

# **Town of East Lyme, Connecticut**

Federal and State Compliance Reports  
Year Ended June 30, 2017

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RSM US LLP

**Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance;  
and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

**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 Town of East Lyme, Connecticut's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2017. 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 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 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 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 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, 2017.

## **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 its 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'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.

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated May 11, 2018, 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 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 expenditure 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 11, 2018

Town of East Lyme, Connecticut

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Expenditures   |
|---------------------------------------------------------------|---------------------|----------------------------------------|----------------|
| <b>U.S. Department of Agriculture</b>                         |                     |                                        |                |
| Passed through State Department of Education:                 |                     |                                        |                |
| Child Nutrition Cluster:                                      |                     |                                        |                |
| School Breakfast Program                                      | 10.555              | 12060-SDE64370-20508                   | 41,641         |
| National School Lunch Program                                 | 10.555              | 12060-SDE64370-20560                   | 231,654        |
| <b>Total Child Nutrition Cluster</b>                          |                     |                                        | <u>273,295</u> |
| <b>Total U.S. Department of Agriculture</b>                   |                     |                                        | <u>273,295</u> |
| <b>U.S. Department of Education</b>                           |                     |                                        |                |
| Passed through State Department of Education:                 |                     |                                        |                |
| Title I - Improving Basic Programs 16-18                      |                     |                                        |                |
| Title I - Improving Basic Programs 16-18                      | 84.010              | 12060-SDE64370-20679                   | 134,095        |
| Title I - Improving Basic Programs 15-17                      | 84.010              | 12060-SDE64370-20679                   | 41,467         |
| <b>Total Title I - Cluster</b>                                |                     |                                        | <u>175,562</u> |
| Special Education - Cluster:                                  |                     |                                        |                |
| IDEA Part B, Section 619- Preschool 16-18                     | 84.173              | 12060-SDE64370-20983                   | 11,851         |
| IDEA Part B, Sec 611 16-18                                    | 84.027              | 12060-SDE64370-20977                   | 324,774        |
| IDEA Part B, Sec 611 15-17                                    | 84.027              | 12060-SDE64370-20977                   | 90,785         |
| <b>Total Special Education - Cluster</b>                      |                     |                                        | <u>427,410</u> |
| Carl Perkins - Basic Grants to States                         | 84.048              | 12060-SDE64370-20742                   | 16,916         |
| Title II Part A - Teachers 16-18                              | 84.367              | 12060-SDE64370-20858                   | 20,045         |
| Title II Part A - Teachers 15-17                              | 84.367              | 12060-SDE64370-20858                   | 46,841         |
| <b>Total Title II - Cluster</b>                               |                     |                                        | <u>66,886</u>  |
| <b>Total U.S. Department of Education</b>                     |                     |                                        | <u>686,774</u> |

(Continued)

Town of East Lyme, Connecticut

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Expenditures      |
|-------------------------------------------------------------------|---------------------------|----------------------------------------------|-------------------|
| <b>U.S. Department of Transportation</b>                          |                           |                                              |                   |
| Passed through the State Department of Transportation:            |                           |                                              |                   |
| Recreational Trails Program                                       | 20.219                    | 12060-DEP44321-20296                         | \$ 5,753          |
| Federal Highway Safety Grants                                     | 20.603                    | 12062-DOT57513-20559                         | 1,546             |
| Alcohol Open Container                                            | 20.601                    | 12062-DOT57343-22091                         | 28,675            |
| <b>Total U.S. Department of Transportation</b>                    |                           |                                              | <u>35,974</u>     |
| <b>U.S. Department of Housing and Urban Development</b>           |                           |                                              |                   |
| Passed through State Department of Housing:                       |                           |                                              |                   |
| CDBG - Disaster Recovery Admin                                    | 14.269                    | 12060-DOH46961-29502                         | 125               |
| <b>Total U.S. Department of Housing and Urban<br/>Development</b> |                           |                                              | <u>125</u>        |
| <b>Total Expenditures of Federal Awards</b>                       |                           |                                              | <u>\$ 996,168</u> |

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, 2017

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#### **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, 2017. 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 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 in the Schedule are recognized using the modified accrual basis of accounting. Such expenditures are reported following the cost principles contained in the Uniform Guidance, 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 \$40,584 represents the market value of such commodities used during the period. This amount is included in the National School Lunch amount of the Child Nutrition Cluster.

#### **Note 4. Indirect Cost Recovery**

The Town of East Lyme, Connecticut, did not recover its indirect costs using the 10% de minimus indirect cost rate provided under Section 200.414 of the Uniform Guidance.

#### **Note 5. Subrecipients**

The Town of East Lyme, Connecticut, did not provide any federal funds to subrecipients for the year ended June 30, 2017.

**Town of East Lyme, Connecticut**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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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  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 Section 2CFR 200.516(a)?  Yes  No

*Identification of Major Programs*

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|-------------------------------------------|
| 84.173/84.027       | Special Education Cluster                 |

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

\$750,000

Auditee qualified as low-risk auditee?

Yes  No



Town of East Lyme, Connecticut

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2017

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II. Financial Statement Findings

A. Deficiencies in Internal Control

Significant Deficiencies in Internal Control

**IC2017-001. Journal Entries**

**Criteria:**

Trial balances at June 30, 2017 should be complete, accurate and completed in a timely manner, including all year-end accruals and other closing entries in order for management to prepare financial statements in accordance with generally accepted accounting principles.

**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:**

Management does not have committed resources to enable an accurate and timely closing of its annual and year-end financial statement process.

**Effect:**

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

**Recommendation:**

We recommend that the Governance of the Town make it a priority for management to establish a process which enables a timely and efficient year end close, that results in accurate and complete financial data being available for audit and preparation of accurate financial statements..

**Management Response:**

Management agrees to the findings.

Town of East Lyme, Connecticut

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2017

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**IC2017-002. Federal Reporting Package**

**Criteria:**

In order to comply with federal guidelines, the Town needs to file its federal reporting package within nine months of year-end or thirty days after issuance.

**Condition:**

The Town did not file the 2016 and 2017 federal reporting package with the Federal Audit Clearinghouse within federal guidelines.

**Context:**

The 2016 and 2017 federal reporting package were not filed on time.

**Cause:**

Management did not commit adequate resources to enable completion of the financial statements in a timely manner.

**Effect:**

Management was not in compliance with federal guidelines, which could cause a reduction or loss in funding from Federal grantors.

**Recommendation:**

Management should complete required timeframes such that the federal reporting package be filed within 30 days after issuance within nine months of year-end.

**Management Response:**

Management agrees with the finding.

III. Federal Award Findings and Questioned Costs

No matters to report.

**Town of East Lyme, Connecticut**

**Summary of Prior Year Audit Findings  
For the Year Ended June 30, 2017**

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**Financial Statement Findings**

**Finding No IC2016-001**

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 IC2017-001.

**Finding No IC2016-002**

Condition: The Town did not file the federal reporting package with the Federal Audit Clearinghouse within federal guidelines.

Current Status: The finding has been repeated as IC2017-002.

**Federal Single Audit Findings**

The prior year single audit disclosed no Federal single audit findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior Federal Single Audit's *Summary of Prior Audit Findings*.

**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, 2017, 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 11, 2018.

**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 two deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (IC2017-001 to IC2017-002).

**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 11, 2018



**Report on Compliance for Each Major State Program;  
Report on Internal Control over Compliance; and Report on the Schedule of  
Expenditures of State Financial Assistance Required by the State Single Audit Act**

RSM US LLP

**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, 2017. The Town's major state programs are identified in the summary of auditors' 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.

**Auditors' 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, 2017.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the State Single Audit Act and which is described in the accompanying schedule of findings and questioned costs as item 2017-1. Our opinion on each major state 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated May 11, 2018, 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's 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 11, 2018

Town of East Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2017

| State Grantor/Pass-Through<br>Grantor/Program Title             | State Grant Program<br>CORE-CT Number | Expenditures     |
|-----------------------------------------------------------------|---------------------------------------|------------------|
| <b>Office of Policy and Management</b>                          |                                       |                  |
| Reimbursement Property Tax Disability Exemption                 | 11000-OPM20600-17011                  | \$ 1,314         |
| Property Tax Relief for Elderly and Totally Disabled Homeowners | 11000-OPM20600-17018                  | 91,753           |
| Property Tax Relief for Veterans                                | 11000-OPM20600-17024                  | 19,552           |
| Property Tax Relief State-Owned Property                        | 11000-OPM20600-17004                  | 862,360          |
| Local Capital Improvement Program                               | 12050-OPM20600-40254                  | 256,987          |
| Municipal Purposes and Projects                                 | 12052-OPM20600-43587                  | 22,442           |
| Payment in Lieu of Taxes (PILOT) on Private Colleges            | 11000-OPM20600-17006                  | 40,179           |
|                                                                 |                                       | <u>1,294,587</u> |
| <b>Department of Education</b>                                  |                                       |                  |
| Child Nutrition State Matching Grant                            | 11000-SDE64370-16211                  | 7,996            |
| Healthy Foods Initiative                                        | 11000-SDE64370-16212                  | 16,210           |
| Regional Vocational-Tech School                                 | 11000-SDE64326-12519                  | 3,100            |
| Youth Service Bureau Enhancement                                | 11000-SDE64370-16201                  | 6,250            |
| Youth Service Bureau                                            | 11000-SDE64370-17052                  | 19,297           |
| School Breakfast                                                | 11000-SDE64000-17046                  | 14,495           |
| Adult Education                                                 | 11000-SDE64370-17030                  | 17,410           |
| Magnet School                                                   | 11000-SDE64370-17057                  | 57,200           |
| High Quality Schools Start Up                                   | 12052-SDE64370-43538                  | 29,985           |
|                                                                 |                                       | <u>171,943</u>   |
| <b>Department of Transportation</b>                             |                                       |                  |
| Town Aid Road Grants-Municipal                                  | 12052-DOT57131-43455                  | <u>320,210</u>   |
| <b>Judicial Branch</b>                                          |                                       |                  |
| Non-Budgeted Operating Appropriation                            | 34001-JUD95162-40001                  | <u>6,483</u>     |
| <b>Department of Energy and Environmental Protection</b>        |                                       |                  |
| Nonpoint Source Implementation                                  | 12060-DEP43720-20871                  | 1,811            |
| Performance Partnership Grant                                   | 12060-DEP43540-21010                  | 20               |
|                                                                 |                                       | <u>1,831</u>     |

(Continued)



Town of East Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance (Continued)  
For the Year Ended June 30, 2017

| State Grantor/Pass-Through<br>Grantor/Program Title                | State Grant Program<br>CORE-CT Number | Expenditures         |
|--------------------------------------------------------------------|---------------------------------------|----------------------|
| <b>Department of Public Safety</b>                                 |                                       |                      |
| Enhanced 911 Telecomm Fund                                         | 12060-DPS32740-35190                  | 2,805                |
| Emergency Mngmnt Perform Grant                                     | 12060-DPS32160-21881                  | 18,915               |
| Fire Sch Train & Ed Extension                                      | 12060-DPS32251-35180                  | 290                  |
| School Security Competitive Grant Program                          | 13019-DPS32161-41238                  | 77,220               |
| Nuclear Emergency Safety Fund                                      | 12060-DPS32982-90428                  | 75,503               |
| Nuclear Safety Fund CT Yankee                                      | 12060-DPS32982-30464                  | 392                  |
| Nuclear Safety Fund Dominion                                       | 12060-DPS32982-30465                  | 4,503                |
| Drug Asset Forfeit Rv Acct DPS                                     | 12060-DPS32155-35142                  | 7,607                |
|                                                                    |                                       | <u>187,235</u>       |
| <b>Connecticut State Library</b>                                   |                                       |                      |
| Historic Documents Preservation Grants                             | 12060-CSL66094-35150                  | <u>4,000</u>         |
| <b>Department of Agriculture</b>                                   |                                       |                      |
| Agricultural Viability PA05228                                     | 12060-DAG42710-90456                  | <u>7,600</u>         |
| <b>Total State Financial Assistance<br/>Before Exempt Programs</b> |                                       | <u>1,993,889</u>     |
| <b>Exempt Programs</b>                                             |                                       |                      |
| <b>Department of Education</b>                                     |                                       |                      |
| Education Cost-sharing                                             | 11000-SDE64370-17041                  | \$ 6,949,779         |
| Excess Cost - Student Based                                        | 11000-SDE64370-17047                  | <u>692,675</u>       |
| <b>Total Department of Education</b>                               |                                       | <u>7,642,454</u>     |
| <b>Office of Policy and Management</b>                             |                                       |                      |
| Mashantucket Pequot/Mohegan Fund                                   | 12009-OPM20600-17005                  | 320,180              |
| Municipal Revenue Sharing                                          | 12002-OPM20600-17102                  | <u>243,736</u>       |
| <b>Total Office of Policy and Management</b>                       |                                       | <u>563,916</u>       |
| <b>Total Exempt Programs</b>                                       |                                       | <u>8,206,370</u>     |
| <b>Total State Financial Assistance</b>                            |                                       | <u>\$ 10,200,259</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, 2017

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#### 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, 2017. 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

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations, and accordingly, expenditures and revenues are recognized on the modified accrual basis of accounting. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

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.

#### 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, 2017:

#### Department of Energy and Environmental Protection:

| Clean Water Funds    | Balance<br>July 1, 2016 | Issued      | Retired          | Balance<br>June 30, 2017 |
|----------------------|-------------------------|-------------|------------------|--------------------------|
| <u>6865-3100-888</u> |                         |             |                  |                          |
| 2010-8003            | \$ 311,688              | \$ -        | \$ 16,484        | \$ 295,204               |
| 2012-7010            | 304,498                 | -           | 14,412           | 290,086                  |
| <b>Total</b>         | <b>\$ 616,186</b>       | <b>\$ -</b> | <b>\$ 30,896</b> | <b>\$ 585,290</b>        |

**Town of East Lyme, Connecticut**

**Schedule of State Single Audit Compliance Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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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?   X   Yes    \_\_\_\_\_ No

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

| State Grantor and Program                | State Core-CT<br>Number | Expenditures |
|------------------------------------------|-------------------------|--------------|
| <b>Office of Policy and Management</b>   |                         |              |
| Property Tax Relief State-Owned Property | 11000-OPM20600-17004    | \$ 862,360   |
| Local Capital Improvement Program        | 12050-OPM20600-40254    | 256,987      |
| <b>Department of Transportation</b>      |                         |              |
| Town Aid Road Grants-Municipal           | 12052-DOT57131-43455    | 320,210      |

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

II. Financial Statement Findings

- We issued reports, dated May 11, 2018, on internal control over financial reporting and compliance and other matters based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance reported no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed two matters (IC2017-001 and IC2017-002)

**Town of East Lyme, Connecticut**

**Schedule of State Single Audit Compliance Findings and Questioned Costs, Continued  
For the Year Ended June 30, 2017**

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III. State Financial Assistance Findings and Questioned Costs

**a. Compliance**

**Finding #SCF2017-001**

Grantor: Office of Policy and Management

State Program Name: Local Capital Improvement Program

Pass-through Entity: Office of Policy and Management

State Grant Program

CORE- CT Number: 12050-OPM20600-40254

Criteria

The grantee must annually submit FORM OPM-DE-2017 to OPM within 90 days of the grantee's fiscal year end.

Condition

The Town did not submit the required form.

Questioned Cost

No questioned costs noted.

Context

The required report was not filed.

Effect

Management was not in compliance with state guidelines, which could cause a reduction or loss in funding from State grantors.

Cause

Management did not commit adequate personnel resources to enable the preparation of the required report to meet the state reporting requirements.

Recommendation

We recommend that the Town adopt controls surrounding grant reporting requirements to ensure all reports/forms are submitted within the required timeframe.

Management's Response

Management agrees with the finding.

**b. Internal Control**

No matters to report.

**Town of East Lyme, Connecticut**

**Summary of Prior Year State Financial Assistance Audit Findings  
For the Year Ended June 30, 2017**

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The prior year state single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior *audit's Summary of Prior State Audit Findings*.