit inspection to meet state requirements.

Views of Responsible Officials and Planned Corrective Actions:

Management agrees with this finding.

Section III – Findings and Questioned Costs – State Financial Assistance

Our audit did not disclose any matters required to be reported in accordance with the State Single Audit Act.