

**TOWN OF MIDDLEBURY, CONNECTICUT  
FEDERAL SINGLE AUDIT REPORT  
JUNE 30, 2022**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Finance  
Town of Middlebury, Connecticut

**Report on Compliance for The Major Federal Program**

***Qualified Opinion***

We have audited the Town of Middlebury, Connecticut's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Town of Middlebury, Connecticut's major federal program for the year ended June 30, 2022. The Town of Middlebury, Connecticut's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on the American Rescue Plan Act***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Town of Middlebury, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the American Rescue Plan Act for the year ended June 30, 2022.

***Basis for Qualified Opinion***

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance 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 Middlebury, 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 the major federal program. Our audit does not provide a legal determination of the Town of Middlebury, Connecticut's compliance with the compliance requirements referred to above.

*Matter Giving Rise to Qualified Opinion on the American Rescue Plan Act*

As described in the accompanying schedule of findings and questioned costs, the Town of Middlebury, Connecticut, did not comply with requirements regarding Assistance Listing No. 21.027 American Rescue Plan Act as described in finding number 2022-002 for Procurement. Compliance with such requirements is necessary, in our opinion, for the Town of Middlebury, Connecticut, to comply with the requirements applicable to that program.

**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 Middlebury, Connecticut's federal 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 Middlebury, 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 Uniform Guidance 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 Middlebury, Connecticut's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 Middlebury, 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 Middlebury, 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Middlebury, 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.

### **Other Matters**

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

### **Report on Internal Control Over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

*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 federal 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Middlebury, Connecticut's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Middlebury, Connecticut's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Middlebury, 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 Middlebury, Connecticut's basic financial statements and have issued our report thereon dated November 1, 2022, 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 federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
November 1, 2022

**TOWN OF MIDDLEBURY, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>United States Department of Transportation</b>			
<i>Passed Through the State of Connecticut Department of Transportation:</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	12062-DOT57124-22108	\$ 129
Highway Planning and Construction	20.205	12062-DOT57191-22108	<u>7,395</u>
			\$ 7,524
<b>United States Department of Justice</b>			
<i>Passed Through the State of Connecticut Office of Policy and Management:</i>			
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738	12060-OPM20350-21921	4,608
<b>United States Department of Homeland Security</b>			
<i>Passed Through the State of Connecticut Department of Emergency Services and Public Protection:</i>			
Emergency Management Performance Grants	97.042	12060-DPS32160-21881	17,441
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	12060-DPS32990-21891	<u>4,297</u>
Total United States Department of Homeland Security			<u>21,738</u>
<b>United States National Endowment for the Humanities</b>			
<i>Passed Through the State of Connecticut Connecticut State Library:</i>			
Grants to States	45.310	12060-CSL66051-21031	960
<b>United States Department of the Treasury</b>			
<i>Passed Through the State of Connecticut Office of Policy and Management:</i>			
COVID-19 - Coronavirus Relief Fund	21.019	12060-OPM20600-29561	24,555
COVID-19 - ARPA Local Fiscal Recovery	21.027	12060-OPM20600-29669	<u>1,655,130</u>
Total United States Department of the Treasury			<u>1,679,685</u>
Total Federal Expenditures			<u><u>\$ 1,714,515</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**TOWN OF MIDDLEBURY, CONNECTICUT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Middlebury, Connecticut, under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

**Basis of Accounting**

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with exception of Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 INDIRECT COST RECOVERY**

The Town of Middlebury, Connecticut, has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.





**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 Middlebury, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlebury, 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 Middlebury, Connecticut's basic financial statements, and have issued our report thereon dated November 1, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Middlebury, Connecticut's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Middlebury, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Middlebury, Connecticut's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a material weakness.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Middlebury, 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 Middlebury, Connecticut's Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
November 1, 2022

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

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**Section I – Summary of Auditors’ Results**

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**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

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified?     X     yes            no
  - Significant deficiency(ies) identified?     X     yes            none reported
2. Type of auditors’ report issued on compliance for major federal programs: Qualified for Procurement, Unmodified for all other requirements
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?     X     yes            no

**Identification of Major Federal Programs**

**Assistance Listing Number**

21.027

**Name of Federal Program or Cluster**

COVID 19 - American Rescue Plan Act Local Fiscal Recovery

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

\$     750,000    

Auditee qualified as low-risk auditee?

           yes     X     no

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

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***Section II – Financial Statement Findings***

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<b>2022-001</b>	General Ledger Maintenance - Material Weakness in Internal Control over Financial Reporting
<b>Criteria</b>	The financial statements should be prepared in accordance with generally accepted accounting principles (GAAP).
<b>Condition</b>	<p>Material adjustments were made to the Town's general ledger, see below for specific comments:</p> <ul style="list-style-type: none"><li>• Prior year audit adjustments were not recorded and thus fund balances did not agree to the prior year audited financial statements in several funds.</li><li>• Bond issuances were incorrectly recorded as liabilities in the Capital Projects Fund.</li><li>• Grant expenditures were incorrectly recorded as prepaid expenditures.</li><li>• Interfunds included grant revenues and expenditures and the amounts were not recorded on the income statement of the Capital Projects Fund.</li><li>• Grant receivables and deferred inflows were not properly stated.</li></ul>
<b>Context</b>	Material audit adjustments were proposed based on the results of the audit procedures performed.
<b>Effect</b>	The financial statements would not be materially correct without the audit adjustments.
<b>Cause</b>	Inadequate internal control structure.
<b>Recommendation</b>	We recommend that the Town review and enhance the procedures over the year-end close process and general ledger review and maintenance to ensure account balances at year end are updated and material entries are not required in the future.
<b>Views of Responsible Officials</b>	The Town and its Finance Department have considered the recommendations and will implement proper internal procedures to rectify the noted deficiencies in our internal control structure. Corrective action will be taken on the items noted above and new and enhanced procedures will be put in place to avoid future errors. The finance department will seek technical assistance to rectify trial balance errors, create liability accounts to properly reconcile and recognize revenues, and update the year end checklist inclusive of dual control processes to include preparer and reviewer recognition.

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

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**Finding No. 2022-002 Procurement**

Federal Agency: U.S. Department of the Treasury

Federal Program Name: COVID-19 American Rescue Plan Act Local Fiscal Recovery

Assistance Listing Number: 21.027

Pass-Through Agency: State of Connecticut Office of Policy and Management

Pass-Through Number(s): 12060-OPM20600-29669

Award Period: June 7, 2021 through December 31, 2026

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance (Modified Opinion)

**Criteria**

The Town must comply with procurement standards set out at 2 CFR sections 200.318 through 200.326 within Uniform Guidance.

**Condition**

The Town's procurement standards do not include the essential elements as outlined in 2 CFR sections 200.318 through 200.326 and purchases were made that did not follow these requirements.

**Questioned Costs**

None noted.

**Context**

The Town did not have a policy in place in conformity with the federal Uniform Guidance criteria and purchases were made that did not follow these requirements.

**Effect**

With the absence of a compliant policy, the Town made purchases that did not follow federal Uniform Guidance procurement standards.

**Cause**

The Town was not aware of the details surrounding the Uniform Guidance procurement standards and its policy was not updated.

**Recommendation**

We recommend that the Town review its formal procurement policies and make necessary changes to comply with the criteria as set out in 2 CFR sections 200.318 and 200.326.

**Views of Responsible Officials and Planned Corrective Actions**

Management agrees with the auditors' recommendations. Corrective action will be taken to ensure the policy is updated and the correct procurement procedures are followed.

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

**Finding No. 2022-003 Suspension and Debarment**

Federal Agency: U.S. Department of the Treasury

Federal Program Name: COVID-19 American Rescue Plan Act Local Fiscal Recovery

Assistance Listing Number: 21.027

Pass-Through Agency: State of Connecticut Office of Policy and Management

Pass-Through Number(s): 12060-OPM20600-29669

Award Period: June 7, 2021 through December 31, 2026

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

**Criteria**

The Town must verify that an entity with which the Town plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

**Condition**

The Town does not have a policy for which verification that an entity with which the Town plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded.

**Questioned Costs**

None noted.

**Context**

Although the Town did not have a policy in place in conformity with the federal Uniform Guidance criteria, the entities for which the Town made purchases from were not debarred, suspended, or otherwise excluded.

**Effect**

With the absence of a compliant policy, the Town is at risk for noncompliance as it relates to federal suspension and debarment requirements.

**Cause**

The Town was aware of the details surrounding suspension and debarment requirements, but their policy was not updated.

**Recommendation**

We recommend that the Town review its formal procurement policies and make necessary to include the requirements that an entity with which the Town plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded

**Views of Responsible Officials and Planned Corrective Actions**

Management agrees with the auditors' recommendations. Corrective action will be taken to ensure the policy is updated and the correct procurement procedures are followed.