

Town of East Lyme, Connecticut

Federal and State Financial and Compliance Reports
Year Ended June 30, 2015

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RSM US LLP

Report on Compliance for the 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 the Town's major federal program for the year ended June 30, 2015. The Town's major federal program is 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 the Town's major federal program 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 the 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 its major federal program for the year ended June 30, 2015.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, material weaknesses may exist that have not been identified.

Purpose of This Report

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, 2015, 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 May 6, 2016, 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.

RSM US LLP

New Haven, Connecticut
May 6, 2016

Town of East Lyme, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number/Project Number	Expenditures
U.S. Department of Agriculture			
Passed through State Department of Education:			
Child Nutrition Cluster:			
Food Distribution - Non-cash	10.555	N/A	\$ 37,251
School Breakfast Program	10.555	12060-SDE64370-20508	45,114
National School Lunch Program	10.555	12060-SDE64370-20560	186,019
Total Child Nutrition Cluster			<u>268,384</u>
Total U.S. Department of Agriculture			<u>268,384</u>
U.S. Department of Education			
Passed through State Department of Education:			
Title I - Improving Basic Programs 14-16	84.010	12060-SDE64370-20679	48,926
Title I - Improving Basic Programs 13-15	84.010	12060-SDE64370-20679	60,410
Total Title I - Cluster			<u>109,336</u>
Special Education - Cluster:			
IDEA Part B, Section 619- Preschool 14-16	84.173	12060-SDE64370-20983	5,516
IDEA Part B, Section 619- Preschool 13-15	84.173	12060-SDE64370-20983	8,713
IDEA Part B, Sec 611 14-16	84.027	12060-SDE64370-20977	388,527
IDEA Part B, Sec 611 13-15	84.027	12060-SDE64370-20977	232,880
Total Special Education - Cluster			<u>635,636</u>
Title II Part A - Teachers 14-16	84.367	12060-SDE64370-20858	8,678
Title II Part A - Teachers 13-15	84.367	12060-SDE64370-20858	57,469
Total Title II - Cluster			<u>66,147</u>
Total U.S. Department of Education			<u>811,119</u>
U.S. Department of Homeland Security			
Passed through State Department of Emergency Management and Homeland Security:			
Nuclear Emergency Safety Fund	97.052	12060-EHS99682-30464	1,013
Nuclear Safety Fund Dominion	97.052	12060-EHS99682-30465	11,653
Nuclear Emergency Safety Fund	97.052	12060-EHS99682-90428	32,732
Total U.S. Department of Homeland Security			<u>45,398</u>
U.S. Department of Transportation			
Passed through the State Department of Transportation:			
DOT MAPS	20.XXX	12062-DOT57513-35002	2,785
Federal Highway Safety Grants	20.605	12062-DOT57513-20559	1,982
Highway Planning and Construction	20.205	12062-DOT57513-22108	56,003
Alcohol Open Container	20.601	12062-DOT57343-22091	32,494
Total U.S. Department of Transportation			<u>93,264</u>

Town of East Lyme, Connecticut

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
U.S. Environmental Protection Agency			
Passed through the State Department of Energy and Environmental Protection: Oswegatchie Hill	66.468	12052-DEP43153-42831	<u>\$ 100,000</u>
Passed through the State Department of Public Health: Capitalization Grants for Drinking Water State Revolving Funds - Grant	66.468	12060-DPH48770-22467	281,367
Capitalization Grants for Drinking Water State Revolving Funds - Loan	66.468	21018-DPH48770-42319	<u>1,091,155</u>
Total U.S. Environmental Protection Agency			<u><u>1,472,522</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 2,690,687</u></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, 2015

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, 2015. 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

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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 \$37,251 represents the market value of such commodities used during the period. This amount is included in the Child Nutrition Cluster.

Note 4. Loan Programs

The following is a summary of the various loan program activity for the year ended June 30, 2015:

Environmental Protection Agency:

Drinking Water Funds:

Issue Date	Interest Rate	Original Amount	Balance Beginning	Issued	Retired	Balance Ending
6/28/13	2.0%	\$ 7,375,854	\$ -	\$ 6,526,492	\$ 326,325	\$ 6,200,167

Town of East Lyme, Connecticut

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

I. Summary of Auditor's 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? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

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 OMB Circular A-133 Section 510(a)? Yes X No

Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
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66.468

Capitalization Grants for Drinking
Water State Revolving Funds

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

\$300,000

Auditee qualified as low-risk auditee?

 Yes X No

Town of East Lyme, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

II. Financial Statement Findings

A. Deficiencies in Internal Control

Significant Deficiencies in Internal Control

IC15-01. Journal Entries

Criteria:

Trial balances at June 30, 2015 should be complete, including all year-end accruals and other closing entries.

Conditions:

There were numerous journal entries made to the final trial balances, resulting in significant changes from the preliminary trial balances.

Context:

Systemic in nature.

Cause:

Trial balances are not reviewed at year end for closing entries.

Effect:

Management does not have accurate financial information upon which to base management decisions.

Recommendation:

We recommend that the Town and Board of Education review its month-end and year-end closing procedures to ascertain completeness and proper cutoff for all activity, and review all trial balances prior to presenting for audit.

Management Response:

The town will review and improve the month-end and fiscal year-end closing processes it follows to ensure completeness of recording financial transactions. It will establish a timeline for cut off of all activity and include a process to review supporting subsidiary documents to improve the accuracy of trial balances.

III. Federal Award 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, 2015**

Finding No IC14-1

Condition: There were numerous journal entries made to the final trial balances, resulting in significant changes from the preliminary trial balances.

Current Status: The finding has been repeated as IC15-01.

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 6, 2016. Our report includes an emphasis-of-matter paragraph due to the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions and its amendment, GASB Statement No. 71*.

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. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (IC15-01).

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*.

The Town of East Lyme, Connecticut's Response to Finding

The Town of East Lyme, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of East Lyme, Connecticut'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.

RSM US LLP

New Haven, Connecticut
May 6, 2016

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, 2015. 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, 2015.

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.

Purpose of This Report

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, 2015, 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 May 6, 2016, 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.

RSM US LLP

New Haven, Connecticut
May 6, 2016

Town of East Lyme, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2015**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Office of Policy and Management		
Reimbursement Property Tax Disability Exemption	11000-OPM20600-17011	\$ 1,393
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	98,178
Property Tax Relief for Veterans	11000-OPM20600-17024	21,620
Property Tax Relief State-Owned Property	11000-OPM20600-17004	1,028,645
Municipal Purposes and Projects	12052-OPM20600-43587	21,107
LOCIP	12060-OPM20600-40254	246,096
Payment in Lieu of Taxes (PILOT) on Private Colleges	11000-OPM20600-17006	42,921
		<u>1,459,960</u>
Department of Education		
Child Nutrition State Matching Grant	11000-SDE64370-16211	7,543
Healthy Foods Initiative	11000-SDE64370-16212	15,477
Assessment Reduction Grant	11000-SDE64370-12171	8,682
CCS Professional Learning Mini Grants	11000-SDE64370-12566	10,646
Youth Service Bureau Enhancement	11000-SDE64370-16201	6,171
Youth Service Bureau	11000-SDE64370-17052	21,095
School Breakfast	11000-SDE64000-17046	15,312
Adult Education	11000-SDE64370-17030	68,997
Magnet School	11000-SDE64370-17057	39,000
		<u>192,923</u>
Department of Transportation		
Town Aid Road Grants - STO	12052-DOT57131-43459	<u>318,395</u>
Judicial Branch		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>9,004</u>
Department of Public Safety		
Enhanced 911 Telecomm Fund	12060-DPS32740-35190	<u>4,585</u>
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>5,000</u>
RPOM-ATS Utilities	12060-MIL36238-22070	<u>26,620</u>
Department of Economic and Community Development		
Historic Preservation Fund	12060-ECD46840-21494	<u>10,000</u>
Total State Financial Assistance Before Exempt Programs		<u>2,026,487</u>

(Continued)

Town of East Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance (Continued)
For the Year Ended June 30, 2015

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Exempt Programs		
Department of Education		
Education Cost-sharing	11000-SDE64370-17041	\$ 7,063,959
Transportation of School Children	11000-SDE64370-17027	56,623
Excess Cost - Student Based	11000-SDE64370-17047	660,210
Total Department of Education		<u>7,780,792</u>
Office of Policy and Management		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	333,126
Total Office of Policy and Management		<u>333,126</u>
Total Exempt Programs		<u>8,113,918</u>
Total State Financial Assistance		<u>\$ 10,140,405</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, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state grant activity of the Town of East Lyme, Connecticut (the "Town"), under programs of the State of Connecticut for the year ended June 30, 2015. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to, and does not, present the financial position, changes in fund balance, and changes in net position or cash flows of the Town.

Note 2. 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. 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, 2015:

Department of Energy and Environmental Protection:

Clean Water Funds	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
<u>6865-3100-888</u>				
176-C	\$ 440	\$ -	\$ -	\$ 440
2010-8003	346,515	-	17,269	329,246
2012-7010	335,043	-	15,121	319,922
Total	\$ 681,998	\$ -	\$ 32,390	\$ 649,608

Town of East Lyme, Connecticut

**Schedule of State Single Audit Compliance Findings and Questioned Costs
For the Year Ended June 30, 2015**

I. Summary of Auditor's 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? _____ X Yes _____ 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
Office of Policy and Management		
Property Tax Relief State-Owned Property	11000-OPM20600-17004	\$ 1,028,645
Department of Transportation		
Town Aid Road Grants - STO	12052-DOT57131-43459	318,395

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

II. Financial Statement Findings

See IC2015-1.

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, 2015**

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