

TOWN OF SHERMAN, CONNECTICUT

STATE SINGLE AUDIT

YEAR ENDED JUNE 30, 2017

with

INDEPENDENT AUDITORS' REPORTS

Sandra E. Welwood, LLC

Certified Public Accountants

TOWN OF SHERMAN, 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 Auditors' Report

To the Board of Selectmen
Town of Sherman, Connecticut

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, each major fund, and the aggregate remaining fund information of the Town of Sherman, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Sherman, Connecticut's basic financial statements, and have issued our report thereon dated September 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Sherman, Connecticut'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 of Sherman, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Sherman, 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 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sherman, 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 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*.

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

Sandra E. Welwood, LLC

Danbury, Connecticut
September 13, 2017

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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 in Accordance with the State Single Audit Act

Independent Auditors' Report

To the Board of Selectmen
Town of Sherman, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Sherman, Connecticut's 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 of Sherman, Connecticut's major state programs for the year ended June 30, 2017. Town of Sherman, Connecticut'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 of Sherman, Connecticut'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 of Sherman, Connecticut'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 of Sherman, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Sherman, 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, 2017.

Report on Internal Control over Compliance

Management of the Town of Sherman, Connecticut, 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 of Sherman, Connecticut'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 of Sherman, Connecticut'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 requirement 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 of Sherman, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Sherman, Connecticut's basic financial statements. We have issued our report thereon dated September 13, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Sherman, Connecticut'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.

Sandra E. Welwood, LLC

Danbury, Connecticut
September 13, 2017

TOWN OF SHERMAN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017**

<u>State Grantor; Pass - Through Grantor Program Title</u>	<u>State Grant Program CORE-CT Number</u>	<u>Expenditures</u>
<u>Office of Policy and Management</u>		
Property tax relief on property of totally disabled persons	11000-OPM20600-17011	\$ 80
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018	21,562
Property tax relief for veterans	11000-OPM20600-17024	2,387
Inter-town capital equipment purchase incentive program	12052-OPM20600-43515	39,936
Local capital improvement program (LOCIP)	12050-OPM20600-40254	51,380
		<u>115,345</u>
<u>Department of Economic and Community Development</u>		
Small town economic assistance program (STEAP)	12052-ECD46260-42411	<u>189,625</u>
<u>Department of Energy and Environmental Protection</u>		
Small town economic assistance program (STEAP)	12052-DEP43720-40531	<u>2,550</u>
<u>Department of Justice</u>		
Judicial fines and fees	34001-JUD95162-40001	<u>840</u>
<u>Department of Transportation</u>		
Bus operations	12001-DOT57931-12175	14,750
Town aid road grants transportation fund	12052-DOT57131-43455	205,264
		<u>220,014</u>
<u>Connecticut State Library</u>		
Historic documents preservation grants	12060-CSL66094-35150	<u>4,000</u>
<u>Department of Education</u>		
Adult education	11000-SDE64370-17030	<u>181</u>
Total state financial assistance before exempt programs		<u>532,555</u>
<u>Exempt programs:</u>		
<u>Department of Education</u>		
Education cost sharing	11000-SDE64370-17041	45,387
Excess cost student based and equity	11000-SDE64370-17047	40,208
<u>Office of Policy and Management</u>		
Municipal revenue sharing	12002-OPM20600-17102	39,000
Mashantucket Pequot and Mohegan fund grant	12009-OPM20600-17005	9,925
Total exempt programs		<u>134,520</u>
Total state financial assistance		<u>\$ 667,075</u>

See notes to schedule.

TOWN OF SHERMAN, 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 Sherman, Connecticut, 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 to the Town of Sherman, Connecticut, 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, transportation, property tax relief, local improvement, and public health.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Sherman, Connecticut, conform to generally accepted accounting principles 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 Sherman, Connecticut's annual audit report are prepared on the accrual basis of accounting. The following is a summary of such basis:

- Revenues are recognized when cash is received or when measurable and available.
- Expenditures are recorded when the liability is incurred.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), 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.

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

I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none

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

Type of auditor's opinion 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 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>
<u>Department of Transportation</u>		
Town aid road grants transportation fund	12052-DOT57131-43455	<u>\$ 205,264</u>
<u>Department of Economic and Community Development</u>		
Small town economic assistance program (STEAP)	12052-ECD46260-42411	<u>\$ 189,625</u>
• Dollar threshold used to distinguish between type A and B programs		<u>\$ 100,000</u>