

Town of Colchester, Connecticut

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

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**Report on Compliance for Each Major Federal Program; Report on
Internal Control Over Compliance; and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

To the Members of the Board of Finance
Town of Colchester, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the Town of Colchester, Connecticut's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2016. The Town's major federal program is 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the 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 of Colchester, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated January 11, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

New Haven, Connecticut
January 11, 2017

Town of Colchester, Connecticut

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the State of Connecticut			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	12060-SDE64370-20508	\$ 36,235
National School Lunch Program	10.555	12060-SDE64370-20560	230,940
Total Child Nutrition Cluster			<u>267,175</u>
Summer EBT Children Demo Program	10.580	12060-SDE64351-26130	823
Total U.S. Department of Agriculture			<u>267,998</u>
U.S. Department of Transportation			
Passed through the State of Connecticut			
Department of Transportation:			
Alcohol Open Container Requirements	20.607	12062-DOT57533-22091	<u>14,224</u>
U.S. Department of Education			
Passed through the State of Connecticut			
Department of Education:			
Title I - Grants to Local Educational Agencies	84.010A	12060-SDE64370-20679	<u>109,550</u>
Special Education Cluster:			
IDEA-Part B, Section 611, Special Education	84.027A	12060-SDE64370-20977	527,573
IDEA-Part B, Section 619	84.173A	12060-SDE64370-20983	21,534
Total Special Education Cluster			<u>549,107</u>
Carl D. Perkins Act Vocational & Technical Education	84.048A	12060-SDE64370-20742	<u>39,860</u>
Title II - Part A - Teacher and Principal Training	84.367A	12060-SDE64370-20858	<u>40,391</u>
Passed through Eastconn:			
Title III - Part A - English Language Acquisition	84.365	12060-20868-82075	<u>3,387</u>
Total U.S. Department of Education			<u>742,295</u>

(Continued)

Town of Colchester, Connecticut

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

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through the Eastern Connecticut Area Agency on Aging Title III -Part B, Grants for Supportive Services and Senior Centers	93.044	N/A	<u>\$ 19,391</u>
Total expenditures of federal awards			<u><u>\$ 1,043,908</u></u>

N/A - Not available

See Notes to Schedule of Federal Awards

Town of Colchester, Connecticut

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Colchester, Connecticut (the Town) under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to, and does not, present the financial position, changes in fund balances, and changes in net position or cash flows of the Town.

Note 2. Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for grants which are accounted for in the governmental funds and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3. Non-Cash Awards

Donated commodities in the amount of \$41,624 from the Department of Agriculture are included in the National School Lunch Cluster, CFDA No. 10.555. The amount represents the market value of such commodities used during the period.

Note 4. Indirect Cost Recovery

The Town did not recover its indirect cost using the 10% de minimus indirect cost rate provided under Section 200.414 of the Uniform Guidance.

Town of Colchester, Connecticut

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

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements
audited were in accordance with GAAP:

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

Federal Awards

Internal control over major programs:

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

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

- Any audit findings disclosed that are
required to be reported in accordance
with Section 2 CFR 200.516(a)? Yes X No

Identification of Major Federal Programs

CFDA Numbers

Federal Program Name or Cluster

10.553 / 10.555

Child Nutrition Cluster

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

 \$750,000

Auditee qualified as low-risk auditee?

 X Yes No

II. Financial Statement Findings

No matters were reported.

III. Federal Award Findings and Questioned Costs

No matters were reported.

Town of Colchester, Connecticut

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

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 Colchester, 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 Colchester, Connecticut (the Town) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 11, 2017.

Internal Control Over Financial Reporting

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

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

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

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM VS LLP

New Haven, Connecticut
January 11, 2017

**Report on Compliance for Each Major State Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of State Financial Assistance Required by the State Single Audit Act**

Independent Auditor's Report

To the Members of the Board of Finance
Town of Colchester, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Colchester, Connecticut's (the Town) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2016. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated January 11, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM VS LLP

New Haven, Connecticut
January 11, 2017

Town of Colchester, Connecticut

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

State Grantor/Pass Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Education		
Child Nutrition Program - School Lunch State Match	11000-SDE64370-16211	\$ 7,766
Adult Education	11000-SDE64370-17030	29,752
Youth Service Bureaus	11000-SDE64370-17052	18,321
School Readiness - Severe Need Schools	11000-SDE64370-12113	151,200
Youth Service Bureau - Enhancement	11000-SDE64370-16201	4,661
Healthy Foods Initiative	11000-SDE64370-16212	15,959
School Breakfast Program	11000-SDE64000-17046	12,306
School Readiness - Quality Enhancement	11000-SDE64370-17097	3,881
High Quality Schools and Common Core Implementation (Bonds)	12052-SDE64370-43538	57,857
Magnet School Transportation	11000-SDE64370-17057	895
Passed through Eastconn		
TEAM Mentor Program	09SDE015AA	5,750
Total State Department of Education		<u>308,348</u>
Office of Policy and Management		
Property Tax Reimbursement - Disability Exemption	11000-OPM20600-17011	1,863
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	46,872
Property Tax Relief for Veterans	11000-OPM20600-17024	7,654
Local Capital Improvement Program	12050-OPM20600-40254	117,313
Municipal Grants-in-Aid	12052-OPM20600-43587	6,202
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	47,757
Total Office of Policy and Management		<u>227,661</u>
Connecticut State Library		
Historic Documents Preservation Grant	12060-CSL66094-35150	<u>3,000</u>
Department of Energy and Environmental Protection		
Small Town Economic Assistance Program	12052-DEP43720-40531	63,131
Open Space and Watershed Land Acquisition Program	OSWA-481	<u>33,183</u>
Total Department of Energy and Environmental Protection		<u>96,314</u>
Judicial Branch		
Parking Fines	34001-JUD95162-40001	<u>7,975</u>
Department of Transportation		
Town Aid Road Grant - Transportation Fund	13033-DOT57131-43459	182,399
Bus Operations - Matching Grant	12001-DOT57931-12175	<u>31,728</u>
Total Department of Transportation		<u>214,127</u>

(Continued)

Town of Colchester, Connecticut

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

State Grantor/Pass Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Labor		
Passed through United Way		
Two Generation Initiative	N/A	\$ 2,415
Department of Emergency Services and Public Protection		
School Security Competitive Grant Program (Bonds)	12052-DPS32161-43546	87,460
Total State Financial Assistance Before Exempt Programs		<u>947,300</u>
Exempt Programs		
Department of Education		
Transportation for School Children - Public	11000-SDE64370-17027	166,417
Education Equalization	11000-SDE64370-17041	13,768,328
Excess Cost-Student Based	11000-SDE64370-17047	783,263
School Construction Progress Payments	13010-SDE64370-40901	500,630
Total Department of Education		<u>15,218,638</u>
Office of Policy and Management		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	68,600
Total exempt programs		<u>15,287,238</u>
Total State Financial Assistance		<u><u>\$ 16,234,538</u></u>

See Notes to the Schedule of Expenditures of State Assistance

Town of Colchester, Connecticut

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Colchester, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2016. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to, and does not, present the financial position, changes in fund balances, and changes in net position or cash flows of the Town.

Note 2. 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 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. 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.

Note 3. Loan Programs

In accordance with Section 4-236-23(a)(4) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2016:

Department of Energy and Environmental Protection:

Clean Water Fund 200702-C

Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
\$ 1,732,929	\$ -	\$ 116,173	\$ 1,616,756

Town of Colchester, Connecticut

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

I. Summary of Independent 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 state programs: unmodified.

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

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

State Grantor and Program	State Grant Program CORE-CT Number	Expenditures
DOE - School Readiness - Severe Need Schools	11000-SDE64370-12113	\$ 151,200
DOT - Town Aid Road Grant - Transportation Fund	13033-DOT57131-43459	182,399
OPM - Payment in Lieu of Taxes on State Owned Property	11000-OPM20600-17004	47,757
OPM - Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	46,872
• Dollar threshold used to distinguish between Type A and Type B programs		<u>\$100,000</u>

II. Financial Statement Findings

No matters were reported.

III. State Financial Assistance Findings and Questioned Costs

No matters were reported.

Town of Colchester, Connecticut

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

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