

# **Town of East Lyme, Connecticut**

Federal and State Financial and Compliance Reports  
Year Ended June 30, 2016

## Contents

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### Reports Required by the Federal Single Audit Act and Uniform Guidance

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 the Uniform Guidance	1-2
Schedule of expenditures of federal awards	3-4
Notes to schedule of expenditures of federal awards	5
Schedule of findings and questioned costs	6-8
Summary of prior year audit findings	9

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### Reports Required by Government Auditing Standards

Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	10-11
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### Report Required by the State Single Audit Act

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	12-13
Schedule of expenditures of state financial assistance	14-15
Notes to schedule of expenditures of state financial assistance	16
Schedule of state single audit compliance findings and questioned costs	17
Summary of prior year state financial assistance audit findings	18

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Town of East Lyme, Connecticut corrective action plan	19
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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 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 each of the Town's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 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 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, 2016.

## **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 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated July 14, 2017, 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  
July 14, 2017

Town of East Lyme, Connecticut

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

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:			
Child Nutrition Cluster:			
Food Distribution - Non-cash	10.555	N/A	\$ 44,375
School Breakfast Program	10.555	12060-SDE64370-20508	43,978
National School Lunch Program	10.555	12060-SDE64370-20560	193,754
<b>Total Child Nutrition Cluster</b>			<u>282,107</u>
<b>Total U.S. Department of Agriculture</b>			<u>282,107</u>
<b>U.S. Department of Education</b>			
Passed through State Department of Education:			
Title I - Improving Basic Programs 14-16	84.010	12060-SDE64370-20679	94,270
Title I - Improving Basic Programs 15-17	84.010	12060-SDE64370-20679	104,353
<b>Total Title I - Cluster</b>			<u>198,623</u>
Special Education - Cluster:			
IDEA Part B, Section 619- Preschool 14-16	84.173	12060-SDE64370-20983	5,583
IDEA Part B, Section 619- Preschool 15-17	84.173	12060-SDE64370-20983	11,108
IDEA Part B, Sec 611 14-16	84.027	12060-SDE64370-20977	102,105
IDEA Part B, Sec 611 15-17	84.027	12060-SDE64370-20977	392,098
<b>Total Special Education - Cluster</b>			<u>510,894</u>
Carl Perkins - Basic Grants to States	84.048	12060-SDE64370-20742	17,684
Title II Part A - Teachers 14-16	84.367	12060-SDE64370-20858	50,827
Title II Part A - Teachers 15-17	84.367	12060-SDE64370-20858	13,053
<b>Total Title II - Cluster</b>			<u>63,880</u>
<b>Total U.S. Department of Education</b>			<u>791,081</u>
<b>U.S. Department of Homeland Security</b>			
Passed through State Department of Emergency Management and Homeland Security:			
Nuclear Emergency Safety Fund	97.052	12060-EHS99682-90428	12,092
Passed through State Department of Public Safety			
Emergency Management Performance Grant	97.042	12060-DPS32160-21881	9,562
FEMA Public Assistance Grant	97.036	12060-DPS32990-22520	5,459
FEMA Public Assistance Grant	97.036	12060-DPS32990-21891	250,178
			<u>265,199</u>
<b>Total U.S. Department of Homeland Security</b>			<u>277,291</u>

**Town of East Lyme, Connecticut**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

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 Transportation</b>			
Passed through the State Department of Transportation:			
Recreational Trails Program	20.219	12060-DEP44321-20296	\$ 210
Federal Highway Safety Grants	20.605	12062-DOT57513-20559	7,982
Highway Planning and Construction	20.205	12062-DOT57513-22108	16,221
Alcohol Open Container	20.601	12062-DOT57343-22091	68,911
<b>Total U.S. Department of Transportation</b>			<u>93,324</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	75
<b>Total U.S. Department of Housing and Urban Development</b>			<u>75</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,443,878</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, 2016

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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, 2016. 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 on 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 \$44,375 represents the market value of such commodities used during the period. This amount is included in 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.

**Town of East Lyme, Connecticut**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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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

*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 Section 2CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

*Identification of Major Programs*

CFDA Numbers	Name of Federal Program or Cluster
84.173/84.027 97.036	Special Education Cluster FEMA-Public Assistance

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

\_\_\_\_\_ \$750,000 \_\_\_\_\_

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No



Town of East Lyme, Connecticut

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2016

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II. Financial Statement Findings

**A. Deficiencies in Internal Control**

Significant Deficiencies in Internal Control

**IC2016-001. Journal Entries**

**Criteria:**

Trial balances at June 30, 2016 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 complete year-end closings.

**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:**

Management agrees to the findings.

Town of East Lyme, Connecticut

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2016

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**IC2016-002. 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 2014, 2015 and 2016 federal reporting package with the Federal Audit Clearinghouse within federal guidelines.

**Context:**

The 2014, 2015 and 2016 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, 2016**

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**Finding No IC15-1**

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 IC2016-001.

**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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 14, 2017.

**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 (IC2016-001 to IC2016-002).

**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  
July 14, 2017



RSM US LLP

**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**

**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, 2016. 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, 2016.

### **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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated July 14, 2017, 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  
July 14, 2017

Town of East Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2016

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	\$ 1,393
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	97,591
Property Tax Relief for Veterans	11000-OPM20600-17024	19,693
Property Tax Relief State-Owned Property	11000-OPM20600-17004	874,190
Municipal Purposes and Projects	12052-OPM20600-43587	22,442
Municipal Reimbursement and Revenue	12060-OPM20600-35525	20,600
Payment in Lieu of Taxes (PILOT) on Private Colleges	11000-OPM20600-17006	40,854
		<u>1,076,763</u>
<b>Department of Education</b>		
Child Nutrition State Matching Grant	11000-SDE64370-16211	7,749
Healthy Foods Initiative	11000-SDE64370-16212	15,926
Regional Vocational-Tech School	11000-SDE64326-12519	3,375
High Quality Schools and Common Core Implementation	12052-SDE64370-17047	62,311
Youth Service Bureau Enhancement	11000-SDE64370-16201	5,817
Youth Service Bureau	11000-SDE64370-17052	20,343
School Breakfast	11000-SDE64000-17046	15,198
Adult Education	11000-SDE64370-17030	16,718
Magnet School	11000-SDE64370-17057	57,200
		<u>204,637</u>
<b>Department of Transportation</b>		
Town Aid Road Grants - STO	12052-DOT57131-43459	<u>318,528</u>
<b>Judicial Branch</b>		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>11,714</u>
<b>Department of Energy and Environmental Protection</b>		
Small Town Economic Assistance Program	12052-DEP43153-40531	735,635
State Open Space Program	17081-DEP43153-43343	1,546
		<u>737,181</u>
<b>Department of Public Safety</b>		
Enhanced 911 Telecomm Fund	12060-DPS32740-35190	<u>1,000</u>
<b>Connecticut State Library</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>3,000</u>
<b>Military Department</b>		
RPOM-ATS Utilities	12060-MIL36238-22070	33,044
RPOM- RC Utilities	12060-MIL36247-22074	82
		<u>33,126</u>
<b>Department of Economic and Community Development</b>		
Historic Preservation Fund	12060-ECD46840-21494	<u>9,586</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>2,395,535</u>

(Continued)



Town of East Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance (Continued)  
For the Year Ended June 30, 2016

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	\$ 7,150,153
Transportation of School Children	11000-SDE64370-17027	48,774
Excess Cost - Student Based	11000-SDE64370-17047	481,720
<b>Total Department of Education</b>		<u>7,680,647</u>
<b>Office of Policy and Management</b>		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	338,385
<b>Total Office of Policy and Management</b>		<u>338,385</u>
<b>Total Exempt Programs</b>		<u>8,019,032</u>
<b>Total State Financial Assistance</b>		<u>\$ 10,414,567</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, 2016

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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, 2016. 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, 2016:

#### Department of Energy and Environmental Protection:

Clean Water Funds	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
<u>6865-3100-888</u>				
176-C	\$ 440	\$ -	\$ 440	\$ -
2010-8003	329,246	-	17,558	311,688
2012-7010	319,922	-	15,424	304,498
<b>Total</b>	<b>\$ 649,608</b>	<b>\$ -</b>	<b>\$ 33,422</b>	<b>\$ 616,186</b>

**Town of East Lyme, Connecticut**

**Schedule of State Single Audit Compliance Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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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? \_\_\_\_\_ 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 State-Owned Property	11000-OPM20600-17004	\$ 874,190
<b>Department of Energy and Environmental Protection</b>		
Small Town Economic Assistance Program	12052-DEP43153-40531	735,635
• Dollar threshold used to distinguish between type A and Type B programs:		<u>\$200,000</u>

II. Financial Statement Findings

- We issued reports, dated July 14, 2017, 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 indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting noted two matters (IC016-001 and IC2016-002)

III. State Financial Assistance Findings and Questioned Costs

No matters to report.

**Town of East Lyme, Connecticut**

**Summary of Prior Year State Financial Assistance Audit Findings  
For the Year Ended June 30, 2016**

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



**Corrective Action Plan  
For the Fiscal Year Ended June 30, 2016**

- Findings:** IC2016-001
- Contact Person:** Anna Johnson
- Corrective Action:** The Town will process all required adjusting entries to present the financial statements in accordance with GAAP.
- Proposed Completion Date:** The Department of Finance will implement the above corrective action for the fiscal year ended June 30, 2017.
- Findings:** IC2016-002
- Contact Person:** Anna Johnson
- Corrective Action:** The Town will complete all financial and compliance reports in a timely manner.
- Proposed Completion Date:** The Department of Finance will implement the above corrective action for the fiscal year ended June 30, 2017.