

TOWN OF LEBANON, CONNECTICUT
STATE SINGLE AUDIT REPORT
JUNE 30, 2022



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**TOWN OF LEBANON, 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

Board of Finance
Town of Lebanon, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Lebanon, 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 Lebanon, Connecticut's major state programs for the year ended June 30, 2022. The Town of Lebanon, 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 Lebanon, 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 Lebanon, 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 Lebanon, 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 Lebanon, 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 Lebanon, 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 Act 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 Lebanon, 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 Lebanon, 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 Lebanon, 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 Lebanon, 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.

Board of Finance
Town of Lebanon, Connecticut

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 Lebanon, 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 Lebanon, Connecticut's basic financial statements. We have issued our report thereon dated July 27, 2023, 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

CliftonLarsonAllen LLP

West Hartford, Connecticut
July 27, 2023

TOWN OF LEBANON, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Department of Education		
Talent Development	11000-SDE64370-12552	\$ 2,045
Child Nutrition State Match	11000-SDE64370-16211	6,257
Health Foods Initiative	11000-SDE64370-16212	6,918
Vocational Agriculture	11000-SDE64370-17017	364,911
Adult Education	11000-SDE64370-17030	20,647
School Breakfast Program	11000-SDE64370-17046	7,947
Total Department of Education		<u>408,725</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	20,192
Total Department of Social Services		<u>20,192</u>
Connecticut State Library		
Connecticard Payments	11000-CSL66051-17010	575
Historic Document Preservation	12060-CSL66094-35150	5,500
Total Connecticut State Library		<u>6,075</u>
Department of Transportation		
Bus Operations	12001-DOT57931-12175	32,597
Town Aid Road Grants-Municipal	12052-DOT57131-43455	159,770
Town Aid Road-STO	13033-DOT57131-43459	159,770
Total Department of Transportation		<u>352,137</u>
Economic and Community Development		
Directed Local Funds - Library Grant	11000-ECD46830-10020	1,000,000
Total Economic and Community Development		<u>1,000,000</u>
Judicial Branch		
Non-Budgeted Operating Approp	34001-JUD95162-40001	3,125
Total Judicial Branch		<u>3,125</u>
Office of Early Childhood		
Child Care Quality Enhancement	11000-OEC64845-16158	3,881
Early Care and Education	11000-OEC64845-16274	115,020
Total Office of Early Childhood		<u>118,901</u>
Office of Policy and Management		
Reimbursement Property Tax - Disability Exemption	11000-OPM20600-17011	391
Property Tax Relief For Veterans	11000-OPM20600-17024	2,471
Tiered PILOT	11000-OPM20600-17111	17,902
Municipal Purposes & Projects	12052-OPM20600-43587	30,427
MRSA - Tiered PILOT	12060-OPM20600-35691	6,362
Total Office of Policy and Management		<u>57,553</u>
Total State Financial Assistance Before Exempt Programs		<u>1,966,708</u>
Exempt Programs		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041-82010	4,589,593
Excess Cost - Student Based	11000-SDE64370-17047	193,527
Total Department of Education		<u>4,783,120</u>
Office of Policy and Management		
Municipal Stabilization Grant	11000-OPM20600-17104	162,740
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005-13045	13,139
Total Office of Policy and Management		<u>175,879</u>
Total Exempt Programs		<u>4,958,999</u>
Total State Financial Assistance		<u>\$ 6,925,707</u>

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

**TOWN OF LEBANON, 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 Lebanon, 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 Lebanon, 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 Lebanon, Connecticut.

Basis of Accounting

The accounting policies of the Town of Lebanon, 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***

Board of Finance
Town of Lebanon, 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lebanon, 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 Lebanon, Connecticut's basic financial statements, and have issued our report thereon dated July 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lebanon, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lebanon, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Lebanon, Connecticut's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Lebanon, Connecticut's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town of Lebanon, 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 responses.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
July 27, 2023

**TOWN OF LEBANON, 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? yes X 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>
Department of Economic and Community Development:		\$
Directed Local Funds – Library Grant	11000-ECD46830-10020	1,000,000

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

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

Section II – Financial Statement Findings

2022-001 Segregation of Duties

Type of Finding: Material Weakness in Internal Controls over Financial Reporting

Condition: As part of the annual audit, we are required to obtain an understanding of the Town's internal control environment in order to assess the overall risk of material misstatement in the financial statements. We recommend the Town strengthen its segregation of duties whenever feasible. Cross training in key areas of the internal control structure can be valuable in providing cross examinations where needed and eliminating disruption when turnover occurs. Specifically, in the Town finance office, some of these key areas include but are not limited to the following:

- Review of journal entries
- Review of capital asset records and activity
- Review of debt records and activity

Criteria or specific requirement: Accounting principles generally accepted in the United States of America (GAAP) Reporting

Effect or potential effect of finding: Errors may exist in record keeping within the finance office that would not be caught without a sufficient internal control and review structure in place.

Repeat Finding: No

Cause: Staffing limitations

Recommendation: The Town should review their policies and procedures to ensure that all activities are reviewed by a person independent of the process, and that documentation of this review is retained.

Views of responsible officials and planned corrective action: Management agrees with this finding.

2022-002 Board of Education – General ledger Maintenance

Type of Finding: Material Weakness in Internal Controls over Financial Reporting

Condition: A significant amount of work was required to accumulate information for posting the Board of Education funds to the financial statements. Additionally, material adjustments were required to ensure that the Board of Education funds were reported in accordance with GAAP.

Criteria or specific requirement: GAAP Reporting

Effect or potential effect of finding: The financial statements would not be correct without the adjusting journal entries.

Repeat Finding: Yes, repeat of findings 2021-01 and 2021-02

Cause: Unknown

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

Section II – Financial Statement Findings (Continued)

2022-002 Board of Education – General ledger Maintenance (Continued)

Recommendation: We recommend that the Town and Board of Education work together to develop policies to ensure that all information needed to report the financial status of the Board of Education's funds are reported in the General Ledger. Further, we recommend that the Board of Education (BOE) review the use of the chart of accounts to ensure that the funds are set up and managed in a manner that will allow the BOE to appropriately report the status of the BOE funds. Finally, we recommend that the Town and Board of Education develop year-end closing policies to allow for the general ledger to be adjusted appropriately and timely to reflect year-end balances and year to date activity.

Views of responsible officials and planned corrective action: Management at BOE agrees with this finding. The accounting structure for BOE funds were not sufficient for financial reporting. New personnel in the business office have created and implemented new fund structures that better support general ledger maintenance and reporting.

2022-003 Town – General Ledger Maintenance

Type of Finding: Material Weakness in Internal Controls over Financial Reporting

Condition: A significant amount of work was required to accumulate information for posting the Town funds to the financial statements. A number of funds did not contain active income statement accounts, requiring a significant amount of work to ensure that the activity posted directly to fund balance (project) accounts was appropriately reflected on the income statements. Additionally, material adjustments were required to ensure that the Town funds were reported in accordance with GAAP.

Criteria or specific requirement: GAAP Reporting

Effect or potential effect of finding: The financial statements would not be correct without the adjusting journal entries.

Repeat Finding: Yes, repeat of findings 2021-01 and 2021-02

Cause: Unknown

Recommendation: The Town should review the chart of accounts and make modifications as deemed necessary to ensure that each fund that should exist in the financial statements is reflected by a fund in the general ledger, and that each fund contains sufficient detail to allow for recording all activity in accordance with GAAP. Finally, we recommend that the Town develop year-end closing policies to allow for the general ledger to be adjusted appropriately and timely to reflect year-end balances and year to date activity.

Views of responsible officials and planned corrective action: Management agrees with this finding. New personnel in the finance office questioned the postings of revenue and expenditures to fund balance accounts when hired in November 2021.

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

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).