

McGladrey & Pullen

Certified Public Accountants

TOWN OF COLCHESTER, CONNECTICUT

**FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2007**

TOWN OF COLCHESTER, CONNECTICUT

FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

To the Board of Finance
Town of Colchester, Connecticut

Compliance

We have audited the compliance of the Town of Colchester, Connecticut (The "Town"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The Town of Colchester, Connecticut's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town of Colchester, Connecticut's management. Our responsibility is to express an opinion on the Town of Colchester, Connecticut's compliance based on our audit.

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 of Colchester, Connecticut'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. Our audit does not provide a legal determination on the Town of Colchester, Connecticut's compliance with those requirements.

In our opinion, the Town of Colchester, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Town of Colchester, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Colchester, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 of Colchester, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Colchester, Connecticut's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Town of Colchester, Connecticut's internal control.

A material weakness is a significant deficiency or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 Colchester, Connecticut as of and for the year ended June 30, 2007, and have issued our report thereon dated January 28, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colchester, Connecticut's 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, "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the management and the Board of Finance of the Town of Colchester, Connecticut and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 28, 2008

TOWN OF COLCHESTER, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture/ Passed through the State of Connecticut			
Department of Education:			
Food Distribution Program	10.550	N/A	\$ 35,489
Child Nutrition Cluster:			
National School Breakfast Program	10.553	12060-SDE64370-20508	14,312
National School Lunch Program	10.555	12060-SDE64370-20560	105,396
Special School Milk Program	10.556	12060-SDE64370-20500	4,542
Total U.S. Department of Agriculture			<u>159,739</u>
U.S. Department of Housing and Urban Development Passed through the State of Connecticut			
Department of Housing:			
Community Development Block Grant-Small Cities	14.228	12060-ECD46350-20730	<u>479,079</u>
U.S. Department of Transportation/ Passed through the State of Connecticut			
Department of Transportation:			
Federal Highway Safety Grants	20.600	12062-DOT57533-20559	10,417
Alcohol Open Container Requirements	20.607	12062-DOT57533-22091	5,333
			<u>15,750</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	12062-DOT57931-21361	40,000
	20.513	12062-DOT57931-35304	15,487
			<u>55,487</u>
Total U.S. Department of Transportation			<u>71,237</u>
U.S. Department of Education/ Passed through the State of Connecticut			
Department of Education:			
Title I - Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2006	54,973
		12060-SDE64370-20679-2007	104,921
			<u>159,894</u>

See Notes to Schedule

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education/ Passed through the State of Connecticut Department of Education, Continued:			
Special Education Cluster:			
IDEA-Part B, Section 611, Special Education	84.027	12060-SDE64370-20977-2006 12060-SDE64370-20977-2007	98,395 428,963 <u>527,358</u>
IDEA-Part B, Section 619	84.173	12060-SDE64370-20983-2006 12060-SDE64370-20983-2007	12,749 21,422 <u>34,171</u>
Total Special Education Cluster			<u>561,529</u>
Carl D. Perkins Act Vocational & Technical Education Act	84.048	12060-SDE64370-20742-2007	<u>69,050</u>
Title IV - Safe and Drug Free Schools	84.186	12060-SDE64370-20873-2006 12060-SDE64370-20873-2007	7,114 161 <u>7,275</u>
Title V - Innovative Education Program Strategies	84.298	12060-SDE64370-20909-2006 12060-SDE64370-20909-2007	7,160 3,925 <u>11,085</u>
Title II - Part A - Teacher and Principal Training	84.367	12060-SDE64370-20858-2006 12060-SDE64370-20858-2007	23,856 33,890 <u>57,746</u>
Title II - Part D - Enhanced Education Through Technology	84.318	12060-SDE64370-20826-2006 12060-SDE64370-20826-2007	354 969 <u>1,323</u>
Total U.S. Department of Education			<u>867,902</u>

See Notes to Schedule

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

For the Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Homeland Security/ Passed through the State of Connecticut Department of Emergency Management & Homeland Security:			
State Homeland Security	97.004	12060-EHS99530-21877	<u>13,143</u>
U.S. Department of Health and Human Services Passed through the State of Connecticut Department of Public Health:			
Bioterrorism Program	93.283	12060-DPH48557-21096-2005	9,000
		12060-DPH48557-21096-2006	11,709
		12060-DPH48557-21096-2007	<u>37,530</u>
Total Department of Health and Human Services			<u>58,239</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,649,339</u></u>

See Notes to Schedule

TOWN OF COLCHESTER, CONNECTICUT

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007**

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Colchester and is presented on the modified accrual/accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

U.S.D.A. Contributions:

Donated commodities in the amount of \$35,489 are included in Department of Agriculture above, Agriculture's Food Distribution Program (CFDA #10.550). The amount represents the market value of the commodities used during the period.

TOWN OF COLCHESTER, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X 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 that are not considered to be material weaknesses? _____ Yes X None reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Program Name or Cluster</u>
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

TOWN OF COLCHESTER, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2007

II. FINANCIAL STATEMENT FINDINGS

A. Internal Control

None reported.

B. Compliance Findings

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Compliance

None reported.

B. Compliance Findings

None reported.

**TOWN OF COLCHESTER, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2007**

There were no findings relative to federal awards in the prior year.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Finance
Town of Colchester, Connecticut

We have audited the financial statements of the governmental activities, the business activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Connecticut (the "Town"), as of and for the year ended June 30, 2007, which collectively comprise the Town of Colchester, Connecticut's basic financial statements, and have issued our report thereon dated January 28, 2008. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Colchester, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Colchester, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Colchester, Connecticut's internal control over financial reporting.

A control deficiency 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 and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Colchester, Connecticut's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Colchester, Connecticut's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Colchester, Connecticut's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Colchester, Connecticut's financial statements are free of 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."

We noted certain matters that we reported to management of the Town of Colchester, Connecticut in a separate letter dated January 28, 2008.

This report is intended solely for the information and use of the Board of Finance, the management of the Town of Colchester, Connecticut, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 28, 2008

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
THE STATE SINGLE AUDIT ACT AND ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

To the Board of Finance
Town of Colchester, Connecticut

Compliance

We have audited the compliance of the Town of Colchester, Connecticut with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major State programs for the year ended June 30, 2007. The major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Colchester's management. Our responsibility is to express an opinion on compliance based on our audit.

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 and 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 of Colchester'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. Our audit does not provide a legal determination on the Town of Colchester's compliance with those requirements.

In our opinion, the Town of Colchester, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Town of Colchester, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 of Colchester, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Colchester, Connecticut's ability to administer a state program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the Town of Colchester, Connecticut's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by an entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

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 Colchester, Connecticut as of and for the year ended June 30, 2007, and have issued our report thereon dated January 28, 2008. Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the Town of Colchester, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Finance, the Office of Policy and Management, State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 28, 2008

TOWN OF COLCHESTER, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2007**

State Grantor/Pass Through Grantor/Program Title	State Grant Program CORE-CT Number	State Expenditures
DEPARTMENT OF EDUCATION		
Child Nutrition Program - School Lunch State Match	11000-SDE64370-16072	\$ 21,580
Adult Education	11000-SDE64370-17030	48,612
Youth Service Bureaus	11000-SDE64370-17052	18,745
Magnet School Transportation	11000-SDE64370-17057	1,060
School Readiness - Severe Need Schools	11000-SDE64370-12113	107,000
Future Scholars	11000-SDE64370-12368	25,000
Youth Leadership Program	11000-SDE64370-17084	3,944
State Funds for Technology Infrastructure	12052-SDE64370-42860	20,100
Minor Capital Improvements & Wiring	12052-SDE64370-42861	5,776
Total State Department of Education		<u>251,817</u>
DEPARTMENT OF PUBLIC HEALTH		
Per Capita Funding	11000-DPH48500-17009	<u>14,632</u>
OFFICE OF POLICY AND MANAGEMENT		
Property Tax Reimbursement - Disability Exemption	11000-OPM20600-17011	1,740
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	57,135
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	4,181
Property Tax Relief for Veterans	11000-OPM20600-17024	6,707
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031	33,423
Property Tax Relief	11000-OPM20600-17086	88,502
Local Capital Improvement Program	12050-OPM20600-40254	117,627
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	117,495
Total Office of Policy and Management		<u>426,810</u>
DEPARTMENT OF TRANSPORTATION		
Town Aid Roads Grants	12001-DOT57131-17036	<u>148,055</u>
COMMISSION ON CULTURE & TOURISM		
Historic Preservation Fund Subgrants	12060-CAT45241-21494	2,788
Basic Cultural Resources Grant	11000-CAT45220-17067	3,500
		<u>6,288</u>
STATE COMPTRROLLER		
Boat Grant	12027-OSC15910-40211	3,264
Payment in Lieu of Taxes on State-Owned Property	11000-OSC15910-17004	67,702
Total State Comptroller		<u>70,966</u>

See Note to Schedule.

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2007**

State Grantor/Pass Through Grantor/Program Title	State Grant Program CORE-CT Number	State Expenditures
BOARD OF EDUCATION AND SERVICES FOR THE BLIND		
Education of Handicapped Blind Children	11000-ESB65020-12060	<u>14,892</u>
CONNECTICUT STATE LIBRARY		
Historic Documents Preservation Grant	12060-CSL66094-35150	7,000
State Grants to Public Libraries	11000-CSL66051-17003	<u>1,897</u>
Total Connecticut State Library		<u>8,897</u>
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS		<u>942,357</u>
DEPARTMENT OF EDUCATION		
School Construction Projects - Interest	13009-SDE64370-40896	266,980
School Construction Projects-Principal	13010-SDE64370-40901	1,182,478
School Construction Progress Payments	13010-SDE64370-40901	13,348,612
Transportation for School Children - Public	11000-SDE64370-17027	412,496
Education Equalization	11000-SDE64370-17041	11,540,190
Excess Cost-Student Based	11000-SDE64370-17047	<u>916,476</u>
Total exempt programs		<u>27,667,232</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 28,609,589</u>

See Note to Schedule.

**TOWN OF COLCHESTER, CONNECTICUT
STATE FINANCIAL ASSISTANCE PROGRAMS**

**NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2007**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Colchester, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Colchester, 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.

Basis of Accounting

The financial statements for the governmental fund types contained in the Town of Colchester, Connecticut's basic financial statements are prepared on the modified accrual basis of accounting. The financial statements for the business-type activities are prepared on the full accrual basis of accounting.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared on the modified accrual basis of accounting, while amounts related to the business-type activities are reported on the full accrual basis of accounting, and on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), 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 as awards in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

As a result, certain classifications of revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for the Schedule of Expenditures of State Financial Assistance.

TOWN OF COLCHESTER, CONNECTICUT

**SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS
AND QUESTIONED COSTS**

For the Year Ended June 30, 2007

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ 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 that are not considered to be material weaknesses? _____ Yes X None reported

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

- 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 state programs included in the audit:

State Grantor and Program	State CORE-CT Number	State Expenditures
School Readiness-Severe Needs Schools	11000-SDE64370-12113	\$ 107,000
Local Capital Improvement Program	12050-OPM20600-40254	117,627
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	117,495
Town Aid Road Grants	12001-DOT57131-17036	148,055

TOWN OF COLCHESTER, CONNECTICUT

**SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS
AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2007**

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated January 28, 2008, on internal control over financial reporting and compliance and other matters based on an audit of basic financial statements performed in accordance with the standards applicable to financial audits contained in “Government Auditing Standards.”
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no matters that we consider to be material weaknesses.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

A. Internal Controls Over Compliance

None reported.

B. Compliance Findings

None reported.