

TOWN OF RISING SUN

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

JUNE 30, 2019

TOWN OF RISING SUN

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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*

To the Mayor and Town Commissioners
Town of Rising Sun
Rising Sun, MD

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 Rising Sun (Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: Finding 2019 – 001.

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* (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Town of Rising Sun's Response to Findings

The Town of Rising Sun's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Rising Sun's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Weipich, Cronin & Sorra, LLC

April 23, 2020
Hunt Valley, MD

Independent Auditors' Report on Compliance For Each Major Program, Internal Control Over Compliance and Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Mayor and Town Commissioners
Town of Rising Sun
Rising Sun, MD

Report on Compliance for Each Major Federal Program

We have audited Town of Rising Sun's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of Town of Rising Sun's major federal programs for the year ended June 30, 2019. The Town of Rising Sun's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Rising Sun's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Rising Sun's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Rising Sun's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Rising Sun complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Independent Auditors' Report on Compliance For Each Major Program, Internal Control Over Compliance and Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (continued)

Report on Internal Control over Compliance

Management of the Town of Rising Sun is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Rising Sun's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Rising Sun's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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 Rising Sun, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Rising Sun's basic financial statements. We issued our report thereon dated April 23, 2020, 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 Town of Rising Sun's 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 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.

Independent Auditors' Report on Compliance For Each Major Program, Internal Control Over Compliance and Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (continued)

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.

Weijick, Cronin & Sosa, LLC

April 23, 2020
Hunt Valley, MD

Town of Rising Sun

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<u><i>Federal Grantor/Program or Cluster Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Total Federal Expenditures(\$)</i></u>
<i>United States Department of Agriculture</i>		
Rural Utilities Service		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 2,763,520
<i>Total Department of Agriculture</i>		<u>2,763,520</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 2,763,520</u>

See accompanying notes to schedule of expenditures of federal awards

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Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Town of Rising Sun (Town) under programs of the federal government for the year ended June 30, 2019. The information in this 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 operations of the Town of Rising Sun, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Awards Passed-Through to Subrecipients

The Town did not have any awards passed through to subrecipients during the year ended June 30, 2019.

5. Balance of Loan Programs

The Town has the following loan programs under Water and Waste Disposal Systems for Rural Communities (CFDA 10.781):

	<u>Series 2015</u>	<u>Series 2014</u>
Balance as of July 1, 2018	\$ 4,934,973	\$ 7,896,874
Current year repayments	<u>88,029</u>	<u>137,912</u>
Balance as of June 30, 2019	<u>\$ 4,846,944</u>	<u>\$ 7,758,962</u>

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Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

1. Summary of Auditors' Results

(i) The independent auditors' report expresses an unmodified opinion on whether the financial statements of the Town of Rising Sun were prepared in accordance with accounting principles generally accepted in the United States of America.

(ii) No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements of the Town of Rising Sun. A material weakness in internal control over financial reporting was disclosed during the audit of the financial statements of the Town of Rising Sun and is reported in the 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*.

(iii) No instances of noncompliance material to the financial statements of the Town of Rising Sun, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

(iv) No significant deficiencies or material weaknesses were disclosed during the audit of internal control over major federal award programs.

(v) The independent auditors' report on compliance for the major federal award program for the Town of Rising Sun expresses an unmodified opinion on the major federal award programs.

(vi) There were no reported findings and questioned costs for federal awards which would include audit findings as defined in accordance with 2 CFR section 200.516(a) of the Uniform Guidance.

(vii) The following program was tested as a major federal award program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.760	<i>Water and Waste Program</i> Water and Waste Disposal Systems for Rural Communities

(viii) The threshold used for distinguishing between Type A and Type B programs was \$750,000.

(ix) The Town of Rising Sun did not qualify as a low-risk auditee.

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Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

2. Findings - Financial Statement Audit

MATERIAL WEAKNESS

Finding 2019 – 001: Material Misstatements (Adjustments) to the Financial Statements

Condition: During our audit, we noted several areas requiring material adjustments to properly state Town balances. Engineering of \$8,175 incurred through June 30, 2019 but for which invoices were not received until after year end and retainage on construction in the amount of \$102,226 were not accrued.

Criteria: The Governmental Accounting Standards Board (“GASB”) is responsible for establishing accounting principles generally accepted in the United States of America (“GAAP”) for state and local governments. GAAP requires the use of the economic resources measurement focus and the accrual basis of accounting, which reflects all short and long-term assets and liabilities of the Town, to be utilized for the government-wide and proprietary fund financial statements.

Cause: The Town’s system of internal controls related to financial reporting failed to detect and report the accrued expenditures in a timely manner.

Effect: Balances of construction in progress and accounts payable and accrued expenses were improperly reported prior to proposed audit adjustments.

Recommendation: Care should be taken during the year end closing process to ensure all amounts are recorded, including those for which invoices are received after year end.

View of Responsible Officials and Planned Corrective Action: We are in agreement with the finding and have made the necessary adjustments on the Town’s books.

3. Findings and Questioned Costs – Major Federal Award Programs Audit

No findings or questioned costs were noted.

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Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2019

Financial Statement Findings

Finding 2018 – 001: Material Misstatements (Adjustments) to the Financial Statements

Condition: During our audit, we noted several areas requiring material adjustments to properly state Town balances. Engineering, construction and interest on financing costs incurred through June 30, 2018 but for which invoices were not received until after year end and retainage on construction in the amount of \$1,669,043 were not accrued.

Recommendation: Care should be taken during the year end closing process to ensure all amounts are booked including those for which invoices are receivable after year end.

Current year status: The adjustments were posted and were corrected in the audited financial statements dated December 4, 2018 for the reporting period ended June 30, 2018. However, the Town had a material adjustment for the year ended June 30, 2019 reported as Finding 2019 – 001.

Finding 2018 – 002: Material Misstatements (Adjustments) to the Prior Year Schedule of Expenditures of Federal Awards

Condition: During our audit we noted an invoice for engineering services rendered through June 30, 2017 in the amount of \$54,571 that was not accrued as part of the June 30, 2017 closing process. Although the invoice was not dated and received until after year end, the costs should have been reported as a federal expenditure for the year ended June 30, 2017 when the services were rendered. Accordingly, the amount was not accumulated into expenditures of federal awards during 2017. However, as this was a balance sheet only transaction, it did not cause the financial statements to be materially misstated.

Recommendation: Care should be taken during the year end closing process to ensure all amounts are booked including those for which invoices are received after year end.

Current year status: No similar findings were noted during the June 30, 2019 audit.

Federal Award Findings and Questioned Costs

Finding 2018 – 002: Material Misstatements (Adjustments) to the Prior Year Schedule of Expenditures of Federal Awards

Condition: During our audit we noted an invoice for engineering services rendered through June 30, 2017 in the amount of \$54,571 that was not accrued as part of the June 30, 2017 closing process. Although the invoice was not dated and received until after year end, the costs should have been reported as a federal expenditure for the year ended June 30, 2017 when the services were rendered. Accordingly, the amount was not accumulated into expenditures of federal awards during 2017. However, as this was a balance sheet only transaction, it did not cause the financial statements to be materially misstated.

Recommendation: Care should be taken during the year end closing process to ensure all amounts are booked including those for which invoices are received after year end.

Current year status: No similar findings were noted during the June 30, 2019 audit.

MAYOR
Travis Marion

COMMISSIONERS
Allen Authenreath
Pauline Braun
Augie Pierson
Dave Warnick



TOWN ADMINISTRATOR
Calvin A. Bonenberger Jr.

RISINGSUNMD.ORG

Names of Contact Persons:

Calvin A Bonenberger Jr – Town Administrator
Judy C. Melton – Town Treasurer

Contact Information:

410-658-5353

Corrective Action Plan:

Finding 2019 – 001: Adjustments brought to our attention during the audit process involving Engineering cost of \$8,175 incurred through June 30, 2019 but for which invoices were not received until after year end, and retainage on construction in the amount of \$102,226 were accrued and incorporated in the audited financial statements dated April 23, 2020.

Expected Completion Date:

See corrective action plan above; all findings have been resolved

A handwritten signature in blue ink that reads "Calvin A. Bonenberger Jr." is written over a horizontal line.

Calvin A Bonenberger Jr
Town Administrator