

TOWN OF WATERTOWN
CONNECTICUT

Federal Single Audit

For the Fiscal Year Ended
June 30, 2025

TOWN OF WATERTOWN, CONNECTICUT
FEDERAL SINGLE AUDIT
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JUNE 30, 2025

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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards

To the Town Council
Town of Watertown, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Watertown, Connecticut, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Watertown, Connecticut's basic financial statements, and have issued our report thereon dated March 30, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Watertown, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Watertown, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Watertown, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.* A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2005-001, 2005-002 and 2005-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Watertown, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2025-004.

The Town of Watertown Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Watertown's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town of Watertown's response was not subjected to the 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.



Sinnamon & Associates, LLC
Certified Public Accountants

Litchfield, Connecticut
March 30, 2026



Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance And Report on The Schedule Of
Expenditures of Federal Awards Required By The Uniform Guidance

To the Town Council
Town of Watertown

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Watertown'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 each of the Town of Watertown, Connecticut's major federal programs for the year ended June 30, 2025. The Town of Watertown, Connecticut's major federal 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 Watertown, 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 federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the 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 Watertown, 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 federal program. Our audit does not provide a legal determination of the Town of Watertown, 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 Watertown, 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 Watertown, 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 Watertown, Connecticut's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Watertown, 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 Watertown, 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 Watertown, 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 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. 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.

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 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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Watertown, Connecticut as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Watertown, Connecticut and have issued our report thereon dated March 30, 2026 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 financial statements as a whole.



Sinnamon & Associates, LLC
Certified Public Accountants

Litchfield, Connecticut
March 30, 2026

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Name of Funder Pass Through Entity	Amounts Paid to Subrecipients	Total Federal Expenditures
<u>United States Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	10.553	12060-SDE64370-20508	Connecticut Department of Education	\$ -	\$ 230,016
National School Lunch Program	10.555	12060-SDE64370-20560	Connecticut Department of Education	-	665,913
				-	895,929
Local Food for Schools Cooperative Agreement Program	10.185	12060-SDE64370-23292	Connecticut Department of Education	-	11,520
<u>Total United States Department of Agriculture</u>					
				-	907,449
<u>United States Department of Education</u>					
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2024	Connecticut Department of Education	132,841	
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2025	Connecticut Department of Education	154,764	
				-	287,605
Special Education Cluster (IDEA)					
Special Education - Preschool Grants IDEA- Part B- Section 619	84.173	12060-SDE64370-28105-2024	Connecticut Department of Education	-	5,119
Special Education - Preschool Grants IDEA- Part B- Section 619	84.173	12060-SDE64370-28105-2025	Connecticut Department of Education	-	16,060
Special Education - Grants to States - Special Ed Stipend-COVID-19	84.027	12060-SDE64370-82032	Connecticut Department of Education	10,000	
Special Education - Grants to States - IDEA-ESP	84.027	12060-SDE64370-82032	Connecticut Department of Education	5,000	
Special Education - Grants to States IDEA - Part B- Section 611	84.027	12060-SDE64370-20977-2024	Connecticut Department of Education	521,715	
Special Education - Grants to States IDEA - Part B- Section 611	84.027	12060-SDE64370-20977-2025	Connecticut Department of Education	172,958	
				-	709,673
				-	730,852
Education Stabilization Fund Cluster					
ARP-HCY Bridge Fund	84.425	12060-SDE64370-29650	Connecticut Department of Education	-	2,533
ARP ESSER Connecticut High Dosage	84.425	12060-SDE64370-29636	Connecticut Department of Education	-	77,477
ARP ESSER Dual Credit	84.425	12060-SDE64370-29636	Connecticut Department of Education	-	17,923
Educators Rising Mini Grant	84.425	12060-SDE64370-29636	Connecticut Department of Education	-	7,530
ARP ESSER - Summer Enrichment	84.425	12060-SDE64370-29636	Connecticut Department of Education	-	97,189
				-	202,652
Supporting Effective Instruction State Grants					
Title II - Improving Teacher Quality Grants	84.367	12060-SDE64370-20858-2024	Connecticut Department of Education	14,735	
Title II - Improving Teacher Quality Grants	84.367	12060-SDE64370-20858-2025	Connecticut Department of Education	46,553	
				-	61,288
Title IV - Student Support and Academic Enrichment Program	84.424	12060-SDE64370-22854	Connecticut Department of Education	-	22,987
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742	Connecticut Department of Education	-	30,509
Title III - English Language Acquisition State Grants - Immigrant & Youth Education Program	84.365	12060-SDE64370-20868	Connecticut Department of Education	-	8,950
Title III - English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2024	Connecticut Department of Education	1,315	
Title III - English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2025	Connecticut Department of Education	14,911	
				-	16,226
<u>Total United States Department of Education</u>					
				-	1,361,069

See Notes to the Schedule of Expenditures of Federal Awards

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Name of Funder Pass Through Entity	Amounts Paid to Subrecipients	Total Federal Expenditures
<u>United States Department of Treasury</u>					
Coronavirus State and Local Fiscal Recovery Funds					
Coronavirus State and Local Fiscal Recovery Funds - STAR-Public - Free Meals for Students	21.027	12060-SDE64370-28105	Connecticut Department of Education	-	12,192
Coronavirus State and Local Fiscal Recovery Funds - FAFSA Completion	21.027	12060-SDE64370-28092	Connecticut Department of Education	-	3,732
Coronavirus State and Local Fiscal Recovery Funds - ARPA-Summer Mental Health Supports	21.027	12060-SDE64370-28096	Connecticut Department of Education	-	66,000
Coronavirus State and Local Fiscal Recovery Funds - ARPA-Educational Professional Development	21.027	12060-SDE64370-28098	Connecticut Department of Education	-	7,500
Coronavirus State and Local Fiscal Recovery Funds - ARPA-Education Workforce	21.027	12060-SDE64370-28295	Connecticut Department of Education	-	10,000
Coronavirus State and Local Fiscal Recovery Funds - ARPA Auto Theft & Violence	21.027	12060-DPS32155-28124	Connecticut Department of Emergency Services and Public Protection	-	35,000
Coronavirus State and Local Fiscal Recovery Funds - ARPA-Early Voting	21.027	12060-DPS32521-28125	Connecticut Secretary of State	-	7,033
COVID-19 American Rescue Plan Act - Local Fiscal Recovery Funds	21.027	12060-OPM12060-29669	Connecticut Office of Policy and Management	-	2,666,768
<u>Total United States Department of Treasury</u>				<u>-</u>	<u>2,808,225</u>
<u>United States Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety	20.600	12062-DOT57513-20559	Connecticut Department of Transportation	23,524	
Alcohol Open Container Requirements	20.607	12062-DOT57513-22600	Connecticut Department of Transportation	28,475	
				-	51,999
Highway Planning & Construction	20.205	12062-DOT57191-22108	Connecticut Department of Transportation	-	321,502
<u>Total United States Department of Transportation</u>				<u>-</u>	<u>373,501</u>
<u>United States Department of Homeland Security</u>					
Disaster Grants - Public Assistance	97.036	12060-DPS32990-21891	Connecticut Department of Emergency Services and Public Protection	-	155,640
<u>Total United States Department of Homeland Security</u>				<u>-</u>	<u>155,640</u>
<u>Total Expenditures of Federal Awards</u>				<u>\$ -</u>	<u>\$ 5,605,884</u>

See Notes to the Schedule of Expenditures of Federal Awards

TOWN OF WATERTOWN, CONNECTICUT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Watertown, Connecticut, Connecticut under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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, 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.

Summary of Significant Accounting Policies

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. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement.

Contingencies

The Town receives funds under various Federal grant programs and such awards are to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of a non-compliance. Management believes that they have complied with all aspects of the various grant provisions and the results if adjustments, if any, relating to such audits would have any material financial impact.

Indirect Costs

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

TOWN OF WATERTOWN, CONNECTICUT
 SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2025

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	____ <u>X</u> No
Significant deficiency(ies) identified?	____ <u>X</u> Yes	____ None Reported

Noncompliance material to financial statements noted? ____ X Yes ____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____ Yes	____ <u>X</u> No
Significant deficiency(ies) identified?	____ Yes	____ <u>X</u> 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 2 CFR section 200 516(a) of the Uniform Guidance? ____ Yes ____ X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.553/10.555	
84.027	Child Nutrition Cluster
21.027	Special Education - Grants to States Coronavirus State and Local Fiscal Recovery Funds

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 WATERTOWN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 2025-001 Fiscal Year-End Close Procedures

Type of Finding

Significant Deficiency in Internal Control over Financial Reporting.

Criteria

Management is responsible for the preparation and fair presentation of the 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. Having effective internal controls and procedures over financial reporting is necessary to ensure that financial information is being accurately presented to allow the governing body to make sound financial decisions on a timely basis.

Condition

During our audit, we noted that the Town did not have adequate reconciliation controls in place to ensure the accuracy of certain balance sheet accounts and interfund activities during the fiscal year. As a result, the Town's internal financial information contained certain misstatements that were identified and corrected during the prior and current year audit process. These included adjustments to reconcile cash accounts, reconcile interfund balances and activities between funds, and properly record certain year-end accruals and deferrals.

Context

A number of audit adjustments were proposed and recorded to prepare the Town's financial statements in conformity with accounting principles generally accepted in the United States of America. The adjustments required were substantially fewer than in the prior year because of improvements implemented by the finance department.

Effect

The Town was subject to certain inaccurate and/or delayed financial reporting during the year, but these were substantially improved as the process changes were implemented and were not as substantial as in the prior year.

Cause

This condition remains attributed to a lack of formal closing procedures to ensure the completeness and accuracy of the general ledger.

Repeat Finding

Yes 2024-001 – which was reported as a material weakness.

Recommendations

We noted many improvements made to the closing process by the Town which took some time to implement. The finance department continues to make improvements to the controls and closing process while also handling daily tasks required to operate the Town.

We repeat our recommendation that the Town develop formal closing procedures to ensure that all accounts are reconciled throughout the year and at year-end. The formal closing procedures should identify all necessary reconciliations and required approvals.

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Bank reconciliations must be prepared monthly by the Assistant Finance Director and reviewed for accuracy and signed-off on by the Finance Director. We recommend that monthly bank reconciliation copies for significant accounts also be provided to and signed off on by the Town manager. These reconciliations must be prepared within the financial accounting software. We noted that this process was improved but the Town was playing “catch up” with prior periods throughout the 2024/25 fiscal year.

We repeat our recommendation that the Town evaluate the way the pooled asset accounts are utilized and consolidate several of its pooled bank accounts to simplify the reconciliation of these funds. We also recommend that the Town consider establishing separate cash accounts for several of the funds currently flowing through the pooled accounts in order to segregate this activity and enhance internal control over these funds.

Views of Responsible Officials and Planned Corrective Actions

The Town agrees with the finding regarding internal control over financial reporting. In response, the Town has stabilized Finance Department leadership by hiring a new Finance Director and Assistant Finance Director to strengthen oversight, accountability, and technical expertise; engaged CliftonLarsonAllen LLP (CLA) to perform a comprehensive financial operations assessment, completed in December 2024, and is in progress and working hard towards the following: actively implementing its recommendations, including formal documented month-end and year-end closing procedures with detailed checklists covering balance sheet reconciliations, interfund activity, accruals and deferrals, government-wide conversion entries, and required reviews and approvals; brought all bank reconciliations current within the accounting system with ongoing monthly preparation by the Assistant Finance Director, review and approval by the Finance Director, and additional oversight by the Town Manager; revised accounts payable and year-end accrual procedures beginning with the fiscal year ending June 30, 2025 to ensure proper period reporting; initiated an evaluation of pooled cash accounts to improve reconciliation and internal controls.

FINDING 2025-002 Reconciliation with Board of Education

Type of Finding

Significant Deficiency in Internal Control over Financial Reporting.

Criteria

Management is responsible for the preparation and fair presentation of the 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. Having effective internal controls and procedures over financial reporting is necessary to ensure that financial information is being accurately presented and allow the governing body to make sound financial decisions on a timely basis.

Condition

The Town’s general ledger is not currently integrated with the Board of Education general ledger. As a result, there is a significant volume of transactions that are being recorded on both systems for Board of Education payroll and general fund expenditures as well as certain grants and other funds. The Town did not have adequate reconciliation controls in place during the fiscal year to ensure the accuracy of Board of Education fund expenditures reported on the Town’s general ledger.

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Context

A number of audit adjustments were proposed and recorded in order to prepare the Town's financial statements in conformity with accounting principles generally accepted in the United States of America. The adjustments required were substantially fewer than in the prior year because of improvements implemented by both the Board of Education business office and the Town Finance Department.

Effect

Inaccurate and/or delayed financial reporting.

Cause

This condition is attributed to a lack of formal closing procedures to reconcile on a month-to-month basis the expenditures reported by the Board of Education to the expenditures reported for education in the Town's general ledger. The design and current limitations of the Board of Education software is a significant contributing factor to this finding.

Repeat Finding

Yes 2024-002 – which was reported as a material weakness.

Recommendations

We repeat our recommendation that, on a monthly basis, the Town and the Board of Education formally reconcile the amounts reported by the Board of Education to the amounts reported in the Town's general ledger. The Board of Education should provide, and the Town should record; expenditures for payroll and check runs, any voided checks and/or reimbursements, and any adjusting entries made to reclassify expenditures between funds. We noted that the Board of Education is providing many of these reports to the Town but there is not a consistent reconciliation process being documented although we noted improvements were made during the year.

We repeat our recommendation that the Board of Education upgrade or modify its accounting software to allow for full tracking of the bank and other account balances for all funds under the Board's control which will both enhance the controls and simplify this process. We recommend that the Town and the Board of Education review the accounts and funds being tracked on each software and how the activity is reflected on both systems. There are opportunities to simplify the way these funds are being tracked, reduce duplication and enhance control and oversight by adjusting the current process. We noted that this process was started and is a work in progress. We also noted the significant demands and time required by the Board of Education business office in producing numerous reports and documentation required for grant and other compliance requirements which have placed a strain on that department.

Views of Responsible Officials and Planned Corrective Actions

The Town agrees with the finding regarding internal control over financial reporting. In response, the Town's Assistant Finance Director and the Board of Education's Business Manager are working hard towards strengthened internal controls to ensure amounts reported by the Board of Education are accurately recorded in the Town's general ledger, with formal monthly reconciliations significantly reducing discrepancies and improving the accuracy and completeness of combined financial reporting. The Town and Board of Education are working towards performing documented monthly reconciliations comparing all Board expenditures—including the General Fund, Education Grants Fund, and other applicable funds—to the Town's records; ensuring each reconciliation is supported by detailed expenditure reports, reviewed and approved by designated supervisory personnel (with documented evidence of review), and assigned to specific staff within both finance offices who are responsible for preparation, review, and timely resolution of discrepancies. Any variances identified are promptly investigated and corrected to ensure accurate monthly and year-end financial reporting.

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

FINDING 2025-003 Capital Asset Tracking

Type of Finding

Significant Deficiency in Internal Control over Financial Reporting.

Criteria

Management is responsible for the preparation and fair presentation of the 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. Having effective internal controls and procedures over financial reporting is necessary to ensure that financial information is being accurately presented and allow the governing body to make sound financial decisions on a timely basis.

Condition

Information necessary for preparation of the government-wide financial statements including capital assets, notes and leases required significant adjustments at year-end. Capital assets have been maintained on an older accounting software and are not a module of the current system and this system was not updated during the current year for new additions and disposals.

Context

A number of audit adjustments were proposed and recorded in order to adjust the Town's government-wide financial statements to include capital assets, notes and leases in conformity with accounting principles generally accepted in the United States of America.

Effect

Inaccurate and delayed financial reporting on a government-wide basis and accurate tracking of capital assets and related debt.

Cause

This condition is attributed to the outdated capital asset software.

Repeat Finding

No.

Recommendations

We recommend the Town implement a new capital asset tracking module with the current accounting software and establish more formal process for tracking notes and leases payable. The current capital asset listing should be reviewed in detail and updated for assets to be removed. We noted that this process was started during the year.

Views of Responsible Officials and Planned Corrective Actions

The Town agrees with the finding regarding internal control over financial reporting. The Town has engaged a consultant to access the outdated system and has exported the existing capital assets detail which are being reviewed and updated. The town is in the process of implementing a new enhanced capital asset tracking through exploring implementation of a capital asset module within the existing financial system to improve integration and reporting accuracy.

TOWN OF WATERTOWN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

FINDING 2025-004 Uniform Guidance Reporting Requirements

Type of Finding

Compliance Finding

Criteria

Uniform Guidance requires entities to electronically file required reports within nine months of year-end.

Condition

The Town did not comply with Uniform Guidance Reporting Requirements.

Effect

The Towns Federal Single Audit reporting package was uploaded electronically after the nine-month period.

Cause

The Town experienced turnover at key positions in the Finance Department which delayed the issuance of the financial statements and reporting under the Uniform Guidance Reporting Requirements.

Repeat Finding

Yes.

Recommendation

We recommend that the Town develop a formal financial close process to ensure the financial statements of the Town are ready for audit inspection to meet state and federal requirements.

Views of Responsible Officials and Planned Corrective Actions

The Town agrees with this finding and the current year June 30, 2025 audit report is being uploaded within the nine-month period which will resolve this finding.

SECTION III - FINDINGS AND QUESTIONED COSTS STATE FINANCIAL ASSISTANCE

No federal financial assistance findings or questioned costs were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Prior audit finding 2024-001, *Material Weakness in Internal Control over Financial Reporting: Fiscal Year-end Close Procedures*, has been repeated and reported as current year finding 2025-001. Because of improvements made by the town this finding has been changed from a material weakness in the prior year to a significant deficiency.

Prior audit finding 2024-002, *Material Weakness in Internal Control over Financial Reporting: Reconciliation with Board of Education*, has been repeated and reported as current year finding 2025-002. Because of improvements made by the town this finding has been changed from a material weakness in the prior year to a significant deficiency.

Prior audit finding 2024-003, Compliance Finding: Uniform Guidance Reporting Requirements, has been repeated and reported as current year finding 2025-004. Because the current audit for the year ended June 30, 2025, has been filed by March 31, 2026, this finding will be resolved in the fiscal year June 30, 2026.

Prior audit finding 2024-004, Compliance Finding: State Grant Reporting Requirements, has been resolved.