

THE MATTABASSETT DISTRICT

Independent Auditors' Report

For the year ended June 30, 2014

- I. Management's Discussion and Analysis
- II. Basic Financial Statements
- III. Required Supplementary Information
- IV. Report in Accordance with *Government Auditing Standards*
- V. Report in Accordance with State Single Audit Act

THE MATTABASSETT DISTRICT

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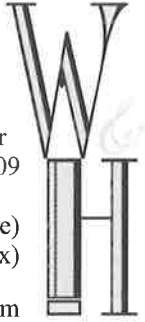
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INDEPENDENT AUDITORS' REPORT

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Board of Directors
The Mattabassett District
Cromwell, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of The Mattabassett District (the "District") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities of the District, as of June 30, 2014, and the changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3, budgetary comparison information on page 23 and assets using the modified approach on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The 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 financial statements.

The schedule of expenditures of state financial assistance 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



October 1, 2014
Hartford, Connecticut

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

THE MATTABASSETT DISTRICT

Management's Discussion and Analysis

For the year ended June 30, 2014

As management of The Mattabassett District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$107,378,439.
- The District's total net assets increased by \$26,691,593. This increase is attributable to the expansion of the facility for the nitrogen treatment upgrade. Included in the above mentioned increase is \$11,779,829 of grant revenue from the State of Connecticut which is not required to be paid back as well as recognition of \$13,000,000 of the application fee from the City of Middletown.
- The District's administrative expenses in 2014 were \$142,007 more than 2013 due to in part to a \$100,000 fee paid to the Town of Cromwell.
- Operating revenues increased by \$861,254 (10.9%) due to a modest increase in costs for member municipalities as well as the addition of Middletown as a full member.
- Non-operating revenue included an energy credit rebate in the amount of \$719,150.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to The Mattabassett District's financial statements. The District's financial statements comprise two components: government-wide financial statements and the notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the net position of the District is improving or deteriorating.

The *statement of activities and change in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Management's Discussion and Analysis (CONTINUED)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements. The fund financial statements present current year's revenues and expenses, which are accounted for in the statement of activities and change in net position.

This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered its costs through member assessments, contractual charges, and charges for services.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of The Mattabasset District, assets exceed liabilities by \$107,378,439 at June 30, 2014.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, waste water treatment facility and general plant, equipment, and vehicles); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to customer; consequently, these assets are not available for future spending.

THE MATTABASSETT DISTRICT Net Position

	2014	2013
Current Assets	\$ 9,378,594	\$ 18,755,123
Capital Assets	160,588,481	115,806,215
Noncurrent Assets	13,007,318	-
Total Assets	182,974,393	134,561,338
Current Liabilities	7,894,673	42,660,711
Noncurrent Liabilities	67,701,281	11,213,781
Total Liabilities	75,595,954	53,874,492
Net Position		
Invested in Capital Assets (net of related debt)	94,112,298	86,123,146
Restricted	-	-
Unrestricted Surplus/ (Deficit)	13,266,141	(5,436,300)
Total Net Position	\$ 107,378,439	\$ 80,686,846

The District's net position increased by \$26,691,593 during the year ended June 30, 2014, the amount to which increases in revenues have exceeded similar increases in expenses.

Management's Discussion and Analysis (CONTINUED)

THE MATTABASSETT DISTRICT

Changes in Net Position

For The Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues:		
Assessments:		
Member Municipalities & Contractual Towns	\$ 7,151,361	\$ 6,501,497
Charges for Services:		
Septage/Liquids/Grease	480,239	454,185
Sludge Management	1,085,972	921,897
Other Revenues	25,700	4,439
Total Operating Revenues	<u>8,743,272</u>	<u>7,882,018</u>
Operating Expenses:		
Administration	988,483	846,476
Operating	2,630,942	2,402,414
Maintenance	1,123,860	979,238
Utilities	1,497,748	1,498,476
Depreciation	94,316	84,986
Total Operating Expenses	<u>6,335,349</u>	<u>5,811,590</u>
Operating Income	<u>2,407,923</u>	<u>2,070,428</u>
Nonoperating Revenue / (Expense):		
Clean Water Fund Grant - Nitrogen Treatment	11,779,829	8,079,926
Middletown Application Fee	13,000,000	-
Energy Audit Rebate	719,150	-
Interest Income	53,689	28,561
Loss on Disposed Assets	(13,609)	(16,465)
Interest Expense	(1,255,389)	(62,730)
Net Nonoperating Revenue / (Expense)	<u>24,283,670</u>	<u>8,029,292</u>
Change in Net Position	<u>26,691,593</u>	<u>10,099,720</u>
Net Position - July 1, 2013	<u>80,686,846</u>	<u>70,587,126</u>
Net Position - June 30, 2014	<u>\$ 107,378,439</u>	<u>\$ 80,686,846</u>

Management's Discussion and Analysis (CONTINUED)

Operating income increased by \$337,495 during the year. The increase was the net effect of the following:

- Assessments increased by \$649,864 due to a modest yearly increase and an increase in bonded debt payments for the Nitrogen Upgrade, and Capital Outlay Upgrades.
- Charges for services increased by \$211,390 due to increased volume and fees.
- Total Operating expenses increased by \$523,759 due to increase in all expense areas, except for utilities which remained flat.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The District's investment in capital assets as of June 30, 2014 amounts to \$160,588,481 (net of accumulated depreciation). This investment in capital assets includes land, waste water treatment facility, equipment, and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was thirty-nine percent due mainly to the nitrogen upgrade project currently in progress.

Major capital asset events during the current fiscal year included the following:

Construction and engineering design costs on upgraded Nitrogen Removal System for \$44,848,886 and new office and computer equipment, pump drives, and other equipment at a cost of \$41,304, which are subject to depreciation.

THE MATTABASSETT DISTRICT Capital Assets – Net of Depreciation

	2014	2013
Land	\$ 100,000	\$ 100,000
Waste Water Treatment Facility	160,026,168	115,177,282
Equipment	416,450	466,792
Vehicles	45,863	62,142
Total Capital Assets - Net of Depreciation	<u>\$ 160,588,481</u>	<u>\$ 115,806,216</u>

The District has adopted the modified approach (an alternative to depreciation) for the waste water treatment facility. Under this approach, the District implements a program to maintain assets at a certain condition level and, therefore, is not required to record depreciation expense on these assets. Details on the assets being accounted for under the modified approach can be found in the Required Supplementary Information.

Management's Discussion and Analysis (CONTINUED)

Economic Factors and Next Year's Budgets and Rates

- Inflationary trends in the region compare favorably to national indices.
- The DEEP Clean Water Fund loan related to the Nitrogen Upgrade Engineering Design was completed by June 30, 2012. For fiscal years ending June 30, 2015 and June 30, 2016, principal and interest payments will be \$229,623 and \$226,146, respectively.
- The Construction Phase or Phase Two of the Nitrogen Upgrade and Capacity Expansion's Bids came in at \$93,487,320. Work began in mid April 2012 and is projected to be completed in June 2015. As of June 30, 2014, 87.90% of the project work has been completed. Total project costs, construction, engineering, inspection, and legal are estimated at \$107,000,000, of which 23.3% will be covered by a CWF Grant and 76.7% will be a CWF Loan at 2% over 20 years. The annual bond payment for the loan is estimated at \$4,715,000 per year. The District will be required in fiscal year 2015-2016 to have an equal amount in reserves for the bond.

All of these factors were considered when the rates for the 2014-2015 fiscal year were set.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, The Mattabassett District, 245 Main Street, Cromwell, CT 06416.

II. BASIC FINANCIAL STATEMENTS

THE MATTABASSETT DISTRICT

Statement of Net Position

For the year ended June 30, 2014

Assets

Current Assets

Cash	\$ 765,316
Investments	7,355,345
Accounts Receivable, net	189,249
Grant receivable	554,096
Inventory	514,588
Total Current Assets	<u>9,378,594</u>

Capital Assets - Utility Plant, net

Land	100,000
Waste water Treatment Facility	160,026,168
Equipment, net	416,450
Vehicles, net	45,863
Total Capital Assets - Utility Plant, net	<u>160,588,481</u>

Noncurrent Assets

Investments	<u>13,007,318</u>
Total Assets	<u>\$ 182,974,393</u>

Liabilities

Current Liabilities

Construction Payables	\$ 6,841,302
Trade Accounts Payable	416,906
Accrued Payroll Liabilities	24,724
Compensated Absences, current portion	59,449
Clean Water Fund Loan Payable, current portion	173,847
Deferred Revenue - The Metropolitan District	378,445
Total Current Liabilities	<u>7,894,673</u>

Noncurrent Liabilities

Compensated Absences	237,796
Clean Water Fund Loan Payable - Accrued Interest	1,161,149
Clean Water Fund Loan Payable	66,302,336
Total Noncurrent Liabilities	<u>67,701,281</u>
Total Liabilities	<u>\$ 75,595,954</u>

Net Position

Invested in Capital Assets (net of related debt)	\$ 94,112,298
Restricted	-
Unrestricted Surplus	13,266,141
Total Net Position	<u>\$ 107,378,439</u>

The accompanying notes are an integral part of the financial statements.

THE MATTABASSETT DISTRICT

Statement of Activities and Change in Net Position

For the year ended June 30, 2014

Operating Revenues:	
Assessments:	
Member Municipalities & Contractual Towns	\$ 7,151,361
Charges for Services:	
Septage/Liquids/Grease	480,239
Sludge Management	1,085,972
Other Revenues	<u>25,700</u>
Total Operating Revenues	<u>8,743,272</u>
Operating Expenses:	
Administration	988,483
Operating	2,630,942
Maintenance	1,123,860
Utilities	1,497,748
Depreciation	<u>94,316</u>
Total Operating Expenses	<u>6,335,349</u>
Operating Income	<u>2,407,923</u>
Nonoperating Revenue / (Expense):	
Clean Water Fund Grant - Nitrogen Treatment	11,779,829
Middletown Application Fee	13,000,000
Energy Audit Rebate	719,150
Interest Income	53,689
Loss on Disposed Assets	(13,609)
Interest Expense	<u>(1,255,389)</u>
Net Nonoperating Revenue / (Expense)	<u>24,283,670</u>
Change in Net Position	<u>26,691,593</u>
Net Position - July 1, 2013	<u>80,686,846</u>
Net Position - June 30, 2014	<u><u>\$ 107,378,439</u></u>

The accompanying notes are an integral part of the financial statements.

THE MATTABASSETT DISTRICT

Statement of Cash Flows

For the year ended June 30, 2014

Cash Flows From Operating Activities:	
Receipts from Customers	\$ 1,613,785
Receipts from Member and Contractual Towns	7,046,228
Payments to Suppliers	(2,963,569)
Payments to Employees	<u>(2,976,318)</u>
Net Cash Provided by Operating Activities	<u>2,720,126</u>
Cash Flows From Capital and Related Financing Activities	
Bond anticipation note payment	(173,847)
Interest paid on bond anticipation note	(59,253)
Proceeds from financing	36,953,377
Proceeds from grants	11,225,733
Acquisition and construction of capital assets	<u>(48,278,708)</u>
Cash Used in Capital and Related Financing Activities	<u>(332,698)</u>
Cash Flows From Investing Activities	
Energy Audit Rebate	719,150
Investment income	<u>53,689</u>
Net Increase in Cash and Cash Equivalents	3,160,267
Cash and Cash Equivalents - July 1, 2013	<u>17,967,712</u>
Cash and Cash Equivalents - June 30, 2014	<u>\$ 21,127,979</u>
Reconciliation to Cash:	
Cash and Cash Equivalents per Above	\$ 21,127,979
Cash and Cash Equivalents Reported as Investments	<u>(20,362,663)</u>
Cash	<u>\$ 765,316</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 2,407,923</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	94,316
(Increase) Decrease in:	
Accounts Receivable	21,874
Inventory	(61,700)
Increase (Decrease) in:	
Accounts Payable	49,127
Accrued Liabilities	103,453
Unearned Revenue	<u>105,133</u>
Total Adjustments	<u>312,203</u>
Net Cash Provided by Operating Activities	<u>\$ 2,720,126</u>

The accompanying notes are an integral part of the financial statements.

THE MATTABASSETT DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

The Mattabassett District is a unique institution formed by the State Legislature in 1961 to provide waste water treatment in a more efficient and cost effective manner to its three constituent communities, New Britain, Berlin and Cromwell, than they could have independently, as well as adjoining communities in its watershed. Currently this includes portions of Farmington, Middletown, Newington and Rocky Hill.

In addition to its headquarters and wastewater treatment facility located at 245 Main Street in Cromwell, Connecticut, the District has an 8.5 mile trunk sewer, which collects all of the communities' waste and transports it to the treatment facility; an ash landfill; and a state-of-the-art outfall and diffuser system in the Connecticut River.

The District's connection to the communities is the volunteer Board of Directors, appointed by the four constituent towns served by the District: New Britain, Berlin, Cromwell and Middletown. This 15 member Board meets monthly to provide guidance, oversight, and financial control to the operation. The Board has four standing committees (Finance, Engineering, Human Resource and Property Management) that interact regularly with the management staff and report back to the full Board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and change in net position) report information on all of the District's activities. The Mattabassett District is a business-type activity, which relies on member assessment fees and charges for services.

The statement of activities and change in net position demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Measurement Focus Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reported issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal operating revenues of the District are assessments (user fees) to member towns, charges to contractual towns and charges for sludge, septage, liquid and grease disposal. Operating expenses for the District include the cost of operations, maintenance, utilities, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short term investments with original maturities of three months or less from the date of acquisition.

The District's eligible investments are governed by State of Connecticut statutes which, in general, allow the District to invest in obligations of the United States of America, or United States government sponsored corporation, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision, rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three ratings categories of any national recognized rating service. Investment income is recorded in the fund in which it is earned.

Investments for the District are reported at fair value. State Treasurers Investment Fund is an investment pool managed by the State of Connecticut, Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statute's 3-27c-3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

Accounts Receivables

Accounts receivables are shown net of an allowance for uncollectible. The allowance percentage for June 30, 2014 was approximately two percent of outstanding receivable balances, calculated based upon prior collections.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 for equipment, and an estimated useful life in excess of 2 years. Such assets are recorded at historical or estimated historical cost whether purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Equipment and vehicles of the District are depreciated using the straight-line method over the following useful lives:

Asset Type	Years
Equipment	5 - 20
Vehicles	10 - 18

The District has adopted the modified approach (an alternative to depreciation) for the waste water treatment facility. Under this approach, the District implements a program to maintain assets at a certain level and, therefore, is not required to record depreciation expense. Details on the assets being accounted for under the modified approach can be found in the Required Supplementary Information.

In order to utilize the modified approach, the District is required to:

- Maintain an asset management system that includes up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the District.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Compensated Absences

Employees of the District earn sick leave, which can accumulate, and vacation leave based on the provisions of negotiated contracts or other personnel policies.

Vacation leave vests with the employee, and sick time is payable only upon retirement up to specific limits.

Inventories

Inventories, which consist of supplies and materials, are valued at moving weighted average cost.

Fund Equity and Net Position

In the government-wide financial statements, net position is classified into the following categories:

Investment in Capital Assets, Net of Related Debt – This category represents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes is excluded

Restricted Net Position – This category represents the net position restricted by external parties (creditors, grantors, contributors or laws and regulation). This amount is restricted for capital and nonrecurring expenses.

Unrestricted Net Position – This category represents the net position of the District, which is not restricted. This amount also represents the general fund net position.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

Subsequent Events Measurement Date

The District monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for fiscal year-ended June 30, 2014 through October 1, 2014, the date on which financial statements were available to be issued.

Reclassifications

Certain amounts and disclosures have been revised to reflect the current year's presentation.

NOTE 2 – CASH AND INVESTMENTS

Deposits – Custodial Credit Risk

Custodial credit risk is risk that, in the event of a bank failure, the District's deposits may not be returned. FDIC deposit insurance remains at \$250,000 per account. As of June 30, 2014, \$19,739,181 of the District's bank balance of \$21,242,169 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 19,666,693
Uninsured and collateral held by the pledging banks	
Trust department, not in the District's name	72,488
Total amount subject to custodial credit risk	<u>\$ 19,739,181</u>

At June 30, 2014, the District's investments consisted of the following types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Investment Maturities Less Than 1 Year
Certificates of Deposit	\$ 20,290,175	\$ 20,290,175
Pooled Fixed Income	60,322	60,322
Money Market	12,166	12,166
Total	<u>\$ 20,362,663</u>	<u>\$ 20,362,663</u>

Interest rate risk – The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Credit risk – The District has no investment policy that would limit its investment choices due to credit risk other than state statutes governing investments in obligations of any state or political subdivision or in obligations of the State of Connecticut or political subdivision. The District's pooled fixed income has a rating of AAA by Standard & Poor.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investments presented above are not subject to custodial credit risk.

NOTE 3 – RECEIVABLES

Receivables as of year-end for the District's government-wide financial statements by type, including the applicable allowances for uncollectibles, are as follows:

Gross Receivables	\$ 194,249
Less Allowances for Uncollectible	(5,000)
Net Receivables	<u>\$ 189,249</u>

NOTE 4 – CAPITAL ASSETS

Activity for the Year Ended June 30, 2014	Balance as of July 1, 2013	Increases (Decreases)	Balance as of June 30, 2014
Capital Assets, not being Depreciated:			
Land and Land Rights	\$ 100,000	\$ -	\$ 100,000
Wastewater Treatment Facility	<u>115,177,282</u>	<u>44,848,886</u>	<u>160,026,168</u>
Total Capital Assets, not being Depreciated	<u>115,277,282</u>	<u>44,848,886</u>	<u>160,126,168</u>
Capital Assets, being Depreciated:			
Equipment	663,365	1,083	664,448
Vehicles	<u>201,654</u>	<u>(24,183)</u>	<u>177,471</u>
Total Capital Assets, being Depreciated	<u>865,019</u>	<u>(23,100)</u>	<u>841,919</u>
Total Capital Assets	116,142,301	44,825,786	160,968,087
(Less) Accumulated Depreciation for:			
Equipment	(196,573)	(51,425)	(247,998)
Vehicles	<u>(139,512)</u>	<u>7,904</u>	<u>(131,608)</u>
Total Accumulated Depreciation	<u>(336,085)</u>	<u>(43,521)</u>	<u>(379,606)</u>
Total Capital Assets, being Depreciated, Net	<u>528,934</u>	<u>(66,621)</u>	<u>462,313</u>
Capital Assets, Net	<u>\$ 115,806,216</u>	<u>\$ 44,782,265</u>	<u>\$ 160,588,481</u>

NOTE 5 – CHANGE IN LONG-TERM OBLIGATIONS

Compensated Absences

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
Compensated Absences	\$ 176,538	\$ 236,297	\$ 115,589	\$ 297,246	\$ 59,449

Statutory Debt Limitation

The District does not exceed the legal debt limitations as required by Connecticut general statutes.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees; natural disaster; and officer and director liability. The District generally obtains commercial insurance for these risks; there have not been any claims in any of the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

NOTE 7 – PENSION PLANS

Municipal Employees' Retirement Fund

Plan Description

All employees of the District participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing, multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a Pension Trust Fund. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Connecticut Retirement and Benefit Services Division, Office of the State Controller, 55 Elm Street, Hartford, CT 06106.

Plan Provisions

Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases between 3% and 5% are paid to disabled members and non-disabled retired members who have reached age 65. All benefits vest after 5 years of continuous service. Members who retire after age 55 with 10 years of continuous service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life.

NOTE 7 – PENSION PLANS (CONTINUED)

The pension amount paid to employees is based on the following options:

- If not covered by Social Security, 2% of the average of earnings for the 3 highest paid years of service.
- If covered by Social Security, 1.167% of the average of earnings not in excess of the taxable wage base for 10 highest paid year, plus 2% of the average of earnings for the 3 highest paid years of service which is in excess of the average of earnings, not in excess of the taxable wage base for the 10 highest paid years.

Funding Policy

Covered employees are required by state statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of plan.

The required and actual contributions for the past 3 years were as follows:

Year Ending June 30,	
2012	\$ 239,235
2013	244,446
2014	285,200

NOTE 8 – GRANTS AND LOANS

The Mattabassett District received funding for the detailed design of the Nitrogen Removal Upgrade and related improvement to the existing waste water treatment facility. Construction of this upgrade to the facility will allow "The District" to comply with EPA/DEEP 2014 Long Island Sound Nitrogen Removal Standards. Phase One (Engineering Design) was completed in August 2011. Phase Two (Construction) was started in 2012 and expects to be completed by June 30, 2015. The estimated cost of the total project is \$107,000,000 with the Clean Water Fund providing a grant for construction of 23.3% with the balance coming in the form of loan from the Clean Water Fund at 2% over twenty years. For the year ending June 30, 2014, the District received \$11,779,829 in grants and \$36,953,377 in loans. The composition of the two loans as of June 30, 2014 is as follows:

	Total Loan	Current Portion	Long Term Portion
DEEP Clean Water Fund, Project 567-D			
2% loan maturing in December of 2030, payable in monthly principal payments of \$14,487 plus related interest.	\$ 2,868,481	\$ 173,847	\$ 2,694,634
DEEP Clean Water Fund, Project 567-C			
2% loan maturing in July of 2035. Principal payments to commence January of 2016.	63,607,702	-	63,607,702
Total	\$ 66,476,183	\$ 173,847	\$ 66,302,336

NOTE 8 – GRANTS AND LOANS (CONTINUED)

The future minimum principal payments based on the outstanding balances as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 173,847
2016	4,679,393
2017	3,354,232
2018	3,354,232
2019	3,354,232
Thereafter	<u>51,560,247</u>
	<u><u>\$ 66,476,183</u></u>

III. REQUIRED SUPPLEMENTARY INFORMATION

THE MATTABASSETT DISTRICT
Required Supplementary Information
Assets Using the Modified Approach
Wastewater Treatment Plant and Collection System

The District manages its wastewater treatment facility, trunk sewer and outfall systems using its MP2 Maintenance Program to be replaced by a new Maintenance Management Program, Lucity, in October 2014, in house inspections, and third party inspections, and accounts for them using the modified approach.

The condition rating is based upon the manufacturer's recommended life expectancy versus age of equipment, hours of operation, visual observations, and repair frequency. The trunk sewer and outfall are considered deficient when they no longer can, respectfully, carry the required raw wastewater and treated effluent. The wastewater treatment facility is considered in need of upgrade when its current technology becomes outdated, its capacity needs to be increased to accommodate increased wastewater flows from its served communities, and/or the Connecticut Department of Environmental Protection directs it to provide a higher level of treatment (i.e., provide nitrogen removal treatment to protect Long Island Sound).

It is the District's policy to maintain the wastewater treatment facility's equipment, trunk sewer, and outfall at good or better condition. The most recent condition assessments show that the condition of the wastewater treatment facility, trunk sewer, and outfall systems is in compliance with the District's policy.

CONDITION ASSESSMENT FOR SEWER TREATMENT SYSTEM
PERCENTAGE OF SEWER TREATMENT SYSTEM IN GOOD OR BETTER CONDITION

Equipment Type	2014	2013	2012	2011
Plant Equipment	80%	85%	90%	95%
Trunk Sewer and Outfall	90%	90%	90%	95%

PERCENTAGE OF SEWER TREATMENT SYSTEM IN SUB-STANDARD CONDITION

Equipment Type	2014	2013	2012	2011
Plant Equipment	15%	15%	10%	5%
Trunk Sewer and Outfall	5%	10%	10%	5%

COMPARISON OF ESTIMATED-TO-ACTUAL MAINTENANCE/PRESERVATION

	2014	2013	2012	2011
Estimated	\$ 524,000	\$ 524,000	\$ 519,000	\$ 419,000
Actual	\$ 426,012	\$ 296,949	\$ 367,595	\$ 400,889

THE MATTABASSETT DISTRICT
Required Supplementary Information
Schedule of Expenditures – Budget and Actual
June 30, 2014

	Original and Final Budget	Actual	Variance with Budget
Administrative Expenditures:			
Insurance	\$ 105,000	\$ 77,968	\$ (27,032)
Engineering	70,000	74,867	4,867
Legal	95,000	18,645	(76,355)
Accounting	16,000	15,500	(500)
Training	35,000	15,284	(19,716)
Board	6,000	5,144	(856)
Legislative Payment - Cromwell	100,000	100,000	-
Business Services	54,000	61,551	7,551
Permit Fees	218,500	149,299	(69,201)
Office Supplies	11,000	10,797	(203)
Miscellaneous	10,000	8,683	(1,317)
Total Administrative Expenditures	720,500	537,738	(182,762)
Employee Expenditures:			
Salaries & Wages	2,149,342	2,123,978	(25,364)
Overtime & Meals	84,117	77,119	(6,998)
Shift Differential	37,424	34,015	(3,409)
Workers' Comp	64,000	64,770	770
Medical & Dental, etc.	511,540	439,398	(72,142)
Life	8,556	7,788	(768)
Unemployment	9,000	-	(9,000)
Retirement Benefits	337,143	314,679	(22,464)
Miscellaneous Employee Benefits	29,638	18,024	(11,614)
Total Employee Expenditures	3,230,760	3,079,771	(150,989)
DEPARTMENT EXPENDITURES			
Operations Department:			
Operations Supplies	32,000	46,968	14,968
Cleaning Supplies	15,000	22,239	7,239
Chemicals	520,000	481,757	(38,243)
Electricity	1,600,000	1,323,839	(276,161)
Fuel: Natural Gas & Oil	180,000	173,909	(6,091)
Potable Water	40,000	38,469	(1,531)
Gasoline & Diesel	11,000	8,980	(2,020)
Sludge Disposal	55,000	884	(54,116)
Ash Handling	80,000	94,320	14,320
Total Operations Department	2,533,000	2,191,365	(341,635)

THE MATTABASSETT DISTRICT

Required Supplementary Information

Schedule of Expenditures – Budget and Actual (CONTINUED)

June 30, 2014

	Original and Final Budget	Actual	Variance with Budget
Maintenance Department:			
Plant Maintenance Supplies	230,000	227,085	(2,915)
Lubricants	19,000	9,060	(9,940)
Plant Maintenance Services	200,000	79,839	(120,161)
Buildings & Grounds	75,000	67,278	(7,722)
Total Maintenance Department	524,000	383,262	(140,738)
Laboratory Department:			
Laboratory Supplies	18,000	13,765	(4,235)
Laboratory Services	32,000	33,144	1,144
Total Laboratory Department	50,000	46,909	(3,091)
Bonded Debt Payment:			
Bonded Debt Payment	233,101	233,100	(1)
Contingencies:			
Contingencies	130,000	36,975	(93,025)
Capital Expenditures:			
Capital Outlay, General, Solids, Incinerator	1,100,000	41,304	(1,058,696)
Nitrogen Upgrade and Facility	56,700,000	44,848,886	(11,851,114)
Total Capital Expenditures	57,800,000	44,890,190	(12,909,810)
Total Expenditures	\$ 65,221,361	\$ 51,399,310	\$ (13,822,051)
Reconciliation to Audited Financial Statements:			
Total Expenditures per Above		\$ 51,399,310	
Depreciation Expense		94,316	
Reclass of Bond Debt Payment to Notes Payable Principal		(173,847)	
Reclass of Bond Debt Interest Expense		(59,253)	
Reclass of Interest Paid to Middletown		(34,987)	
Capital Asset Additions Capitalized from Capital Outlay Above		(41,304)	
Capital Asset Additions Capitalized from Nitrogen Upgrade and Facility Above		(44,848,886)	
Total Operating Expenses Per Financial Statement June 30, 2014		\$ 6,335,349	

**IV. REPORT IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



INDEPENDENT AUDITORS' 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

Board of Directors of
The Mattabassett District

We have audited, 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 the financial statements of the business-type activities of The Mattabassett District ("the District") as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 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 District'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*.

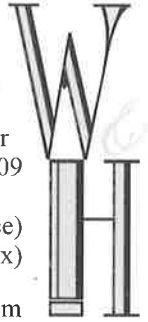
Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Whittlesey & Hall, P.C.".

Hartford, Connecticut
October 1, 2014

**V. REPORT IN ACCORDANCE WITH
STATE SINGLE AUDIT ACT**



INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE STATE SINGLE AUDIT ACT

To the Board of Directors of
The Mattabassett District

Report on Compliance for Each Major State Program

We have audited The Mattabassett District's 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 Mattabassett District's major state programs for the year ended June 30, 2014. The Mattabassett District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Mattabassett District'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 Mattabassett District'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 Mattabassett District's compliance.

Opinion on Each Major State Program

In our opinion, The Mattabassett District, 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, 2014.

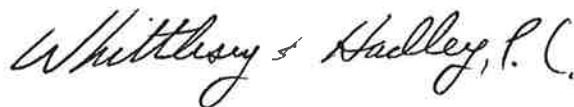
Report on Internal Control over Compliance

Management of The Mattabassett District 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 Mattabassett District'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 The Mattabassett District'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.



Hartford, Connecticut
October 1, 2014

THE MATTABASSETT DISTRICT

Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2014

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Department of Energy and Environmental Protection		
Clean Water Funds		
Loan	21015-DEP43720-42318	\$ 32,851,083
Grant	21015-DEP43720-40001	<u>11,779,829</u>
	Total State Expenditures	<u><u>\$ 44,630,912</u></u> *

* Represents Nitrogen Upgrade costs capitalized as presented in the Statement of Net Position in the audited financial statements for the year ended June 30, 2014.

THE MATTABASSETT DISTRICT

State Financial Assistance Programs

Note to Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2014

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Mattabassett District under programs of the State of Connecticut for the fiscal year ended June 30, 2014. 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. These financial assistance programs fund several programs including the detailed design of the Nitrogen Removal Upgrade and Related Improvements to the existing wastewater treatment facility.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of The Mattabassett District conform to accounting principles generally accepted in the United States of America as applicable to government entities.

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 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 2 – LOAN PROGRAMS

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 various loan program activity for the year ended June 30, 2014.

Department of Energy and Environmental Protection:

Clean Water Funds 21015-DEP43720-42318

Project No.	Issue Date	Interest Rate	Original Amount	Beginning Balance	Issued	Retired	Ending Balance
567-D	6/30/2011	2.0%	\$ 3,476,946	\$ 3,042,328	\$ -	\$ 173,847	\$ 2,868,481
567-C	6/29/2012	2.0%	\$ 83,183,533	\$ 26,654,323	\$ 36,953,377	\$ -	\$ 63,607,700

THE MATTABASSETT DISTRICT
Schedule of Findings and Questioned Costs

For the year ended June 30, 2014

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?
- Noncompliance material to financial statements noted?

_____ yes X no
_____ yes X none reported
_____ yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ yes X no
_____ yes X none reported

Type of auditors' 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 audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
DEEP Clean Water Funds Loan	21015-DEP43720-42318	\$ 32,851,083
DEEP Clean Water Funds Grant	21015-DEP43720-40001	\$ 11,779,829

- Dollar threshold used to distinguish between type A and type B programs was \$ 892,618

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.