

REGIONAL SCHOOL DISTRICT NO. 8
STATE SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2017



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**INTERNAL CONTROL AND
COMPLIANCE REPORT**



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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 Board of Education of
Regional School District No. 8

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, business-type activities, each major fund, and the aggregate remaining fund information of Regional School District No. 8 (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 items 17-001 and 17-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut

December 26, 2017

STATE SINGLE AUDIT



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE
AUDIT ACT**

To the Board of Education of
Regional School District No. 8

Report on Compliance for Each Major State Program

We have audited Regional School District No. 8'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 Regional School District No. 8's major state programs for the year ended June 30, 2017. Regional School District No. 8'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 Regional School District No. 8'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 Regional School District No. 8'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 Regional School District No. 8's compliance.

Opinion on Each Major State Program

In our opinion, Regional School District No. 8, 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 Regional School District No. 8, 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 Regional School District No. 8'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 Regional School District No. 8'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 17-001 and 17-002, that we consider to be significant deficiencies.

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 Regional School District No. 8, as of and for the year ended June 30, 2017 and have issued our report thereon dated December 26, 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 as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut

December 26, 2017

REGIONAL SCHOOL DISTRICT NO. 8
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Grant Program Identification Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>Department of Education:</u>			
Adult Education	11000-SDE64370-17030	\$ -	\$ 23,962
Healthy foods grant	11000-SDE64370-16072	-	11,110
Child Nutrition State Math	11000-SDE64370-16072	-	<u>5,480</u>
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS		-	40,552
<u>EXEMPT PROGRAMS</u>			
<u>Department of Education:</u>			
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	-	<u>443,446</u>
TOTAL EXEMPT PROGRAMS		-	<u>443,446</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ -</u>	<u>\$ 483,998</u>

The accompanying note is an integral part of this schedule.

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Regional School District No. 8 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. This financial assistance funds several programs of the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

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 District's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

- Revenues are recognized when earned. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, which are dependent upon expenditure factors for determining eligibility, recognize grant revenue to the extent of expenditures.
- Expenditures are recorded on the accrual basis; i.e. recognized when 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.

**REGIONAL SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiencies identified? _____ X Yes _____ No

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 deficiencies identified? _____ X Yes _____ No

Type of auditors' 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?

 X Yes _____ No

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

State Grantor and Program	State Program Identificaiton Number	Expenditures
Adult Education	11000-SDE64370-17030	\$ <u>23,962</u>

Dollar threshold used to distinguish between Type A and Type B programs:

\$100,000

**REGIONAL SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

- We issued reports, dated December 26, 2017, on compliance and on internal control over financial reporting based on an 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 the following findings:

17-001 Maintenance of Fixed Asset Records

Finding: The District's has not maintained its fixed asset reports. Currently, there is no procedure in place to identify and record fixed asset additions.

Criteria: A fixed asset ledger should be maintained and updated as fixed assets are acquired or disposed.

Cause: Management oversight.

Effect: Potential misstatement or misappropriation of fixed assets could take place.

Recommendation: We recommend that the District implement a system to identify fixed assets purchased during the year and maintain a detailed fixed asset ledger to include the description of the asset, cost, date placed in service, estimated useful life, depreciation method and if applicable the asset retired date and selling price.

17-002 Revenue Recognition

Finding: The District's recorded a contingent asset of \$143,906.

Criteria: Gain contingencies are usually not reflected in the financial statements because to do so might be to recognize revenue before its realization.

Cause: Management oversight.

Effect: Accounts receivable and revenues were overstated by \$143,906.

Recommendation: We recommend that accounting department review ASC450, Contingencies.

**REGIONAL SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

Findings and questioned costs relating to state financial assistance programs are identified as items 17-001 and 17-002 that we consider to be significant deficiencies.

REGIONAL SCHOOL DISTRICT NO. 8
SCHEDULE OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

16-001 Maintenance of Fixed Asset Records

Finding: The District's has not maintained its fixed asset reports. Currently, there is no procedure in place to identify and record fixed asset additions.

Disposition: This finding is repeated as item 17-001.

16-002 Formal Monthly Closing Process

Finding: The District's does not have a formal monthly closing process.

Disposition: District has developed a formal monthly closing process that reconciles all the balance sheet accounts for all funds along with significant revenue and expenditure accounts.