

# **Town of Waterford, Connecticut**

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

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RSM US LLP

**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 Members of the Board of Finance  
Town of Waterford, Connecticut

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

We have audited the Town of Waterford, 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, 2015. 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, 2015.

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

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 Waterford, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Connecticut's basic financial statements. We have issued our report thereon dated December 29, 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.

*RSM US LLP*

New Haven, Connecticut  
December 29, 2015

**Town of Waterford, Connecticut**

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through the State of Connecticut			
Department of Education:			
Nutrition Cluster:			
Food Distribution	10.555	N/A	\$ 24,052
National School Lunch	10.555	12060-SDE64370-20560	346,192
School Breakfast	10.553	12060-SDE64370-20508	101,714
<b>Total Nutrition Cluster</b>			<b>471,958</b>
<b>Total U.S. Department of Agriculture</b>			<b>471,958</b>
<b>U.S. Department of Education</b>			
Passed through the State of Connecticut			
Department of Education:			
Title I, Part A Cluster:			
Title I Grants to LEA - 7/13-6/15	84.010	12060-SDE64370-20679	223,082
Special Education Cluster:			
Special Education - Grants to States 7/13-6/15	84.027	12060-SDE64370-20977	44,347
Special Education - Grants to States 7/14-6/16	84.027	12060-SDE64370-20977	397,133
Special Education Preschool Grant 7/13-6/15	84.173	12060-SDE64370-20983	1,400
Special Education Preschool Grant 7/14-6/16	84.173	12060-SDE64370-20983	15,968
<b>Total Special Education Cluster</b>			<b>458,848</b>
Career and Technical Education -Basic Grants to States 7/14-6/15	84.048	12060-SDE64370-20742	76,773
Improving Teacher Quality State Grants- 7/13-6/15	84.367	12060-SDE64370-20858	25,830
Improving Teacher Quality State Grants- 7/14-6/16	84.367	12060-SDE64370-20858	37,733
			<b>63,563</b>
<b>Total U.S. Department of Education</b>			<b>822,266</b>
<b>U.S. Department of Homeland Security</b>			
Passed through the State Department of Emergency Management and Homeland Security:			
Emergency Management Performance Grants	97.042	12060-EHS99660-21881	9,449
State Homeland Security (SHS)	97.073	12060-EHS99530-21877	20,000
			<b>29,449</b>
Passed through the State of Connecticut			
Department of Emergency Services and Public Protection:			
Port Security Grant 2011	97.116	12060-DPS32160-22327	74,130
Port Security Grant 2013	97.116	12060-DPS32160-22327	48,435
Port Security Grant 2014	97.116	12060-DPS32160-22327	9,800
			<b>132,365</b>
<b>Total U.S. Department of Homeland Security</b>			<b>161,814</b>

(Continued)

**Town of Waterford, Connecticut**

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Justice</b>			
Passed through the State Department of Office of Policy and Management:			
Edward Byrne Memorial Justice Assistance Grant	16.738	12060-OPM20350-21921	\$ 16,265
Equitable sharing program	16.922	12060-OPM20350-20127	<u>1,815</u>
<b>Total U.S. Department of Justice</b>			<u>18,080</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the State of Connecticut Department of Economic and Community Development:			
Community Development Block Grants- Small Cities 2012	14.228	12060-ECD46400-20730	78,887
Community Development Block Grants- Small Cities 2013	14.228	12060-ECD46400-20730	<u>99,896</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>178,783</u>
<b>U.S. Department of Transportation</b>			
Passed through State Department of Transportation Highway Planning and Construction:			
Highway Planning and Construction	20.205	12062-DOT57151-22108	17,998
Highway Planning and Construction - Willetts Avenue	20.205	12062-DOT57151-22108	<u>431,654</u>
			<u>449,652</u>
Highway Safety Cluster:			
Alcohol Traffic Safety Grants	20.601	12062-DOT57513-22086	18,378
Safety Belt Performance Grant	20.609	12062-DOT57513-22093	2,300
National Priority Safety Programs - Distracted Driving	20.616	12062-DOT57513-22600	3,346
National Priority Safety Programs - Speeding Enforcement	20.616	12062-DOT57513-22600	<u>12,731</u>
<b>Total Highway Safety Cluster</b>			<u>36,755</u>
<b>Total U.S. Department of Transportation</b>			<u>486,407</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,139,308</u></u>

N/A - Not Applicable

See Notes to Schedule of Expenditures of Federal Awards.

**Town of Waterford, Connecticut**

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

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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 Waterford, Connecticut, under programs of the federal government for the year ended June 30, 2015. The information in the 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 fund balance, changes in net position or cash flows of the Town of Waterford, Connecticut.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. 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. Contributions**

**U.S.D.A. contributions:** The United States Department of Agriculture makes available commodities for donations to schools. The amount of \$24,052 represents the market value of such commodities used during the period. This amount is included with the Child Nutrition Cluster.



**Town of Waterford, Connecticut**

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

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III. Federal Award Findings and Questioned Costs

No current year findings noted

**Town of Waterford, Connecticut**

**Summary of Prior Year Audit Findings  
For the Year Ended June 30, 2015**

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**Finding No. 2014-01 Reporting**

**Grantor: U.S. Department of Homeland Security  
CFDA Number: 97.116  
Program Name: Port Security Grant 2012**

**Condition:**

Federal financial reports (FFR) were not filed timely for one out of two reports sampled. In addition, the engagement team inquired with the Department of Homeland Security auditor who performed a desk audit in January 2014, noting the FFR's were not filed since acceptance of the grant beginning with September 30, 2012, through their review in January 2014. All prior reports were filed on March 10, 2014. No issues were noted with the content reported.

**Current Status:**

The Town has implemented review procedures to ensure that reports are filed timely. All semi-annual reports will be filed by the grant administrator and a copy will be provided to the finance director. In addition, all quarterly federal financial reports will be prepared by the police department, filed by the 25<sup>th</sup> day of each quarter end, and copies will be provided to the grant administrator and to the Finance Director for review to ensure timely filing. All quarterly FFR reports were filed timely during the current fiscal year and the prior year 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 Members of the Board of Finance  
Town of Waterford, 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 Waterford, Connecticut (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 29, 2015. Our report includes an emphasis of a matter paragraph due to the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and its amendment, GASB Statement No. 71.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

New Haven, Connecticut  
December 29, 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 Members of the Board of Finance  
Town of Waterford, Connecticut

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

We have audited the Town of Waterford, Connecticut's (the Town) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2015. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major State Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as item 2015-01. Our opinion on each major program is not modified with respect to this matter.

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

### **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.

### **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 Waterford, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Connecticut's basic financial statements. We have issued our report thereon dated December 29, 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.

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.

*RSM US LLP*

New Haven, Connecticut  
December 29, 2015

**Town of Waterford, Connecticut**

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

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
<b>State Department of Education</b>		
Health Services	11000-SDE64300-17034	\$ 7,591
Youth Service Bureau	11000-SDE64300-17052	14,000
School Breakfast	11000-SDE64300-17046	15,678
Child Nutrition State Matching Grant	11000-SDE64300-16211	11,953
Adult Education - Cooperative	11000-SDE64300-17030	12,338
Magnet School Transportation	11000-SDE64300-17057	106,797
Youth Service Bureau Enhancement	11000-SDE64300-16201	6,171
CCS Professional Learning Mini Grant	11000-SDE64300-12566	485
Health Foods Initiative	11000-SDE64300-16212	24,527
Open Choice Program (2014)	11000-SDE64370-17053	3,000
Schools of Distinction	12060-SDE64300-20679	4,672
		<u>207,212</u>
<b>State Office of Policy and Management</b>		
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	2,000
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	185,749
Property Tax Relief for Veterans	11000-OPM20600-17024	12,279
Property Tax Relief	11000-OPM20600-17086	60,232
Reimburse Property Tax-Disabled Exemption	11000-OPM20600-17011	2,230
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM15910-17004	286,127
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OPM15910-17006	65,721
Municipal Grants-in-Aid	12052-OPM20600-43587	32,217
		<u>646,555</u>
<b>State Department of Transportation</b>		
Town Aid Road	12001-DOT57000-17036	<u>161,000</u>
<b>Department of Emergency Services and Public Protection</b>		
Local Prevention Council	N/A	3,221
Telecommunications Fund	12060-DPS32740-35190	22,971
Nuclear Safety Program	12060-EHS99681-30465	26,831
Nuclear Safety Program - Safety Exercise Reimbursements	12060-EHS99681-90428	28,215
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	10,597
		<u>91,835</u>
<b>Judicial Branch</b>		
Judicial Fines	34001-JUD95162-40001	<u>13,848</u>
<b>Connecticut State Library</b>		
Historic Documents Preservation	12060-CSL66094-35150	<u>5,000</u>
<b>Division of Criminal Justice:</b>		
New London County Cold Case Unit Grant	12060-DCJ30122-26119	<u>783</u>
<b>Department of Economic and Community Development</b>		
Brownfield Remediation Program	12052-ECD46260-43403	749,804
Small Town Economic Assistance Program	12052-ECD46000-42411	61,979
2013 Vibrant Communities Initiative	N/A	5,099
		<u>816,882</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>1,943,115</u>

(Continued)

Town of Waterford, Connecticut

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

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
<b>Exempt Programs</b>		
<b>Office of Policy and Management</b>		
Mashantucket Pequot and Mohegan Fund	12009-OPM20600-17005	<u>\$ 51,184</u>
<b>Department of Construction Services</b>		
School Construction Grants	13010-DCS28000-40901	<u>412,036</u>
<b>Department of Education</b>		
Education Cost Sharing	11000-SDE64000-17041-82010	1,446,476
Transportation of School Children	11000-SDE64000-17027	33,193
Excess Cost-Student Based	11000-SDE64000-17047	<u>719,394</u>
<b>Total Department of Education</b>		<u>2,199,063</u>
<b>Total Exempt Programs</b>		<u>2,662,283</u>
<b>Total State Financial Assistance</b>		<u><u>\$ 4,605,398</u></u>

See Note to Schedule of Expenditures of State Financial Assistance.

## Town of Waterford, Connecticut

### Note to Schedule of Expenditures of State Financial Assistance For the Year Ended June 30, 2015

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Waterford, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2015. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Waterford, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs including education, public works, social services, property tax relief and public safety. 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, changes in net position or cash flows of the Town of Waterford, Connecticut.

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

The accounting policies of the Town of Waterford, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

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

**Basis of accounting:** The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Town of Waterford, Connecticut**

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

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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? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

*State Financial Assistance*

Internal control over major programs:

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

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

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

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

State Grantor and Program	State CORE-CT Number	Expenditures
DECD - Brownfield Remediation Program	12052-ECD46260-43403	\$ 749,804
OPM - Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	286,127
Dollar threshold used to distinguish between type A and type B programs		\$ 200,000

II. Financial Statement Findings

No matters were reported.

**Town of Waterford, Connecticut**

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

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III. State Financial Assistance Findings and Questioned Costs

**Finding No. 2015-01 Reporting**

**Grantor: Department of Economic and Community Development  
CORE CT Number: 12052-ECD46260-43403  
Program Name: Brownfield Remediation Program**

**Criteria:**

The Town currently has one grant under this program which is being used for the purpose of environmental assessments, remediation, and other clean-up costs associated with the demolition of the Cohanzie Elementary School building. As part of the grant agreement, the Town is required to submit select financial statements (Semi-Annual Balance Sheets and Statement of Program Costs) no later than 30 days following June 30<sup>th</sup> and December 31<sup>st</sup> each year until the expiration of the program.

**Condition:**

Semi-Annual Balance Sheets and Statement of Program Costs were not filed timely.

**Questioned Costs:**

None noted.

**Context:**

We noted there were two semi-annual balance sheet and statement of program cost reports that were required to be filed and were not filed timely.

**Effect:**

No effect can be determined.

**Cause:**

The Department responsible for submitting the required reports indicated above did not follow instructions provided by the Finance Director to ensure timely reporting requirements were met.

**Recommendation:**

We recommend that the Town implement procedures to ensure the timely filing of reports in accordance with grant requirements.

**Response and Corrective Action:**

The Finance Director will meet with the First Selectman and recommend implementation of grant reporting policies which will be reviewed and distributed to all department heads.