

# **Town of East Lyme, Connecticut**

Federal and State Financial and Compliance Reports  
Year Ended June 30, 2014

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**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

**Independent Auditor's Report**

To the Board of Finance  
Town of East Lyme, Connecticut

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

We have audited the Town of East Lyme, Connecticut's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, 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 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, 2014, 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 February 23, 2015, 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.



New Haven, Connecticut  
February 23, 2015

Town of East Lyme, Connecticut

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

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	\$ 61,944
School Breakfast Program	10.555	12060-SDE64370-20508	33,808
National School Lunch Program	10.555	12060-SDE64370-20560	155,128
<b>Total Child Nutrition Cluster</b>			<u>250,880</u>
<b>Total U.S. Department of Agriculture</b>			<u>250,880</u>
<b>U.S. Department of Education</b>			
Passed through State Department of Education:			
Title I - Improving Basic Programs 12-14	84.010	12060-SDE64370-20679	1,605
Title I - Improving Basic Programs 13-15	84.010	12060-SDE64370-20679	66,275
<b>Total Title I - Cluster</b>			<u>67,880</u>
Special Education - Cluster:			
IDEA Part B, Section 619- Preschool 12-14	84.173	12060-SDE64370-20983	2,899
IDEA Part B, Section 619- Preschool 13-15	84.173	12060-SDE64370-20983	2,414
IDEA Part B, Sec 611 12-14	84.027	12060-SDE64370-20977	400,133
IDEA Part B, Sec 611 13-15	84.027	12060-SDE64370-20977	246,246
<b>Total Special Education - Cluster</b>			<u>651,692</u>
Title II Part A - Teachers 12-14	84.367	12060-SDE64370-20858	22,737
Title II Part A - Teachers 13-15	84.367	12060-SDE64370-20858	4,958
<b>Total Title II - Cluster</b>			<u>27,695</u>
<b>Total U.S. Department of Education</b>			<u>747,267</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-EHS99682-30464	3,160
Nuclear Safety Fund Dominion	97.052	12060-EHS99682-30465	36,340
<b>Total U.S. Department of Homeland Security</b>			<u>39,500</u>
<b>U.S. Department of Transportation</b>			
Passed through the State Department of Transportation:			
Alcohol Open Container	20.601	12062-DOT57343-22091	19,289
<b>Total U.S. Department of Transportation</b>			<u>19,289</u>

Town of East Lyme, Connecticut

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
<b>U.S. Environmental Protection Agency</b>			
Passed through the State Department of Energy and Environmental Protection:			
Consolidated Forestry Programs	N/A	12060-DEP44165-22052	\$ 3,855
Passed through the State Department of Public Health:			
Capitalization Grants for Drinking Water State Revolving Funds - Grant	66.468	12060-DPH48770-22467	1,372,606
Capitalization Grants for Drinking Water State Revolving Funds - Loan	66.468	21018-DPH48770-42319	6,007,609
Capitalization Grants for Drinking Water State Revolving Funds - Loan	66.468	21018-DPH48770-43548	485,683
<b>Total U.S. Environmental Protection Agency</b>			<u>7,869,753</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 8,926,689</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, 2014**

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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, 2014. 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, changes in fund balances 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 \$61,944 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, 2014:

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	\$ -	\$ 5,323,034	\$ -	\$ 5,323,034

**Town of East Lyme, Connecticut**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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

*Identification of Major Programs*

CFDA Numbers	Name of Federal Program or Cluster
84.173/84.027	Special Education Cluster
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, 2014

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II. Financial Statement Findings

**A. Deficiencies in Internal Control**

Significant Deficiencies in Internal Control

**IC14-01. Journal Entries**

**Criteria:**

Trial balances at June 30, 2014 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:**

All closing entries were not recorded.

**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 time-line 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, 2014**

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**Finding No CF13-1**

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

Current Status: The finding has been corrected.



**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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 23, 2015.

**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 (IC14-01).

### **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.

The image shows a handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

New Haven, Connecticut  
February 23, 2015



**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, 2014. 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, 2014.

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of East Lyme, Connecticut, as of and for the year ended June 30, 2014, 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 February 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



New Haven, Connecticut  
February 23, 2015

**Town of East Lyme, Connecticut**

**Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2014**

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	\$ 1,276
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	102,889
Property Tax Relief for Veterans	11000-OPM20600-17024	24,020
Property Tax Relief State-Owned Property	11000-OPM20600-17004	933,077
Municipal Purposes and Projects	12052-OPM20600-43587	21,107
LOCIP	12060-OPM20600-40254	100,126
Payment in Lieu of Taxes (PILOT) on Private Colleges	11000-OPM20600-17006	40,548
		<u>1,223,043</u>
<b>Department of Education</b>		
Child Nutrition State Matching Grant	11000-SDE64000-16211	7,317
Youth Service Bureau Enhancement	11000-SDE64370-16201	6,171
Youth Service Bureau	11000-SDE64370-17052	21,095
High Quality Schools	12052-SDE64370-43538	139,874
School Breakfast	11000-SDE64000-17046	9,542
Adult Education	11000-SDE64370-17030	15,692
Magnet School	11000-SDE64370-17057	47,625
		<u>247,316</u>
<b>Department of Transportation</b>		
Town Aid Road Grants - STO	12052-DOT57131-43459	<u>320,772</u>
<b>Judicial Branch</b>		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	<u>88,050</u>
<b>Department of Public Safety</b>		
Enhanced 911 Telecomm Fund	12060-DPS32740-35190	<u>4,618</u>
<b>Connecticut State Library</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>4,000</u>
RPOM-ATS Utilities	12060-MIL36238-22070	<u>27,189</u>
<b>Department of Economic and Community Development</b>		
Arts Commission	11000-ECD46820-16258	1,855
Historic Preservation Fund	12060-ECD46840-21494	2,657
Historic Preservation Grants	12060-ECD46840-90455	151,850
Small Town Economic Assistance Program	12052-ECD46000-42411-149	5,452
Local Arts Agency Program	11000-ECD46820-20328	1,378
		<u>163,192</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>2,078,180</u>

(Continued)

Town of East Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance (Continued)  
For the Year Ended June 30, 2014

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	\$ 7,128,356
Transportation of School Children	11000-SDE64370-17027	52,267
Excess Cost - Student Based	11000-SDE64370-17047	668,150
<b>Total Department of Education</b>		<u>7,848,773</u>
<b>Office of Policy and Management</b>		
Municipal Revenue Sharing	12060-OPM20600-35458	114,206
Municipal Video Competition	12060-OPM20600-35362	5,095
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	329,119
<b>Total Office of Policy and Management</b>		<u>448,420</u>
<b>Total Exempt Programs</b>		<u>8,297,193</u>
<b>Total State Financial Assistance</b>		<u>\$ 10,375,373</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, 2014**

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

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, 2014. 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. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Expenditures reported on the Schedule are presented on the modified accrual basis of accounting. 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, 2014:

Department of Energy and Environmental Protection:

Clean Water Funds	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014
<u>6865-3100-888</u>				
176-C	\$ 225,458	\$ -	\$ 225,018	\$ 440
177-C	22,450	-	22,450	-
2010-8003	366,184	-	19,669	346,515
2012-7010	360,516	-	25,473	335,043
<b>Total</b>	\$ 974,608	\$ -	\$ 292,610	\$ 681,998

**Town of East Lyme, Connecticut**

**Schedule of State Single Audit Compliance Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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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 for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	\$ 102,889
Property Tax Relief State-Owned Property	11000-OPM20600-17004	933,077
<b>Department of Education</b>		
High Quality Schools	12052-SDE64370-43538	139,874

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

II. Financial Statement Findings

See IC2014-1.

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, 2014**

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