

**THE TOWN OF WINDHAM, CONNECTICUT**

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

**TOWN OF WINDHAM, 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 Board of Finance  
Town of Windham, Connecticut

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

We have audited the Town of Windham, 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 Windham, 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 Windham, Connecticut's basic financial statements. We issued our report thereon dated January 31, 2014, 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  
January 31, 2014

TOWN OF WINDHAM, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
<b>Passed Through the State of Connecticut</b>			
<b>Department of Education:</b>			
School Improvement Grants (12/14)	84.377A	12060-SDE64370-22223	\$ 557,027
School Improvement Grants (11/13)	84.377A	12060-SDE64370-22223	162,927
School Improvement Grants (11/13)	84.377A	12060-SDE64370-22223	523,842
<b>Total School Improvement Grants</b>			<u>1,243,796</u>
Career and Technical Education - Basic Grants to States (12/13)	84.048	12060-SDE64370-20742	<u>70,369</u>
Improving Teacher Quality State Grants (12/14)	84.367A	12060-SDE64370-20858	270,177
Improving Teacher Quality State Grants (11/13)	84.367A	12060-SDE64370-20858	90,976
<b>Total Improving Teacher Quality State Grants</b>			<u>361,153</u>
Twenty-First Century Community Learning Centers (12/14)	84.287C	12060-SDE64370-20863	292,476
Twenty-First Century Community Learning Centers (11/13)	84.287C	12060-SDE64370-20863	31,883
<b>Total Twenty-First Century Community Learning Centers</b>			<u>324,359</u>
Rural and Low Income School Program (12/14)	84.358B	12060-SDE64370-20866	<u>61,098</u>
English Language Acquisition Grants (12/14)	84.365A	12060-SDE64370-20868	106,562
English Language Acquisition Grants (11/13)	84.365A	12060-SDE64370-20868	30,889
<b>Total English Language Acquisition Grants</b>			<u>137,451</u>
Title I Grants to Local Educational Agencies (12/14)	84.010A	12060-SDE64370-20679	1,363,850
Title I Grants to Local Educational Agencies (11/13)	84.010A	12060-SDE64370-20679	228,257
<b>Total Title I Grants</b>			<u>1,592,107</u>
Special Education Cluster:			
Special Education - Preschool Grants (12/14)	84.173A	12060-SDE64370-20983	35,767
Special Education - Preschool Grants (11/13)	84.173A	12060-SDE64370-20983	1,003
Special Education - Grants to States (12/14)	84.027A	12060-SDE64370-20977	866,296
Special Education - Grants to States (11/13)	84.027A	12060-SDE64370-20977	27,977
<b>Total Special Education Cluster</b>			<u>931,043</u>
Educating Homeless Children and Youth Program (12/13)	84.196A	12060-SDE64370-20770	<u>40,000</u>
<b>Total U.S. Department of Education</b>			<u>4,761,376</u>

(Continued)

TOWN OF WINDHAM, CONNECTICUT

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Passed Through the State of Connecticut</b>			
<b>Department of Economic and Community Development:</b>			
Small Cities Grant Program - ADA Compliance	14.228	12060-ECD46050-20730	<u>253,563</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through the State of Connecticut</b>			
<b>Department of Education:</b>			
Child and Adult Care Food Program	10.558	12060-SDE64370-20518	33,778
Cash-in-Lieu / Commodities	10.558	12060-SDE64370-20544	2,218
Fresh Fruit and Vegetable Program (2013)	10.582	12060-SDE64370-22051	72,488
Fresh Fruit and Vegetable Program (2012)	10.582	12060-SDE64370-22051	<u>8,032</u>
<b>Total</b>			<u>116,516</u>
<b>Passed Through the State of Connecticut</b>			
<b>Department of Education:</b>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	12060-SDE64370-20560	1,128,656
School Breakfast Program	10.553	12060-SDE64370-20508	362,543
Summer Food Program for Children	10.559	12060-SDE64370-20540	80,297
Summer EBT Children Demo Program	10.559	12060-SDE64351-26130	<u>5,056</u>
<b>Total Child Nutrition Cluster</b>			<u>1,576,552</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,693,068</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Direct Programs:</b>			
Police Foreiture	16.xxx	N/A	5,230
Edward Byrne Memorial - Justice Assistance Grant	16.738	N/A	<u>18,891</u>
			<u>24,121</u>
<b>Passed Through the State of Connecticut</b>			
<b>Department of Public Safety:</b>			
Edward Byrne Memorial - Justice Assistance Grant	16.738	12060-DPS32523-26185	<u>4,500</u>
<b>Total U.S. Department of Justice</b>			<u>28,621</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Passed Through the State of Connecticut</b>			
<b>Department of Transportation:</b>			
Alcohol Traffic Safety Grants	20.600	12062-DOT57513-22086	34,260
Alcohol Open Containers Requirements	20.607	12062-DOT57343-22091	1,989
<b>Total</b>			<u>36,249</u>

(Continued)

TOWN OF WINDHAM, CONNECTICUT

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Direct Program:</b>			
Drug Free Community Support Program	93.276	N/A	<u>142,727</u>
<b>Passed Through the State of Connecticut</b>			
<b>Department of Social Services:</b>			
Social Services Block Grant - Care Management Program	93.667	12060-DSS60783-20701	8,658
Social Services Block Grant - Protective Services	93.667	12060-DSS60803-20713	3,079
Social Services Block Grant - Day Care Program	93.667	12060-DSS64220-26155	89,103
<b>Total</b>			<u>100,840</u>
<b>Passed Through EASTCONN:</b>			
Headstart - Basic and Early	93.600	CH011507/08	833,885
Headstart - Basic and Early	93.600	CH011507/07	813,757
<b>Total</b>			<u>1,647,642</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>1,891,209</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
<b>Direct Program:</b>			
Emergency Management Performance Grant	97.042	12060-DPS32960-21881	19,492
FEMA Public Assistance	97.036	12060-DPS32985-21891	39,324
<b>Total</b>			<u>58,816</u>
<b>Total Schedule of Expenditures of Federal Awards</b>			<u><u>\$ 8,722,902</u></u>

N/A = Not Applicable.  
 See Notes to Schedule.

## TOWN OF WINDHAM, CONNECTICUT

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

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Town of Windham, Connecticut (the "Town") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

#### **Note 2. Summary of Significant Accounting Principles**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Windham, Connecticut and is presented 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. 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.

#### **Note 3. Noncash Awards**

Donated commodities in the amount of \$44,994 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.



TOWN OF WINDHAM, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the Year Ended June 30, 2013

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II. FINANCIAL STATEMENT FINDINGS

A. Deficiencies in Internal Control

Significant Deficiencies in Internal Control

IC13-1. **Criteria:**

An internal control best practice is to include periodic reviews and updates to the vendor master file. In the accounts payable module in Phoenix, the Town should have an approved vendor listing that is periodically reviewed for old vendors. Changes made to the listing should be approved by the appropriate party.

**Condition:**

While performing our audit procedures, we noted that no one reviews/approves the vendors that are added into the system which could result in unapproved vendors being used and payments being made to those vendors. Vendor listings are not approved on an annual basis.

**Context:**

Town policies do not require these approvals.

**Effect:**

Misappropriations can be made to fictitious vendors.

**Cause:**

Systemic in nature.

**Recommendation:**

It is recommended that any changes to the vendor listing be approved by Finance. In addition, the vendor listing should be periodically reviewed to remove any old vendors. The Town should establish policies for adding new vendors, in which the person responsible is segregated from the disbursement process.

**Management Response:**

The Town purged it's vendor file in fiscal year 2013 and in conjunction with the BOE will create a single smaller vendor master listing effective July 1, 2014.

TOWN OF WINDHAM, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the Year Ended June 30, 2013

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**IC13-2. Criteria:**

In order to maintain the proper internal controls, the Town should have proper segregation of duties for all material financial activities. In addition, there should be timely review of the financial activity to ensure proper recording.

**Condition:**

***Cash Reconciliations*** – The same individual reconciles the cash accounts, coordinates activity with the Board of Education and posts activity to the general ledger.

***Payroll*** – The same individual enters and reconciles the payroll activity.

**Context:**

Systemic in nature

**Effect:**

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

**Cause:**

The Town did not maintain proper segregation duties.

**Recommendation:**

To improve segregation of duties and adequacy of internal controls, significant responsibilities must be segregated between two unrelated individuals. The Town's policies should be reviewed to evaluate whether the responsibilities can be restructured to provide improved controls with the existing staffing. In addition, a more timely review process should be instituted to monitor accurate monthly reporting.

**Management Response:**

With the hiring of the new CFO and the implementation of the new financial system (MUNIS) the issues regarding segregation of duties and timeliness of monthly reporting will be addressed.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**A. Internal Control Over Compliance**

None reported.

**B. Compliance Findings**

None reported

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

Identifying Number: IC12-1 - Not repeated

Audit Finding: Material Weakness - Internal Control

Corrective Action Taken: Corrected during FY12-13

Identifying Number: IC12-2 - Not repeated

Audit Finding: Material Weakness - Capital Assets

Corrective Action Taken: The Town has implemented policies and procedures to record capital asset transactions in a timely manner.

Identifying Number: IC12-3

Audit Finding: Approval of Vendor Listing

Corrective Action Taken: Repeated as IC13-1

Identifying Number: IC12-4 - Not repeated

Audit Finding: Significant Deficiency - Grant revenue in enterprise funds.

Corrective Action Taken: Corrected during FY12-13

Identifying Number: IC12-5

Audit Finding: Significant Deficiency - Segregation of Duties

Corrective Action Taken: Repeated as Item IC13-2.

Identifying Number: IC12-6 - Not repeated

Audit Finding: Significant Deficiency - Reconciliation and review of interfund activity

Corrective Action Taken: Corrected during FY12-13



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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Finance  
Town of Windham, 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 Windham, 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 January 31, 2014.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost that we consider to be significant deficiencies as items IC13 -01 through IC13-02.

### **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*.

### **Town of Windham Connecticut's Response to Findings**

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.



New Haven, Connecticut  
January 31, 2014



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Finance  
Town of Windham, Connecticut

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

We have audited the Town of Windham, 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 Windham, 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 Windham, Connecticut's basic financial statements. We issued our report thereon dated January 31, 2014, 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  
January 31, 2014

TOWN OF WINDHAM, 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
<b><u>NONEXEMPT PROGRAMS</u></b>		
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct Programs:</b>		
Priority School Districts (12/13)	11000-SDE64000-17043-82052	\$ 1,146,180
Priority School Districts - Extended School Hours (12/13)	11000-SDE64000-17043-82054	64,380
Priority School Districts - School Readiness and Child Day Care	11000-SDE64000-17043-82056	1,218,442
		<u>2,429,002</u>
Family Resource Centers (12/13)	11000-SDE64000-16110	105,213
Child Nutrition - State Match	11000-SDE64000-16211	18,503
Adult Education Cooperative (12/13)	11000-SDE64000-17030	275,275
ECS - Alliance District Funding (12/14)	11000-SDE64000-17041	396,873
Summer School Accountability Grant (12/13)	11000-SDE64000-17043-82055	71,843
Accountability Training and Technical Assistance	11000-SDE64000-12453	15,000
After School Program (12/13)	11000-SDE64000-17084	111,689
Health Services	11000-SDE64000-17034	40,185
Bilingual Education (12/13)	11000-SDE64000-17042	81,987
Health Food Incentives	11000-SDE64000-16212	40,196
Young Parents Program	11000-SDE64000-17044	50,000
School Breakfast - State Match	11000-SDE64000-17046	21,929
Out of Town Magnet School Transportation	11000-SDE64000-17057	27,300
Child Day Care	11000-SDE64000-12520	528,712
School Readiness - Quality Enhancement	11000-SDE64370-17097	13,963
		<u>1,798,668</u>
<b>Total Direct Programs</b>		<u>4,227,670</u>
<b>Passed Through EASTCONN:</b>		
HeadStart - Expansion	11000-SDE64000-16101	141,256
HeadStart - Early Link Program	11000-SDE64000-16202	19,594
<b>Total Passed Through EASTCONN</b>		<u>160,850</u>
<b>Total Department of Education</b>		<u>4,388,520</u>
<b>CONNECTICUT STATE LIBRARY</b>		
State Grant to Public Libraries	11000-CSL66051-17003	1,234
Library Services and Technology Act	12060-CSL66055-21031	3,000
Connecticard Payments	11000-CSL66051-17010	472
Historical Document Preservation Grant	12060-CSL66094-35150	6,663
<b>Total Connecticut State Library</b>		<u>11,369</u>

(Continued)

TOWN OF WINDHAM, 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
<b>DEPARTMENT OF SOCIAL SERVICES</b>		
Community Services	11000-DSS60783-17083	1,810
Other Expenses	11000-DSS61201-10020	87,960
<b>Total Department of Social Services</b>		89,770
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
Payment in Lieu of Taxes (PILOT) - Totally Disabled	11000-OPM20600-17011	4,563
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	8,952
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	115,332
Property Tax Relief for Elderly Homeowners - Freeze	11000-OPM20600-17021	2,000
Property Tax Relief for Veterans	11000-OPM20600-17024	11,811
Local Capital Improvement Program	12050-OPM20600-40254	300,218
Incentive Housing Zone (IHZ) Program	12060-OPM20600-90526	48,728
Payment in Lieu of Taxes (PILOT) - State Owned Property	11000-OPM15910-17004	2,889,523
Payment in Lieu of Taxes (PILOT) - Colleges and Hospitals	11000-OPM15910-17006	684,677
<b>Total Office of Policy and Management</b>		4,065,804
<b>DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT</b>		
Payment in Lieu of Taxes (PILOT) - Housing Authority	11000-ECD46400-17012	69,090
<b>DEPARTMENT OF TRANSPORTATION</b>		
Town Aid Road Grant	12001-DOT57131-43459	185,534
Maintenance of State Highways	12001-DOT57261-12293	11,922
<b>Total Department of Transportation</b>		197,456
<b>DEPARTMENT OF PUBLIC HEALTH</b>		
School Based Health Center - Bond Fund	11000-DPH48832-17019	356,719
<b>DEPARTMENT OF PUBLIC SAFETY</b>		
Asset Forfeiture	12060-DPS32155-42318	2,732
<b>DEPARTMENT OF CONSUMER PROTECTION</b>		
Non-Budgeted Operating Appropriation	34004-DCP18306-40001	28,246
<b>JUDICIAL DEPARTMENT</b>		
Motor Vehicle Fines	34001-JUD95162-40001	13,054
<b>Total State Financial Assistance Before Exempt Programs</b>		9,222,760

(Continued)

TOWN OF WINDHAM, 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
<b>EXEMPT PROGRAMS</b>		
<b>Office of Policy and Management:</b>		
Municipal Revenue Sharing Grant	12060-OPM20600-35458	951,892
Mashantucket Pequot Grant	12009-OPM20600-17005	883,736
<b>Total Office of Policy and Management</b>		<u>1,835,628</u>
<b>Department of Education:</b>		
Transportation for School Children - Non-Public	11000-SDE64370-17049	31,832
Transportation for School Children - Public	11000-SDE64370-17027	307,135
Education Cost Sharing	11000-SDE64370-17041	24,186,427
Special ED-AG. Placements and Excess Costs	11000-SDE64370-17047	1,169,189
<b>Total Department of Education</b>		<u>25,694,583</u>
<b>Department of Public Works:</b>		
School Construction Progress Payments 12	13010-DPW27610-40901	20,140,755
School Construction - Principal 2012	13010-DPW27610-40901	827,206
School Construction - Interest 2011	13009-DPW27610-40896	151,869
<b>Total Department of Public Works</b>		<u>21,119,830</u>
<b>Total Exempt Programs</b>		<u>48,650,041</u>
<b>Total Expenditures of State Financial Assistance</b>		<u>\$ 57,872,801</u>

See Notes to Schedule.

**TOWN OF WINDHAM, CONNECTICUT**

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

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Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Windham, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs, including education, public works, public safety, social services and general government.

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

The accounting policies of the Town of Windham, 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 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 full accrual basis of accounting for enterprise 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.

**Note 2. Loan Program**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of the loan program activity for the year ended June 30, 2013:

***Department of Environmental Protection:***

Clean Water Funds (21014-OTT14230-40001 and 21015-DEP43270-42318):

Contract No.	Issue Date	Interest Rate	Original Amount*	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
CWF 551-D	12/29/2005	2.00%	\$ 789,646	\$ 519,242	\$ -	\$ 30,976	\$ 488,266
CWF 551-C	9/22/2008	2.00%	15,811,494	15,087,411	-	770,424	\$ 14,316,987

\* Represents total loan commitment from the Clean Water Fund.

**TOWN OF WINDHAM, CONNECTICUT**

**SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

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**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
  - Significant deficiency(ies) identified?   X   Yes    \_\_\_\_\_ None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**State Financial Assistance**

Internal control over major programs:

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

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

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

The following schedule reflects the major programs included in the state compliance audit:

State Grantor and Program	State CORE-CT Number	Expenditures
<b>Office of Policy and Management:</b>		
Payment in Lieu of Taxes - State Owned Property	11000-OPM15910-17004	\$ 2,889,523
Payment in Lieu of Taxes - Colleges and Hospitals	11000-OPM15910-17006	684,677
Local Capital Improvement Program	12050-OPM20600-40254	300,218
<b>Department of Education:</b>		
Adult Education Cooperative	11000-SDE64370-17030	275,275
Child Day Care Local Governments	11000-SDE64000-12520	528,712
ECS - Alliance District Funding	11000-SDE64000-17041	396,873
Family Resource Centers	11000-SDE64000-16110	105,213
After School Program	11000-SDE64000-17084	111,689
HeadStart - Expansion	11000-SDE64000-16101	141,256
Bilingual Education	11000-SDE64000-17042	81,987
Out of Town Magnet School Transportation	11000-SDE64000-17057	27,300

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

**TOWN OF WINDHAM, CONNECTICUT**

**SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS AND QUESTIONED COSTS,  
Continued  
For the Year Ended June 30, 2013**

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**II. FINANCIAL STATEMENT FINDINGS**

- We issued reports, dated January 31, 2014, on internal control over financial reporting and compliance and other matters based on an audit of the basic financial statements performed in accordance with the standards applicable to financial audits contained in "Government Auditing Standards" (pages 11 and 12).
- Our report on compliance indicated no reportable instances of non-compliance.
- Our report on internal control over financial reporting disclosed two matters we consider to be significant deficiencies. (pages 7-9)

**III. FINDINGS AND QUESTIONED COSTS RELATING TO STATE FINANCIAL ASSISTANCE**

No matters were reported.

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

**Finding SFC12-1**

Condition

The Town of Windham and BOE did not monitor sub-recipient activity.

Current Status

Condition has been remediated.