

TOWN OF WATERFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL
AND COMPLIANCE REPORTS
Fiscal Year Ended June 30, 2013

TOWN OF WATERFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORTS

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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 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, 2013. 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, 2013.

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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Connecticut's basic financial statements. We issued our report thereon dated November 27, 2013, 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
November 27, 2013

TOWN OF WATERFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed through the State of Connecticut			
Department of Education			
Nutrition Cluster:			
Summer Food Service Program	10.559	12060-SDE64351-26130	\$ 3,490
National School Lunch	10.555	12060-SDE64370-20560	314,162
School Breakfast	10.553	12060-SDE64370-20508	84,470
Total Nutrition Cluster			402,122
Total U.S. Department of Agriculture			402,122
U.S. Department of Education/ Passed through the State of Connecticut			
Department of Education			
Title I Cluster:			
Title I- 7/11-6/13	84.010A	12060-SDE64370-20679	4,430
Title I- 7/12-6/14	84.010A	12060-SDE64370-20679	226,674
Total Title I Cluster			231,104
Special Education Cluster:			
IDEA - Part B- 7/11-6/13	84.027A	12060-SDE64370-20977	199,193
IDEA - Part B- 7/12-6/14	84.027A	12060-SDE64370-20977	431,691
Handicapped Preschool Incentive Grant	84.173A	12060-SDE64370-20983	18,196
Total Special Education Cluster			649,080
Vocational Education - Perkins Act 7/12-6/13	84.048A	12060-SDE64370-20742	21,824
Title II - Part A - Teachers/Principal- 7/11-6/13	84.367A	12060-SDE64370-20858	30,191
Title II - Part A - Teachers/Principal- 7/12-6/14	84.367A	12060-SDE64370-20858	44,852
			75,043
Total U.S. Department of Education			977,051
U.S. Department of Homeland Security/ 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	60,000
Disaster Grants - Public Assistance	97.036	12060-EHS99690-21891	258,280
			327,729
Passed through the State of Connecticut			
Department of Public Safety			
Port Security Grant	97.116	12060-DPS32160-22327	39,814
Total U.S. Department of Homeland Security			367,543

See Notes to Schedule of Expenditures of Federal Awards.

(Continued)

TOWN OF WATERFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice/ Passed through the State Department of Office of Policy and Management Police Video Equipment Technology (PVET) Grant	16.738	12060-OPM20350-21921	<u>5,011</u>
U.S. Department of Health and Human Services/ Direct Grant Drug Free Communities Support Program	93.276	N/A	<u>128,446</u>
U.S. Department of Emergency Services & Public Protection/ Passed through the State of Connecticut Department of Public Safety Critical Infrastructure	97.056	12060-DPS32160-22327	<u>37,599</u>
U.S. Department of Housing and Urban Development Passed through the State of Connecticut Department of Economic and Community Development Community Development Block Grants- Small Cities	14.218	12060-ECD46400-20730	<u>28,895</u>
U.S. Department of Transportation/ Passed through State Department of Transportation Highway Planning and Construction Cluster: ARRA-Highway Planning and Construction Highway Planning and Construction Total Highway Planning and Construction Cluster	22.205 20.205 Total Highway Planning and Construction Cluster	12062-DOT57151-29016 12062-DOT57151-22108	<u>18,819</u> <u>183,516</u> <u>202,335</u>
Highway Safety Cluster: Alcohol Traffic Safety Grants Safety Belt Performance Grant Total Highway Safety Cluster	20.601 20.609 Total Highway Safety Cluster	12062-DOT57513-22086 12062-DOT57513-22093	<u>9,909</u> <u>1,545</u> <u>11,454</u>
Total U.S. Department of Transportation			<u>213,789</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,160,456</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

N/A - Not Applicable

TOWN OF WATERFORD, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

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, 2013. 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 and changes in net position of the Town.

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 \$35,944 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
For the Year Ended June 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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 510(a) of OMB Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No
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Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
84.027A/84.173A	Special Education Cluster
84.010A	Title I
93.276	Drug Free Communities Support Program
Dollar threshold used to distinguish between type A and type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> X Yes <input type="checkbox"/> No

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**TOWN OF WATERFORD, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013**

There were no findings in the prior year.



**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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 27, 2013.

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.

McGladrey LLP

New Haven, Connecticut
November 27, 2013



**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, 2013. 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, 2013.

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 Waterford, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Connecticut's basic financial statements. We issued our report thereon dated November 27, 2013, 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
November 27, 2013

TOWN OF WATERFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
State Department of Education:		
Nonpublic Health Services	11000-SDE64300-17034	\$ 5,924
Youth Service Bureaus	11000-SDE64300-17052	14,000
School Breakfast	11000-SDE64300-17046	7,634
Child Nutrition State Matching	11000-SDE64300-16211	13,200
Adult Education - Cooperative	11000-SDE64300-17030	11,212
Magnet School Transportation	11000-SDE64300-17057	93,503
Youth Service Bureau Enhancement	11000-SDE64300-16201	6,111
Open Choice	11000-SDE64300-17053	6,000
Health Foods Initiative	11000-SDE64300-16212	28,675
		<u>186,259</u>
Connecticut State Library:		
Historic Documents Preservation	12060-CSL66094-35150	<u>7,720</u>
State Office of Policy and Management:		
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	2,000
Property Tax Relief for Elderly Homeowners	11000-OPM20600-17018	184,203
Property Tax Relief for Veterans	11000-OPM20600-17024	10,269
Reimburse Property Tax-Disabled Exemption	11000-OPM20600-17011	1,915
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM15910-17004	373,493
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OPM15910-17006	48,707
Local Capital Improvement Program	12050-OPM20600-40254	145,316
		<u>765,903</u>
Board of Education and Services for the Blind:		
Education of Handicapped Blind Children	11000-ESB65020-12060	<u>37,750</u>
State Department of Transportation:		
Town Aid Road	12001-DOT57000-17036	161,255
Clean Fuel Program	12062-DOT57931-22108	16,200
		<u>177,455</u>
Department of Public Safety:		
Telecommunications Fund	12060-DPS32740-35190	29,485
Nuclear Safety Fund	12060-DPS32980-30465	49,879
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	7,693
		<u>87,057</u>
Judicial Branch:		
Judicial Fines	34001-JUD95162-40001	<u>12,994</u>
Department of Emergency Services and Public Protection:		
Nuclear Safety Program	12060-EHS99681-30465	<u>2,899</u>
Division of Criminal Justice:		
New London County Cold Case Unit Grant	12060-DCJ30122-26119	<u>7,839</u>
Total State Financial Assistance Before Exempt Programs		<u>1,285,876</u>

TOWN OF WATERFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2013

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
EXEMPT PROGRAMS		
Office of Policy and Management:		
Municipal Revenue Sharing	12060-OPM20600-35458	176,338
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	47,817
Municipal Video Competition	12060-OPM20600-35362	19,255
Total Office of Policy and Management		243,410
Department of Construction Services:		
School Construction Grants	13010-DCS27610-40901	6,277,393
Department of Education:		
Education Cost Sharing	11000-SDE64300-17041	1,438,159
Transportation of School Children	11000-SDE64300-17027	27,261
Excess Cost Student Based and Equity	11000-SDE64300-17047	764,090
Total Department of Education		2,229,510
Total Exempt Programs		8,750,313
Total State Financial Assistance		\$ 10,036,189

See Notes 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, 2013

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, 2012. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Waterford 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.

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, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

State Financial Assistance

Internal control over major programs:

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

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

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

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

State Grantor and Program	State CORE-CT Number	Expenditures
OPM- Local Capital Improvement	12050-OPM20600-40254	\$ 145,316
OPM - Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	373,493
DOT- Town Aid Road	12001-DOT57000-17036	161,255
Dollar threshold used to distinguish between type A and type B programs		<u>\$ 200,000</u>

II. FINNACIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.