

TOWN OF VERNON, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2008

TOWN OF VERNON, CONNECTICUT

STATE SINGLE AUDIT REPORT

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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program, on Internal Control over
Compliance in Accordance with the State Single Audit Act
and on the Schedule of Expenditures of State Financial Assistance**

To the Members of the Town Council
Town of Vernon, Connecticut

Compliance

We have audited the compliance of the Town of Vernon, Connecticut, with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2008. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Vernon, Connecticut's management. Our responsibility is to express an opinion on the Town of Vernon, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 of Vernon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Vernon, Connecticut's compliance with those requirements.

In our opinion, the Town of Vernon, Connecticut, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

Internal Control over Compliance

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

not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Vernon, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Connecticut, as of and for the year ended June 30, 2008 and have issued our report thereon dated February 23, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vernon, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management, the Town Council, the Board of Education, the Office of Policy and Management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

February 23, 2009

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2008

State Grantor / Pass-Through Grantor: Program Title	State Grant Program Program ID #	Revenue	Expenditures
Connecticut Commission on Culture and Tourism:			
State Bond Funds	12052-CAT-45200-42856	\$1,200,000	\$1,200,000
Department of Transportation:			
Town Aid Road Grants Transportation Fund	12001-DOT57131-17036	205,586	200,739
Elderly & Disabled Demand Responsive Transportation	12062-DOT57931-35304	30,223	30,223
Local Bridge Program Transportation Fund	21010-DOT57191-42313	4,883	4,883
Office of Policy and Management:			
Local Capital Improvement Program	12050-OPM20600-40254	428,174	428,174
Property Tax Relief for Elderly & Disabled Homeowners	11000-OPM20600-17018	167,686	167,686
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	3,827	3,827
Property Tax Relief for Veterans	11000-OPM20600-17024	30,343	30,343
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031	77,357	77,357
Contingency Needs	11000-OPM20100-13001	300,000	0
State Comptroller:			
Boat Grant	12027-OSC15910-40211	10,549	10,549
Mashantucket Pequot / Mohegan Fund	12009-OSC15910-17005	354,230	354,230
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OSC15910-17006	549,857	549,857
PILOT on State-Owned Property	11000-OSC15910-17004	383,485	383,485
State Board of Education and Services for the Blind:			
Education of Handicapped Blind Children	11000-ESB65020-12060	17,267	17,267

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TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2008

State Grantor / Pass-Through Grantor: Program Title	State Grant Program Program ID #	Revenue	Expenditures
Department of Education:			
School Readiness - Severe Needs	11000-SDE64370-12113	\$107,000	\$107,000
Healthy Foods Grant	11000-SDE64370-16072	38,405	38,405
Child Nutrition Program	11000-SDE64370-16072	17,414	17,414
Vocational Agriculture	11000-SDE64370-17017	137,713	137,713
Adult Education - Provider	11000-SDE64370-17030	223,766	223,766
Health Services	11000-SDE64370-17034	14,676	14,676
Young Parents Program	11000-SDE64370-17044	16,381	16,381
Young Adult Learner	11000-SDE64370-17091	70,000	70,000
State School Breakfast Program - Per Meal	11000-SDE64370-17046	2,217	2,217
State School Breakfast Program - Basic	11000-SDE64370-17046	9,000	9,000
Total State School Breakfast Program		11,217	11,217
Youth Services Bureaus	11000-SDE64370-17052	23,069	23,069
Youth Services Bureau Enhancement	11000-SDE64370-16201	6,250	6,250
Open Choice Program	11000-SDE64370-17053	109,758	109,758
Early Reading Success Grant Program	11000-SDE64370-17056	100,000	100,000
Investing and Personal Finance Education	12060-SDE64370-35351	25,000	25,000
Connecticut State Library:			
Historic Documents Preservation Grant	12060-CSL66094-35150	12,000	12,000
Department of Public Safety:			
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	649	9,737
Special Revenue:			
Bingo Payments	34003-DSR18309-42350	161	161

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TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2008

State Grantor / Pass-Through Grantor: Program Title	State Grant Program Program ID #	Revenue	Expenditures
Judicial Department:			
Treasurer Distribution (Parking fines)	34001-JUD95162-40001	\$35	\$35
Treasurer Distribution (Littering fines surcharge)	34001-JUD95162-40001	100	100
Treasurer Distribution (Motor Vehicle Violation surcharge)	34001-JUD95162-40001	15,400	15,400
Total Treasurer Distribution		15,535	15,535
State Department of Social Services:			
Neighborhood Facilities	146-NF-05; 6100-02-0256	30,000	30,000
Medicaid Reimbursement	11000-DSS60000-16020	34,506	34,506
Total State Financial Assistance before Exempt Programs		4,756,967	4,461,208
EXEMPT PROGRAMS			
Department of Education:			
Transportation of School Children - Public	11000-SDE64370-17027	344,613	344,613
Education Cost Sharing	11000-SDE64370-17041	16,958,290	16,958,290
Special Education - Agency Placement	11000-SDE64370-17047	401,911	401,911
Special Education - Excess Cost	11000-SDE64370-17047	505,656	505,656
Regular Education - Agency Placement	11000-SDE64370-17047	171,325	171,325
Total Excess Cost - Student Based		1,078,892	1,078,892
Non-Public School Transportation	11000-SDE64370-17049	17,370	17,370
Commitments for School Construction - Progress Payments	13010-SDE64370-40901	17,995,389	17,995,389
Commitments for School Construction - Principal	13010-SDE64370-40901	405,314	405,314
Commitments for School Construction - Interest	13009-SDE64370-40896	51,309	51,309
Total Commitments for School Construction		18,452,012	18,452,012
Total Exempt Programs		36,851,177	36,851,177
Total State Financial Assistance		\$41,608,144	\$41,312,385

TOWN OF VERNON, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2008

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Vernon, 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 tax relief, public works, transportation and education.

Note 1 - **Summary of Significant Accounting Policies:**

The accounting policies of the Town of Vernon, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Presentation - The accounts of the Town of Vernon, Connecticut, are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Basis of Accounting - The financial statements contained in the Town of Vernon, Connecticut's annual audit report are prepared on the modified accrual basis of accounting. The following is a summary of such basis:

Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, if measurable.

The schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Sections 4-236-22), certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected 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, 2008:

Department of Environmental Protection:

Clean Water Funds

	<u>Balance</u> <u>July 1, 2007</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2008</u>
Clean Water Fund 211-C	\$ 39,091	\$	\$ (9,981)	\$ 29,110
Clean Water Fund 244-C	175,971		(32,487)	143,484
Clean Water Fund 200-C	<u>14,369,174</u>	<u> </u>	<u>(1,387,328)</u>	<u>12,981,846</u>
 Total Clean Water Fund	 <u>\$ 14,584,236</u>	 <u>\$ -</u>	 <u>\$ (1,429,796)</u>	 <u>\$ 13,154,440</u>



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Members of the Town Council
Town of Vernon, Connecticut

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 Vernon, Connecticut, as of and for the year ended June 30, 2008, which collectively comprise the Town of Vernon, Connecticut's basic financial statements, and have issued our report thereon dated February 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Vernon, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Vernon, Connecticut, in a separate letter dated February 23, 2009.

This report is intended for the information and use of management, the Town Council, the Board of Education, the Office of Policy and Management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

February 23, 2009

TOWN OF VERNON, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

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

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

- The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Connecticut Commission on Culture Tourism:		
State Bond Funds	12052-CAT45200-42856	\$ 1,200,000
Department of Transportation:		
Town Aid Road Grants Transportation Fund	12001-DOT57131-17036	200,739
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	428,174
Property Tax Relief for Elderly & Disabled Homeowners	11000-OPM20600-17018	167,686

State Comptroller:			
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	\$	354,230
PILOT on Private Colleges and General/Chronic Disease Hospitals	11000-OSC15910-17006		549,857
PILOT on State-Owned Property	11000-OSC15910-17004		383,485
Department of Education:			
School Readiness - Severe Needs	11000-SDE64370-12113		107,000
Vocational Agriculture	11000-SDE64370-17017		137,713
Adult Education - Provider	11000-SDE64370-17030		223,766
Open Choice	11000-SDE64370-17053		109,758
Early Reading Success Grant Program	11000-SDE64370-17056		100,000

II. Financial Statement Findings

1. We issued reports, dated February 23, 2009, on internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
2. Our report on compliance indicated no reportable instances of noncompliance.
3. Our report on internal control over financial reporting indicated no significant deficiencies.

III. State Financial Assistance Findings and Questioned Costs

No findings or questioned costs are reported relating to state financial assistance programs.