

# **TOWN OF EAST LYME, CONNECTICUT**

FEDERAL AND STATE FINANCIAL  
AND COMPLIANCE REPORTS  
Year Ended June 30, 2013

**TOWN OF EAST LYME, CONNECTICUT**

**FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORT**

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Finance  
Town of East Lyme, Connecticut

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

We have audited the Town of East Lyme, Connecticut's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2013. The Town'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Town'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 the Town's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Town 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, 2013.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item CF13-1. Our opinion on each major federal program is not modified with respect to this matter.

The Town of East Lyme's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of East Lyme's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the Town 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'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 OMB Circular A-133, 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'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 we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item CF 2013 - 1 that we consider to be a significant deficiency.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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 East Lyme, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of East Lyme, Connecticut's basic financial statements. We issued our report thereon dated December 27, 2013, 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 OMB Circular A-133 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.

*McGladrey LLP*

New Haven, Connecticut  
December 27, 2013

TOWN OF EAST LYME, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
Passed through State Department of Education:			
<b>Child Nutrition Cluster:</b>			
Food Distribution - Non-cash	10.555	N/A	\$ 55,587
School Breakfast Program	10.555	12060-SDE64370-20508	5,041
National School Lunch Program	10.555	12060-SDE64370-20560	141,231
<b>Total Child Nutrition Cluster</b>			<u>201,859</u>
<b>Total U.S. Department of Agriculture</b>			<u>201,859</u>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
Passed through State Department of Education:			
Title I - Improving Basic Programs	84.010	12060-SDE64370-20679	89,700
<b>Special Education - Cluster:</b>			
Special Education - Grants to States (IDEA, Part B)- Preschool	84.173	12060-SDE64370-20983	9,722
Special Education - Grants to States (IDEA, Part B) Sec 611	84.027	12060-SDE64370-20977	379,561
<b>Total Special Education - Cluster</b>			<u>389,283</u>
Title II Part A - Teachers	84.367	12060-SDE64370-20858	92,029
<b>Total U.S. Department of Education</b>			<u>571,012</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
Passed through State Department of Emergency Management and Homeland Security:			
FEMA Public Assistance	97.036	12060-EHS99690-21891	485,054
Nuclear Emergency Safety Fund	97.052	12060-EHS99682-30464	5,578
Nuclear Safety Fund Dominion	97.052	12060-EHS99682-30465	64,142
<b>Total U.S. Department of Homeland Security</b>			<u>554,774</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
Passed through the State Department of Transportation:			
Federal Highway Safety Grants	20.205	12062-DOT57343-20559	1,188
Occupant Protection	N/A	12062-DOT57513-220987	1,529
Alcohol Open Container	20.601	12062-DOT57343-22091	21,068
<b>Total U.S. Department of Transportation</b>			<u>23,785</u>
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>			
Passed through the State Department of Public Health:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	12060-DPH48770-29029	27,411
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,378,841</u>

N/A = Not Available.

See Notes to Schedule of Expenditures of Federal Awards.

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2013

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Various agencies of the Federal Government have made financial assistance available to the Town of East Lyme, Connecticut. These grants fund several programs including housing, education, human and social services, transportation, public safety and general government activities.

#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Town of East Lyme, Connecticut (the "Town") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 net position or cash flows of the Town.

#### **Note 2. Summary of Significant Accounting Principles**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of East Lyme, Connecticut and is presented on the modified accrual basis of accounting for grants which are accounted for in the governmental funds and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **Note 3. Noncash Awards**

##### U.S.D.A. Contributions

The United States Department of Agriculture makes available commodities for donations to schools. The amount of \$55,587 represents the market value of such commodities used during the period. This amount is included in the Child Nutrition Cluster.

**TOWN OF EAST LYME, CONNECTICUT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2013

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**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)?  Yes  No

**Identification of Major Programs**

CFDA Numbers	Name of Federal Program or Cluster
84.027/84.173 10.555	Special Education Cluster Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs

\$300,000

Auditee qualified as low-risk auditee?

Yes  No

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**CF 13-1. Special Education Grant Cash Management**

Criteria:

In order to comply with Federal Cash management requirements, the Board of Education should monitor its Special Education cash balance.

**TOWN OF EAST LYME, CONNECTICUT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the Year Ended June 30, 2013**

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Condition:

The Board of Education did not monitor its cash management in accordance with Federal compliance requirements.

Questioned Cost:

Not applicable.

Context:

The Board of Education requested approximately \$192,000 more than it expended.

Cause:

The Board of Education did not have the proper control to comply with the compliance requirements for cash management of federal rewards.

Effect:

The Board of Education has an excessive cash balance for the year ended June 30, 2013 in the Special Education grant account.

Recommendation:

We recommend that the Board of Education follow compliance requirements when requesting cash draw downs.

Corrective Action Plan:

The Board of Education inadvertently requested more funds than needed for the month of June 2013. These funds were subsequently returned to the State Board of Education - Grants Management Office. To institute proper control of requesting, the Board of Education has set up a monthly excel worksheet to calculate the correct amount of funds to be requested. Prior to submitting the request for funds from the State, the worksheet is reviewed by the Business Supervisor and Director of Business and Facilities.

**TOWN OF EAST LYME, CONNECTICUT  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2013**

There were no findings in the prior year for the Federal Single Audit.



**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Finance  
Town of East Lyme, 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 East Lyme, Connecticut (the "Town") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 27, 2013.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**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 matters that are required to be reported under *Government Auditing Standards*.

**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.

A handwritten signature in cursive script that reads "McGladrey LLP".

New Haven, Connecticut  
December 27, 2013



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Finance  
Town of East Lyme, Connecticut

**Report on Compliance for Each Major State Program**

We have audited the Town of East Lyme, Connecticut's (the "Town") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2013. The Town's major state 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 the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major state 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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about the Town'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 state program. However, our audit does not provide a legal determination of the Town's compliance.

**Opinion on Each Major State Program**

In our opinion, the Town 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 state programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of the Town 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town'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 state 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 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.

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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 East Lyme, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of East Lyme, Connecticut's basic financial statements. We issued our report thereon dated December 27, 2013, 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 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.



New Haven, Connecticut  
December 27, 2013

TOWN OF EAST LYME, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2013

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
<b>OFFICE OF POLICY AND MANAGEMENT:</b>		
Reimbursement Property Tax Disability Exemption	11000-OPM20600-17011	\$ 1,162
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	104,013
Property Tax Relief for Elderly Homeowners Freeze Program	11000-OPM20600-17021	1,500
Property Tax Relief for Veterans	11000-OPM20600-17024	23,727
Property Tax Relief State Owned Property	11000-OPM20600-17004	754,725
LOCIP	12060-OPM20600-40254	46,811
Payment in Lieu of Taxes (PILOT) on Private Colleges	11000-OPM20600-17006	41,133
		<u>973,071</u>
<b>DEPARTMENT OF EDUCATION:</b>		
Child Nutrition Program	11000-SDE64370-16072	7,429
Youth Service Bureau Enhancement	11000-SDE64370-16201	6,111
Youth Service Bureau	11000-SDE64370-17052	20,974
Adult Education	11000-SDE64370-17030	17,125
Magnet School	11000-SDE64370-17057	47,625
		<u>99,264</u>
<b>DEPARTMENT OF TRANSPORTATION:</b>		
Capital Resurfacing Related Improvements	13033-DOT57261-41386	7,150
Town Aid Road Grants - Transportation Fund	12052-DOT57131-43455	160,692
		<u>167,842</u>
<b>JUDICIAL BRANCH:</b>		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	10,349
<b>DEPARTMENT OF PUBLIC SAFETY:</b>		
Enhanced 911 Telecomm Fund	12060-DPS32740-35190	1,827
<b>CONNECTICUT STATE LIBRARY:</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
<b>DEPARTMENT OF PUBLIC HEALTH:</b>		
Drinking Water Revenue Bonds	13033-DPH48770-42319	333,104
<b>MILITARY DEPARTMENT:</b>		
RPOM-ATS Utilities	12060-MIL36238-22070	20,342
<b>DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT:</b>		
Culture, Tourism and Art Grant	11000-ECD46820-16196	604
Local Arts Agency Program	11000-ECD46820-20328	1,717
		<u>2,321</u>
<b>TOTAL STATE ASSISTANCE BEFORE EXEMPT PROGRAMS</b>		<u>1,612,120</u>

(Continued)

TOWN OF EAST LYME, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued  
 For the Year Ended June 30, 2013

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
<b>EXEMPT PROGRAMS:</b>		
<b>Department of Education:</b>		
Education Cost-sharing	11000-SDE64370-17041	7,130,164
Transportation of School Children	11000-SDE64370-17027	57,383
Excess Cost - Student Based	11000-SDE64370-17047	988,919
<b>Total Department of Education</b>		<u>8,176,466</u>
<b>Office of Policy and Management:</b>		
Municipal Revenue Sharing	12060-OPM20600-35458	173,778
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	329,826
<b>Total Office of Policy and Management</b>		<u>503,604</u>
<b>TOTAL EXEMPT PROGRAMS</b>		<u>8,680,070</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u>\$ 10,292,190</u>

See Notes to Schedule of Expenditures of State Financial Assistance.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2013**

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of East Lyme, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2013. 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. These financial assistance programs fund several programs including education, public safety, social services, public health, road construction, school construction, community development and general government.

**Note 1. Summary of Significant Accounting Policies**

The accounting policies of the Town of East Lyme, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

***Basis of Accounting***

The expenditures reported on the Schedule of State Financial Assistance are reported on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary type funds.. 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 of Expenditures of State Financial Assistance.

**Note 2. Loan Programs**

In accordance with Section 4-236(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2013:

***Department of Environmental Protection***

Clean Water Funds	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
<u>6865-3100-888</u>				
176-C	675,494	-	450,036	225,458
177-C	52,384	-	29,934	22,450
2010-8003	401,454	-	35,270	366,184
2012-7010	-	360,516	-	360,516
Total	<u>\$ 1,129,332</u>	<u>\$ 360,516</u>	<u>\$ 515,240</u>	<u>\$ 974,608</u>

**TOWN OF EAST LYME, CONNECTICUT**

**SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

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**I. SUMMARY OF INDEPENDENT AUDITOR'S AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued: unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**State Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major programs: unmodified.

- Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? \_\_\_\_\_ Yes      X   No

The following schedule reflects the major programs included in the State Single Audit:

State Grantor and Program	State Core-CT Number	Expenditures
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	\$ 104,013
Property Tax Relief State Owned Property	11000-OPM20600-17004	754,725
LOCIP	12060-OPM20600-40254	46,811

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

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**TOWN OF EAST LYME, CONNECTICUT  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2013**

There were no findings in the prior year for the State Single Audit.