

Selected Highlights of:

**TOWN OF SPRAGUE,
CONNECTICUT**

**BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2019**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT,
REQUIRED SUPPLEMENTARY
INFORMATION,
OTHER SUPPLEMENTARY INFORMATION,
AND
STATE SINGLE AUDIT REPORTS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Finance of
Town of Sprague, Connecticut

**Unmodified Report
aka "Clean Opinion"**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sprague, Connecticut (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information **RSI is Not Audited**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 15, the budgetary comparison information on pages 63 - 65, and the other post-employment benefit and pension schedules on pages 66 - 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information **Schedule of State Financial Assistance and Combining Statements - are Audited**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements and supplemental schedules, and the schedule of expenditures of state financial assistance, as required by the State Single Audit Act, respectively, are not a required part of the basic financial statements.

The combining nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements, supplemental schedules, and the schedule of state financial assistance, as required by the State of Connecticut Single Audit Act, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining nonmajor governmental fund, nonmajor special revenue fund, and agency fund financial statements, supplemental schedules, and the schedule of state financial assistance, as required by the State of Connecticut Single Audit Act, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

March 5, 2020

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2019

"Consolidated"
Full Accrual Basis

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 145,491	\$ 364,727	\$ 510,218
Receivables, net	583,189	104,340	687,529
Prepaid expenses	1,027	1,000	2,027
Inventories	4,254	1,862	6,116
Capital assets			
Non-depreciable	9,538,618	-	9,538,618
Depreciable, net	21,153,268	3,496,910	24,650,178
Total assets	<u>31,425,847</u>	<u>3,968,839</u>	<u>35,394,686</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences between expected and actual experience - OPEB	3,067	-	3,067
Changes of assumptions - OPEB	20,926	-	20,926
Total deferred outflows of resources	<u>23,993</u>	<u>-</u>	<u>23,993</u>
Total assets and deferred outflows of resources	<u>\$ 31,449,840</u>	<u>\$ 3,968,839</u>	<u>\$ 35,418,679</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES			
Accounts payable	\$ 1,300,929	\$ 7,950	\$ 1,308,879
Accrued payroll and related	33,559	6,446	40,005
Accrued interest payable	142,621	-	142,621
Internal balances	(140)	140	-
Due to others	23,795	-	23,795
Unearned revenues	76,136	-	76,136
Noncurrent liabilities			
Due within one year	4,182,224	-	4,182,224
Due in more than one year	5,314,473	12,678	5,327,151
Total liabilities	<u>11,073,597</u>	<u>27,214</u>	<u>11,100,811</u>
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience - OPEB	20,073	-	20,073
Changes in assumptions - OPEB	15,290	-	15,290
Total deferred inflows of resources	<u>35,363</u>	<u>-</u>	<u>35,363</u>
NET POSITION			
Invested in capital assets, net of related debt	21,763,057	3,496,910	25,259,967
Restricted			
Expendable	220,908	-	220,908
Nonexpendable	1,250	-	1,250
Unrestricted	(1,644,335)	444,715	(1,199,620)
Total net position	<u>20,340,880</u>	<u>3,941,625</u>	<u>24,282,505</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 31,449,840</u>	<u>\$ 3,968,839</u>	<u>\$ 35,418,679</u>

Majority of the Town's full accrual "equity" is in its
Capital Assets

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ (1,818,642)	\$ 171,391	\$ 427,739	\$ 455,817	\$ (763,695)	\$ -	\$ (763,695)
Public safety	(469,781)	-	14,796	384,755	(70,230)	-	(70,230)
Public works	(646,536)	-	-	636,057	(10,479)	-	(10,479)
Education	(8,223,892)	12,197	4,399,762	-	(3,811,933)	-	(3,811,933)
Interest on long-term debt	(389,413)	-	-	-	(389,413)	-	(389,413)
Total governmental activities	(11,548,264)	183,588	4,842,297	1,476,629	(5,045,750)		(5,045,750)
Business-type activities							
Water and sewer enterprise fund	(569,042)	574,877	-	-	-	5,835	5,835
Total government	\$ (12,117,306)	\$ 758,465	\$ 4,842,297	\$ 1,476,629	(5,045,750)	5,835	(5,039,915)
	General revenues						
	Property taxes, payments in lieu of taxes, interest and liens				5,619,961	-	5,619,961
	Revenues not restricted to specific programs				277,331	-	277,331
	Unrestricted interest and investment earnings				6,668	265	6,933
	Total general revenues				5,903,960	265	5,904,225
	Transfers in (out), net				105,559	(105,559)	-
	Change in net position				963,769	(99,459)	864,310
	NET POSITION, beginning of year				19,377,111	4,041,084	23,418,195
	NET POSITION, end of year				\$ 20,340,880	\$ 3,941,625	\$ 24,282,505

Drawback to Statement: The most of the costs associated with these grants are on the balance sheet, and are not included in the "Expenses" column. Only the depreciation on capital assets is included in "Expenses."

The result: Net expense is understated because capital revenues are netting with operating expenses to the extent that capital additions exceed depreciation

The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

ASSETS

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds	Total Governmental Funds
CURRENT ASSETS						
Cash and cash equivalents	\$ 50,682	\$ 628	\$ -	\$ 792	\$ 93,390	\$ 145,492
Receivables, net	219,563	151,846	-	211,780	-	583,189
Due from other funds	314,070	-	45,553	-	27,486	387,109
Prepaid expenditures	818	109	-	-	100	1,027
Inventories	2,457	-	-	-	1,797	4,254
Total current assets	\$ 587,590	\$ 152,583	\$ 45,553	\$ 212,572	\$ 122,773	\$ 1,121,071

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES						
Accounts payable	\$ 1,136,488	\$ 164,441	\$ -	\$ -	\$ -	\$ 1,300,929
Accrued payroll and related	33,559	-	-	-	-	33,559
Due to other funds	60,809	326,160	-	-	-	386,969
Due to others	23,795	-	-	-	-	23,795
Unearned revenue	240	28,931	46,965	-	-	76,136
Total current liabilities	1,254,891	519,532	46,965	-	-	1,821,388
DEFERRED INFLOWS OF RESOURCES						
Revenue - unavailable	151,990	84,574	-	-	-	236,564
Total deferred inflows of resources	151,990	84,574	-	-	-	236,564
Total liabilities and deferred inflows of resources	1,406,881	604,106	46,965	-	-	2,057,952
FUND BALANCES						
Nonspendable	3,275	109	-	-	3,147	6,531
Restricted	-	6,473	-	211,780	2,655	220,908
Committed	-	151,183	-	-	-	151,183
Assigned	-	31,226	-	792	117,011	149,029
Unassigned	(822,566)	(640,514)	(1,412)	-	(40)	(1,464,532)
Total fund balances	(819,291)	(451,523)	(1,412)	212,572	122,773	(936,881)
Total liabilities, deferred inflows of resources and fund balances	\$ 587,590	\$ 152,583	\$ 45,553	\$ 212,572	\$ 122,773	\$ 1,121,071

AR not collected by 8/30/2019

(\$555,940) of this balance is from unfunded expenditures (no associated appropriations or revenues)

Accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2019**

Crosswalk between balance sheets

Total fund balance for governmental funds		\$ (936,881)
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		30,691,886
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds		236,563
Deferred outflows of resources in the government-wide statements that do not provide financial resources are not reported in the funds		23,993
Deferred inflows of resources in the government-wide statements that do not use current financial resources are not reported in the funds		(35,363)
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Accrued interest payable	(142,621)	
Long-term debt:		
General obligation bonds	(8,185,000)	
Other long-term liabilities:		
Notes payable	(601,208)	
Compensated absences	(60,810)	
Post-closure landfill costs	(6,000)	
Net OPEB obligation	(643,679)	
		(9,639,318)
Net position of governmental activities		\$ 20,340,880

The accompanying notes are an integral part of these financial statements.

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Nonrecurring Fund	Education Grants Fund	Small Cities Fund	Nonmajor Governmental Funds	Total
REVENUES						
Property taxes, interest, lien fees	\$ 5,662,784	\$ -	\$ -	\$ -	\$ -	\$ 5,662,784
Intergovernmental revenues	4,504,378	1,040,894	377,653	209,130	113,607	6,245,662
Local revenues	443,920	100,882	-	1	22,718	567,521
Total revenues	10,611,082	1,141,776	377,653	209,131	136,325	12,475,967
EXPENDITURES						
Current:						
General government	1,054,464	71,290	-	-	5,821	1,131,575
Public safety	321,837	-	-	-	-	321,837
Public works	586,428	-	-	-	-	586,428
Education	7,582,344	-	377,653	-	146,562	8,106,559
Capital outlays	-	1,756,573	-	209,130	-	1,965,703
Debt service:						
Principal payments	697,112	7,160,000	-	-	-	7,857,112
Interest and fiscal charges	213,815	120,574	-	-	-	334,389
Bond issuance costs	-	32,150	-	-	-	32,150
Total expenditures	10,456,000	9,140,587	377,653	209,130	152,383	20,335,753
Excess (deficiency) of revenues over expenditures	155,082	(7,998,811)	-	1	(16,058)	(7,859,786)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term bonds and notes	-	7,160,000	-	-	-	7,160,000
Transfers in	118,871	9,000	-	-	-	127,871
Transfers out	(9,000)	(13,312)	-	-	-	(22,312)
Total other financing sources (uses)	109,871	7,155,688	-	-	-	7,265,559
Net change in fund balances	264,953	(843,123)	-	1	(16,058)	(594,227)
FUND BALANCE, beginning of year	(1,084,244)	391,600	(1,412)	212,571	138,831	(342,654)
FUND BALANCE, end of year	\$ (819,291)	\$ (451,523)	\$ (1,412)	\$ 212,572	\$ 122,773	\$ (936,881)

\$250,000 scrap metal sale



The accompanying notes are an integral part of these financial statements.

**TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

ASSETS		Agency Funds
Cash and cash equivalents		<u>\$ 25,726</u>
LIABILITIES		
Due to students		<u>\$ 25,726</u>

Will be renamed "Custodial Funds" effective for FYE June 30 2020 per GASB 84

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 20 – SUBSEQUENT EVENTS (Continued)

Connecticut Office of Policy and Management – Restructuring Funds (Continued)

Management (“OPM”) to receive \$500,000 in Municipal Restructuring Funds, with the option to receive an additional \$400,000 at the Secretary of the OPM’s sole discretion. The Town received \$500,000 in September 2019. The purpose of these funds is to pay down outstanding obligations of the Town and to eliminate its General Fund balance deficit.

Repayment of the Municipal Restructuring Funds is scheduled to begin in the year following the first year the Town achieves a General Fund fund balance of at least 5% of expenditures. In that subsequent fiscal year, the Town shall repay OPM in the amount of 60% of the surplus for the year. For every year afterward in which the Town has a fund balance of at least 5%, but less than 7.5% of expenditures, the town will continue to reimburse OPM at 60% of the year’s surplus. Should the Town’s fund balance achieve 7.5% to 10% of expenditures, the reimbursement will decrease to 50% of the surplus. Any year in which the Town achieves a fund balance of 10% or more of expenditures, the reimbursement will be 50% of the year’s surplus.

Land Lease

Subsequent to year end, the Town entered into an agreement to lease approximately 25.795 acres of Town owned land to a private commercial enterprise. Under the terms of the lease, which begins December 6, 2019 and terminates on November 30, 2117, the lessee shall make one payment of \$325,000 upon commencement, and annual payments of \$5 starting January 1, 2021. The lease also includes a provision for the lessee to make an annual payment in lieu of taxes (PILOT). On December 11, 2019, the Town received a total of \$325,435 consisting of the \$325,000 lease payment and a \$435 PILOT payment.

NOTE 21 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

Eff FYE 2020

- GASB Statement 84 – *Fiduciary Activities* – This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and is effective for periods beginning after December 15, 2018. Management is currently assessing the impact of this standard on the Town.

Eff FYE 2021

- GASB Statement 87 – *Leases* – This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management is currently assessing the impact of this standard on the Town.

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Journal of Accountancy

GASB considers postponing effective dates

By Ken Tysiac

March 26, 2020

In response to the coronavirus pandemic, GASB is considering postponing all statement and implementation guide provisions with an effective date that begins on or after reporting periods beginning after June 15, 2018.

The postponement would include Statement No. 84, *Fiduciary Activities*, and Statement No. 87, *Leases*.

GASB has added a project to its current technical agenda to consider the postponement because many state and local government offices have closed because of the pandemic. As a result, many government officials do not have access to the information necessary for implementing GASB pronouncements.

Numerous state and local government officials and public accounting firms have contacted GASB requesting the postponement of upcoming effective dates.

GASB plans to consider an exposure draft for issuance in April and to finalize the guidance in May.

— **Ken Tysiac** (Kenneth.Tysiac@aicpa-cima.com (mailto:Kenneth.Tysiac@aicpa-cima.com)) is the JofA's editorial director.

**TOWN OF SPRAGUE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 21 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE (*Continued*)

- GASB Statement 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period* – This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 90 – *Majority Equity Interests, an Amendment of GASB Statements No. 14 and 61* – This statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Management does not expect this statement to have a significant impact on the Town.
- GASB Statement 91 - *Conduit Debt Obligations*. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020 (the Town’s year ending June 30, 2022). Management does not expect this statement to have a significant impact on the Town.

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
PROPERTY TAXES					
Current year taxes	\$ 5,226,272	\$ -	\$ 5,226,272	\$ 5,289,842	\$ 63,570
PILOT Solar Farm	200,000	-	200,000	200,000	-
Prior year taxes	145,000	-	145,000	63,212	(81,788)
Interest and lien fees	55,000	-	55,000	35,669	(19,331)
Motor vehicle supplement	52,000	-	52,000	74,061	22,061
	<u>5,678,272</u>	<u>-</u>	<u>5,678,272</u>	<u>5,662,784</u>	<u>(15,488)</u>
STATE GRANTS - SCHOOL					
Education cost sharing (ECS)	2,640,814	-	2,640,814	2,615,689	(25,125)
	<u>2,640,814</u>	<u>-</u>	<u>2,640,814</u>	<u>2,615,689</u>	<u>(25,125)</u>
STATE GRANTS - LOCAL					
MRSA municipal projects	386,528	-	386,528	386,528	-
Town aid roads (TAR)	151,219	-	151,219	151,064	(155)
MRSA property tax relief	-	-	-	-	-
Mashantucket Pequot grant	17,479	-	17,479	17,479	-
Adult Education	-	-	-	-	-
State police overtime reimbursement	15,000	-	15,000	14,796	(204)
Elderly tax relief - homeowners	9,900	-	9,900	-	(9,900)
Elderly and disabled transportation grant	8,800	-	8,800	8,543	(257)
Telecommunication property grant	8,700	-	8,700	5,416	(3,284)
PILOT state property	6,156	-	6,156	6,156	-
Veterans tax relief	2,394	-	2,394	2,518	124
Emergency management agency	2,800	-	2,800	-	(2,800)
Disability exemption reimbursement	665	-	665	491	(174)
Judicial 10th circuit	200	-	200	2,445	2,245
	<u>609,841</u>	<u>-</u>	<u>609,841</u>	<u>595,436</u>	<u>(14,405)</u>
LOCAL REVENUES					
Waste management	52,000	-	52,000	56,651	4,651
Principal subsidy for Resv. Dam project	45,000	-	45,000	45,000	-
Interest subsidy for Resv. Dam project	29,065	-	29,065	27,223	(1,842)
Landfill receipts	25,000	-	25,000	22,011	(2,989)
Building permit fees	20,000	-	20,000	31,999	11,999
Conveyance tax	17,000	-	17,000	18,316	1,316
Land records, maps, etc.	10,000	-	10,000	12,187	2,187
Copies and fax machine	5,000	-	5,000	5,697	697
Permit fees, planning and zoning, inlands and wetlands	4,000	-	4,000	2,822	(1,178)
Newsletter	3,000	-	3,000	2,321	(679)
Dog license fees	2,750	-	2,750	1,145	(1,605)
Transportation subsidy (SCRRRA)	2,000	-	2,000	3,977	1,977
License and permit fees	1,000	-	1,000	985	(15)
Interest income	1,000	-	1,000	6,668	5,668
Farmland preservation	950	-	950	1,104	154
Sundry receipts	200	-	200	400	200
Marriage licenses	150	-	150	192	42
Sportsman licenses	150	-	150	114	(36)
Miscellaneous local revenues	-	-	-	277,331	277,331
	<u>218,265</u>	<u>-</u>	<u>218,265</u>	<u>516,143</u>	<u>297,878</u>
Total revenues	<u>9,147,192</u>	<u>-</u>	<u>9,147,192</u>	<u>9,390,052</u>	<u>242,860</u>

Continued

Includes \$250,000
scrap metal sale

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
GENERAL GOVERNMENT					
Board of Selectmen	92,838	24	92,862	92,862	-
Elections	15,000	2,045	17,045	17,045	-
Board of Finance	250	(17)	233	233	-
Auditing	23,650	(4,750)	18,900	18,900	-
Bookkeeper	28,650	(437)	28,213	28,213	-
Tax Assessor	25,180	(2,266)	22,914	22,914	-
Tax Collector	29,838	-	29,838	29,838	-
Town Treasurer	2,400	-	2,400	2,400	-
Town Council	25,000	(6,236)	18,764	18,764	-
Town Clerk	52,675	604	53,279	53,279	-
Telephone services and website	11,500	155	11,655	11,655	-
Pool secretaries	57,764	(424)	57,340	57,340	-
Town office building	38,822	(1,273)	37,549	37,549	-
Grants/contracts manager	33,422	(1,577)	31,845	31,845	-
Planning and zoning commission	25,171	(6,104)	19,067	19,067	-
Land use	800	(70)	730	730	-
Economic development	900	(300)	600	600	-
Conservation commission	1,100	(1,018)	82	82	-
Conservation/Wetlands enforcement officer	8,500	(2,007)	6,493	6,493	-
Highways	398,048	7,210	405,258	405,258	-
Tree maintenance	13,000	(1,364)	11,636	11,636	-
Street lighting	20,000	(5,953)	14,047	14,047	-
Social security	62,361	(1,424)	60,937	60,937	-
Deferred compensation	16,025	-	16,025	16,025	-
Regional planning agencies	39,253	(1,259)	37,994	37,994	-
Insurance	190,265	(5,034)	185,231	185,231	-
Police department	185,931	3,052	188,983	188,983	-
Fire department	107,329	(369)	106,960	106,960	-
Emergency management	4,030	(8)	4,022	4,022	-
Fire marshal	11,376	(529)	10,847	10,847	-
Building official	20,996	(299)	20,697	20,697	-
Blight enforcement officer	3,829	(26)	3,803	3,803	-
Sanitation and waste removal	57,300	17,297	74,597	74,597	-
Waste management	50,642	12,094	62,736	62,736	-
Commission on aging	91,121	121	91,242	91,242	-
Capital projects	11,000	13	11,013	11,013	-
Parks and playground	2,000	6	2,006	2,006	-
Recreation commission	15,770	-	15,770	15,770	-
Recreation facilities	2,200	(315)	1,885	1,885	-
Recreation events	7,833	(205)	7,628	7,628	-
Other recreation programs	1,250	-	1,250	1,250	-
Grist mill	17,122	1,029	18,151	18,151	-
Historical museum	7,226	(1,782)	5,444	5,444	-
Library	74,908	(3,063)	71,845	71,845	-
Miscellaneous	22,233	1,531	23,764	23,764	-
Water and sewer authority	7,500	701	8,201	8,201	-
Computer service and supplies	50,769	106	50,875	50,875	-
Total general government	1,964,777	(2,121)	1,962,656	1,962,656	-

Continued

TOWN OF SPRAGUE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS			ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	APPROPRIATIONS AND TRANSFERS	FINAL		
BOARD OF EDUCATION	6,328,668	-	6,328,668	6,289,091	39,577
DEBT SERVICE					
Principal payments	660,093	2,121	662,214	662,860	(646)
Interest and fiscal charges	201,419	-	201,419	201,419	-
Total debt service	<u>861,512</u>	<u>2,121</u>	<u>863,633</u>	<u>864,279</u>	<u>(646)</u>
OTHER FINANCING USES					
Transfer out - Capital Nonrecurring Fund	<u>9,000</u>	-	<u>9,000</u>	<u>9,000</u>	-
Total expenses and other financing uses	<u>9,163,957</u>	-	<u>9,163,957</u>	<u>9,125,026</u>	<u>38,931</u>
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ (16,765)</u>	<u>\$ -</u>	<u>\$ (16,765)</u>	265,026	<u>\$ 281,791</u>
Adjustments to Generally Accepted Accounting Principals (GAAP):					
On behalf revenues from teacher's retirement and OPEB netted in budget				1,115,552	
On behalf expenditures from teacher's retirement and OPEB netted in budget				(1,115,552)	
Revenues from education grants netted in budget				177,701	
Expenditures from education grants netted in budget				(177,701)	
Transfers in from Water and Sewer Funds				46,648	
Payment of Water and Sewer debt				(46,648)	
Change in accrued payroll - Town				<u>(73)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) - GAAP Basis				<u>\$ 264,953</u>	

See Independent Auditors' Report

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

State Grantor; Pass-through Grantor; Program Title	State Grant Program Core-CT Number	Expenditures
NONEXEMPT PROGRAMS		
CONNECTICUT STATE LIBRARY		
Connecticard Payments	11000-CSL66051-17010	\$ 28
Historic Documents Preservation Grant	12060-CSL66094-35150	4,500
		<u>4,528</u>
DEPARTMENT OF AGRICULTURE		
Agricultural Viability	12060-DAG42710-90456	<u>1,837</u>
DEPARTMENT OF TRANSPORTATION		
Bus Operations	12001-DOT57931-12175	8,543
Town Aid Road Grants Transportation Program	12052-DOT57131-43455	151,064
Fees and Permits	12062-DOT57124-22108	37
Total Department of Transportation		<u>159,644</u>
DEPARTMENT OF HOUSING		
Main Street Investment Fund	12052-DOH46930-43524	500,000
Community Investment Account	12052-DOH46920-35328	94,316
Total Department of Housing		<u>594,316</u>
DEPARTMENT OF JUSTICE		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>1,825</u>
OFFICE OF POLICY AND MANAGEMENT		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	6,156
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	491
Property Tax Relief for Veterans	11000-OPM20600-17024	2,518
Local Capital Improvement	12050-OPM20600-40254	30,145
Municipal Purposes and Projects	12052-OPM20600-43587	386,528
Total Office of Policy and Management		<u>425,838</u>
DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION		
School Security Infrastructure	12052-DPS32161-43546	<u>16,552</u>
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION		
Protected Open Space and Watershed Land Acquisition	12052-DEP43153-43144	<u>123,524</u>
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		
Baltic Mill Remediation Grant	20171330021090001A	384,755
		<u>384,755</u>
OFFICE OF EARLY CHILDHOOD		
School Readiness	11000-OEC64845-16274	141,425
School Readiness Quality Enhancement	11000-OEC64845-16158	1,481
Total Office of Early Childhood		<u>142,906</u>
DEPARTMENT OF EDUCATION		
Child Nutrition State Match	11000-SDE64370-16211	1,632
Health Foods Initiative	11000-SDE64370-16212	3,110
Adult Education	11000-SDE64370-17030	16,783
Health and Welfare - Private School Pupil	11000-SDE64370-17034	29,549
School Breakfast Program	11000-SDE64370-17046	2,898
Magnet Schools	11000-SDE64370-17057	6,500
Total Department of Education		<u>60,472</u>
Total State Financial Assistance before Exempt Programs		<u>1,916,197</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Education Cost Sharing	11000-SDE64370-17041	2,615,689
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	108,317
Total Department of Education		<u>2,724,006</u>
OFFICE OF POLICY AND MANAGEMENT		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	<u>17,479</u>
Total Exempt Programs		<u>2,741,485</u>
Total State Financial Assistance		<u>\$ 4,657,682</u>

The accompanying notes are an integral part of this schedule

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting: 4 MW's

- 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

Type of auditor's 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? 2 other matters

✓ Yes _____ No

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

<u>State Grantor/Program</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Housing		
Main Street Investment Fund	12052-DOH46930-43524	\$ 500,000
Community Investment Account	12052-DOH46920-35328	94,316
Department of Energy and Environmental Protection		
Protected Open Space and Watershed Land Acquisition Grant Program	12052-DEP43153-43144	123,524
Office of Policy and Management		
Municipal Purposes and Projects	12052-OPM20600-43587	386,528

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

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

- We issued a report dated February 27, 2020 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 disclosed the following material weaknesses:

MW-2018-001 – INTERNAL CONTROL WEAKNESS – CHILD NUTRITION FUND (*Repeat Finding*)

There is currently a lack of segregation of duties with regard to the Child Nutrition Fund; One individual has been tasked with both the custody of assets and recordkeeping functions with regard to the funds finances.

Recommendation: Management should reallocate duties to more than one individual, so that no individual has both custody and recordkeeping responsibilities with regard to the fund.

Management's response: A monthly review of payroll, invoices and balance sheet has been added to the cash handling process. In the next fiscal year, the Business Office will manage the payment of invoices and payroll, allowing for greater oversight of the program. The Business Manager will confirm cash deposits weekly with the Food Service Manager responsible for making bank deposits.

MW-2017-002 – GENERAL LEDGER SYSTEMS FOR ALL FUNDS (*Repeat Finding*)

For the year ended June 30, 2019, the following funds of the Town of Sprague were not being maintained in a general ledger system, as such, there were no readily available integrated reports available to report the financial activities of the funds during the fiscal year or the ending balances at fiscal year-end:

- 1) Child Nutrition Fund (Special Revenue Fund)
- 2) School Fund (Special Revenue Fund)
- 3) Student Activity Fund (Agency Fund)
- 4) Parent Teachers Organization Fund (Agency Fund)

Recommendation: All funds within the Town of Sprague should be managed in general ledger system for ease of timely reporting and account reconciliation.

Management response:

1. Child Nutrition Fund:
 - a. The Child Nutrition Fund will be managed under the general ledger accounting system as of July 1st, 2020. All invoices will be paid with the same process and procedure as other funds. Payroll will also be processed with all other Board of Ed employees through the current vendor Paychex.

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT AUDITING
STANDARDS (Continued)***

MW-2017-002 – GENERAL LEDGER SYSTEMS FOR ALL FUNDS (*Repeat Finding*)

Management response (Continued):

2. School Fund (Special Revenue Fund)
 - a. Most of the Special Revenue Fund grants are close to the end of their term. Accounts with a balance will be moved to General Ledger accounts by September 1st, 2020. The remaining accounts will be closed by September 1st, 2020.
3. Student Activity Fund
 - b. The Student Activity Fund will be moved to the general accounting system starting July 1st, 2020. The front office will continue to manage cash on hand. The Business Office will reconcile cash and book journal entries in the general ledger on a monthly basis.
4. Parent Teachers Organization Fund (Agency Fund)
 - c. The PTO obtained a separate Tax Identification Number (TIN) and opened their own bank account in January. All activity is being transacted in the new bank account. The old account will be closed and any balances transferred to the new account once the account is reconciled in March.

**MW-2015-003 – INFORMATION AND COMMUNICATION – POLICY AND
PROCEDURE MANUAL (*Repeat Finding*)**

Complete, written policies and procedures manuals have not been documented of all the internal control processes in the Town.

Recommendation: All individuals involved in Town management and governance should understand their fiduciary responsibilities for Information and Communication under the integrated framework. A joint effort to meet these responsibilities should be commenced. Once risk is assessed and control activities are established, relevant and quality information should be documented to support the other components of internal control. A policies and procedures manual would facilitate this as an accessible resource. This manual would address and serve as a source of documentation for all policies and procedures including those internal control weaknesses previously mentioned.

Management response: The Town and Board of Education are in the process of implementing a two-year plan to develop a comprehensive policies and procedures manual. The Board of Education is updating and expanding upon a manual originally developed in 2015. The Board of Education sections of the manual will be completed by September 2020. The Town is developing content for its portion of the manual with completion scheduled for September 2021.

MW-2013-001 – INTERNAL CONTROL WEAKNESS – WATER & SEWER AUTHORITY (*Repeat Finding*)

The administrative operations of the water and sewer authority lack an appropriate segregation of duties. The Administrative Assistant prepares and sends all customer billings; handles all collection efforts; receives funds and prepares and makes all deposits; posts all transactions in the accounting system; prepares payroll transactions, and is also a check signer on the account.

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT AUDITING
STANDARDS (Continued)***

MW-2013-001 – INTERNAL CONTROL WEAKNESS – WATER & SEWER AUTHORITY (*Repeat Finding*) (Continued)

Recommendation: Duties within the water and sewer authority should be segregated such that no one individual has both custody and record keeping responsibilities.

Management response: At its January 15, 2020 meeting, the Water & Sewer Authority board approved the hiring of a separate individual to perform billing functions of the Water and Sewer Fund. The Authority filled the position to perform all of the billing functions and the individual hired began employment on February 1, 2020.

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the State Single Audit Act which are described as follows:

NC-2019-001

Grantor: Department of Housing

State Grant Program

Core-CT Number: 12052-DOH46920-35328

Criteria: Department of Housing Forms “DOH 305” and “DOH 304” were to be completed and filed by October 31, 2019 to report expenditures by category for upgrades and renovations.

Condition: Forms “DOH 305” and “DOH 304” were not completed and filed by October 31, 2019.

Questioned Cost: None

Context: This was a reporting requirement of the grant contract

Effect: The reports are late.

Cause: The Town’s grants manager left his position around this time for another job and did not communicate this requirement with management.

Recommendation: The Town should complete and submit the forms as soon as possible.

Management’s Response: The Town has made multiple attempts to contact the Department of Housing regarding an extension, but has not been able to get into contact with a representative to

**TOWN OF SPRAGUE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS
(Continued)**

Other Matters (Continued)

NC-2019-001 (Continued)

Management's Response (Continued)

obtain said extension. The Town intends to review the reports due and file them by June 30, 2020.

NC-2019-002

Grantor: Department of Energy and Environmental Protection

State Grant Program

Core-CT Number: 12052-DEP43153-43144

Criteria: Within six months after the recording of a permanent conservation easement in the land records, the Town is required to erect a permanent plaque or sign identifying the project area, funding source, and that the project is a preserved open space accessible to the public for passive recreation.

Condition: No such permanent plaque or sign has been erected at the project site.

Questioned Cost: None.

Context: This was a requirement of the grant.

Effect: The plaque/sign installation is late.

Cause: The Town's grants manager left his position and did not communicate this requirement with management. The grants manager position has not been filled.

Recommendation: The Town should obtain and install the required sign as soon as possible.

Management's Response: The Town ordered the sign on March 18, 2020 and will install upon receipt.

**TOWN OF SPRAGUE, CONNECTICUT
SUMMARY SCHEDULE OF THE STATUS OF PRIOR
YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

The following prior year audit findings have been repeated this year:

MW-2018-001 – INTERNAL CONTROL WEAKNESS – CHILD NUTRITION FUND

MW-2017-002 – GENERAL LEDGER SYSTEMS FOR ALL FUNDS

MW-2015-003 – INFORMATION AND COMMUNICATION – POLICY AND
PROCEDURE MANUAL

MW-2013-001 – INTERNAL CONTROL WEAKNESS – WATER & SEWER AUTHORITY

The following prior year audit findings have been resolved:

MW-2015-004 – MONITORING ACTIVITIES