

**Federal Single Audit
and
State Single Audit
of the
Town of Vernon, Connecticut
Year Ended June 30, 2013**

Town of Vernon, Connecticut

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**Federal
Single
Audit**

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

| Federal Grantor / Pass-Through Grantor Program or Cluster Title | Federal CFDA # | State Pass-Through Project # | Revenues | Expenditures |
|---|-------------------------------|---|-----------------|---------------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| Child Nutrition Cluster | | | | |
| Passed through the State Department of Administrative Services, Bureau of Purchases: | | | | |
| National School Lunch Program - Commodities | 10.555 | n/a | \$ 54,828 | \$ 56,295 |
| Passed through the State Department of Education: | | | | |
| School Breakfast Program | 10.553 | 12060-20508-82079 | 156,368 | 156,368 |
| National School Lunch Program | 10.555 | 12060-20560-82079 | 588,772 | 588,772 |
| Special Milk Program for Children | 10.556 | 12060-20500-82079 | 1,078 | 1,078 |
| Child & Adult Care Food Program CCF Program | 10.558 | 12060-20518-82079-2013 | 5,937 | 5,937 |
| Child & Adult Care Food Program CCFC CIL | 10.558 | 12060-20544-82079-2013 | 472 | 472 |
| Summer Food Service Program for Children | 10.559 | 12060-20540-82079 | 18,216 | 18,216 |
| Summer Food Service Program for Children | 10.559 | 12060-20548-82079 | 1,578 | 1,578 |
| Total Child Nutrition Cluster | | | 827,249 | 828,716 |
| Fresh Fruit and Vegetable Program: | | | | |
| Fresh Fruit and Vegetables | 10.582 | 12060-22051-82079-2013 | 17,315 | 17,315 |
| Fresh Fruit and Vegetables | 10.582 | 12060-22051-82079-2012 | 1,924 | 1,924 |
| Total Fresh Fruit and Vegetable Program | | | 19,239 | 19,239 |
| Total U.S. Department of Agriculture | | | 846,488 | 847,955 |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Passed through the State Department of Economic and Community Development: | | | | |
| Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii | 14.228 | SC 1214601 | 49,950 | 19,651 |
| <u>U.S. Department of Justice</u> | | | | |
| Office of Juvenile Justice & Delinquency Prevention - Juvenile Justice & Delinquency Prevention - Allocation to States | 16.540 | 2009-JF-FX-0040 | 40,500 | 40,500 |
| Direct Program - Bureau of Justice Assistance: | | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2011 BUBX | 4,726 | 4,726 |
| Bulletproof Vest Partnership Program | 16.607 | 2012 BUBX | 1,346 | 1,346 |
| Total Bulletproof Vest Partnership Program | | | 6,072 | 6,072 |
| Total U.S. Department of Justice | | | 46,572 | 46,572 |
| <u>U.S. Department of Transportation</u> | | | | |
| Federal Highway Administration - | | | | |
| Passed through the State Department of Transportation: | | | | |
| Highway Planning and Construction | 20.205 | 6146 (010) | 60,646 | 61,376 |
| Highway Planning and Construction | 20.205 | BRZ-6146 (2) | 2,658 | 2,910 |
| Highway Planning and Construction | 20.205 | 6146 (016) | 5,575 | 5,579 |
| Highway Planning and Construction | 20.205 | TCSP 010; 0146-180 | 29,939 | 29,939 |
| Total Highway Planning and Construction | | | 98,818 | 99,804 |

(Continued -1)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

| Federal Grantor / Pass-Through Grantor Program or Cluster Title | Federal CFDA # | State Pass-Through Project # | Revenues | Expenditures |
|--|-------------------------------|---|-----------------|---------------------|
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | WAVE 43 CIOT | \$ 1,990 | \$ 1,990 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | 12-154AL; 0192-0722-AU | 9,643 | 9,643 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | WAVE 44 CIOT | 1,629 | 1,629 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | 13-154AL; 0193-0722-CU | 6,431 | 6,431 |
| Total Alcohol Impaired Driving Countermeasures Incentive Grants | | | 19,693 | 19,693 |
| Total U.S. Department of Transportation | | | 118,511 | 119,497 |
| <u>U.S. Department of Education</u> | | | | |
| Passed through the State Department of Education: | | | | |
| Adult Education: | | | | |
| Adult Education - Basic Grants to States carryover | | 20784-2013-84002-170015 | 35,000 | 35,000 |
| Adult Education - Basic Grants to States | | 20784-2013-84002 | 160,000 | 160,000 |
| Total Adult Education - Basic Grants to States | 84.002 | | 195,000 | 195,000 |
| Title I Grants to Local Educational Agencies: | | | | |
| Title I Grants to Local Educational Agencies | | 20679-2012-82070 | 63,607 | 63,607 |
| Title I Grants to Local Educational Agencies | | 20679-2013-82070 | 418,982 | 418,982 |
| Total Title I Grants to Local Educational Agencies | 84.010 | | 482,589 | 482,589 |
| <u>Special Education Cluster</u> | | | | |
| Special Education - Grants to States: | 84.027 | | | |
| Special Education - Grants to States (IDEA, Part B) carryover | 84.027 | 20977-2012-82032 | 192,455 | 192,454 |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 20977-2013-82032 | 710,750 | 710,750 |
| Total Special Education - State Grants (IDEA, Part B) | | | 903,205 | 903,204 |
| Special Education - Preschool Grants: | 84.173 | | | |
| Special Education - Preschool Grants (IDEA, Preschool) carryover | 84.173 | 20983-2012-82032 | | 22,530 |
| Special Education - Preschool Grants (IDEA, Preschool) | 84.173 | 20983-2013-82032 | 11,972 | 11,972 |
| Total Special Education - Preschool Grants (IDEA, Preschool) | | | 11,972 | 34,502 |
| Total Special Education Cluster | | | 915,177 | 937,706 |
| Career and Technical Education - Basic Grants to States: | | | | |
| Carl D. Perkins | | 20742-2012-84010 | 488 | 488 |
| Carl D. Perkins | | 20742-2013-84010 | 37,685 | 37,394 |
| Total Career and Technical Education - Basic Grants to States | 84.048 | | 38,173 | 37,882 |
| English Language Acquisition Grants: | | | | |
| Title III - A carryover | | 20868-2012-82075 | 6,694 | 7,258 |
| Title III - A | | 20868-2013-82075 | 11,362 | 11,362 |
| Total English Language Acquisition Grants | 84.365 | | 18,056 | 18,620 |

(Continued-2)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

| Federal Grantor / Pass-Through Grantor Program or Cluster Title | Federal CFDA # | State Pass-Through Project # | Revenues | Expenditures |
|--|-------------------------------|---|---------------------|---------------------|
| <u>U.S. Department of Education</u> | | | | |
| Improving Teacher Quality State Grants: | | | | |
| Title II, Part A, Improving Teacher Quality - State grants carryover | | 20858-2012-84131 | \$ 95,968 | \$ 95,968 |
| Title II, Part A, Improving Teacher Quality - State grants | | 20858-2013-84131 | 87,677 | 87,677 |
| Total Improving Teacher Quality - State grants | 84.367 | | 183,645 | 183,645 |
| Education Jobs | 84.410 | 22045-2011-82010 | 52,360 | 52,360 |
| Passed through Manchester Community Technical College: | | | | |
| Tech-Prep Education: | | | | |
| Carl Perkins Vocational and Applied Tech | 84.243 | 20848-2009-84013 | 4,542 | 4,542 |
| Total U.S. Department of Education | | | 1,889,542 | 1,912,344 |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Passed through the State Department of Social Services: | | | | |
| Social Services Block Grant: | | | | |
| SBG-36 | 93.667 | 12DSS5002BG | 20,581 | 20,581 |
| Passed through the State Department of Mental Health and Addiction Services and East of the River Action for Substance Abuse Elimination: | | | | |
| Block Grants For Prevention and Treatment of Substance Abuse | 93.959 | n/a | 4,245 | 4,245 |
| Total U.S. Department of Health and Human Services | | | 24,826 | 24,826 |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Passed through the State Office of Emergency Management & Homeland Security: | | | | |
| Disaster Grants - Public Assistance | 97.036 | DR-4046-CT | 33,082 | 33,082 |
| Disaster Grants - Public Assistance | 97.036 | DR-4087-CT | 34,699 | 34,699 |
| Disaster Grants - Public Assistance | 97.036 | DR-4106-CT | 115,285 | 115,285 |
| Total Disaster Grants - Public Assistance | | | 183,066 | 183,066 |
| Emergency Management - Performance Grants | 97.042 | 146 EMPG FFY 2012 | 7,937 | 7,937 |
| Assistance to Firefighters Grant | 97.044 | EMW-2010-FO-06796 | 16,726 | 16,726 |
| Total U.S. Department of Homeland Security | | | 207,729 | 207,729 |
| Total Federal Financial Assistance | | | \$ 3,183,618 | \$ 3,178,574 |

CFDA = Catalog of Federal Domestic Assistance

(Concluded-3)

Town of Vernon, Connecticut

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

1. Significant Accounting Policies

The accounting policies of the Town of Vernon, Connecticut, conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to Federal awards:

Basis of Presentation

The accompanying schedule of expenditures of Federal awards is presented on the modified accrual basis of accounting and a current financial resources measurement focus. 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*.

2. Noncash Federal Awards

The Town received and expended \$56,295 of USDA donated commodities under the National School Lunch Program.

3. Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs.

Town of Vernon, Connecticut

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

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? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified ? yes x none reported

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

Any audit findings disclosed that are required
to be reported in accordance with OMB
Circular A-133, Section .510(a)? yes x no

Identification of major programs:

CFDA Number

84.002
84.027/84.173
97.036

Name of Federal Program

Adult Education - Basic Grants to States
Special Education Cluster
Disaster Grants - Public Assistance

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

Auditee qualified as low-risk auditee? x yes no

II - Financial Statement Findings

None.

III - Federal Award Findings and Questioned Costs

None.

Independent Auditor's 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*

Town Council
Town of Vernon, 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, 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, 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 December 30, 2013.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Farmington, Connecticut
December 30, 2013

Independent Auditor's Report on Compliance for Each
Major Federal Program; Report on Internal Control over
Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133

Town Council
Town of Vernon, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the Town of Vernon, Connecticut's 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 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 the 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 Vernon, Connecticut, 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. We issued our report thereon dated December 30, 2013, 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.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Farmington, Connecticut
December 30, 2013

**State
Single
Audit**

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2013

| State Grantor / Pass-Through Grantor/Program Title | State Grant Program Core-CT number | Revenue | Expenditures |
|--|---|----------------|---------------------|
| Department of Economic and Community Development: | | | |
| Urban Act; 2011-146-001 | 13019-ECD-46000 | \$ 11,964 | \$ 11,964 |
| Department of Transportation: | | | |
| Town Aid Road Grants Transportation Fund | 13033-DOT57131-43459 | 201,949 | 207,562 |
| Elderly & Disabled Demand Responsive Transportation | 12062-DOT57931-35304 | 23,581 | 23,581 |
| Special Act 89-50 | 0146; 0181 (GR) | | 1,018 |
| Local Bridge Program Transportation Fund 146-159; 146-160 | 21010-DOT57191-42313 | 664 | 727 |
| Local Bridge Program Transportation Fund 146-181 | 21010-DOT57191-42313 | 644 | 644 |
| Total Local Bridge Program Transportation Fund | | 1,308 | 1,371 |
| Office of Policy and Management: | | | |
| Local Capital Improvement Program | 12050-OPM20600-40254 | 26,548 | 26,548 |
| Property Tax Relief for Elderly and Totally Disabled Homeowners | 11000-OPM20600-17018 | 135,045 | 135,045 |
| Property Tax Relief on Property of Totally Disabled Persons | 11000-OPM20600-17011 | 3,106 | 3,106 |
| Property Tax Relief for Veterans | 11000-OPM20600-17024 | 20,633 | 20,633 |
| Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals | 11000-OPM20600-17006 | 304,100 | 304,100 |
| Payment in Lieu of Taxes (PILOT) on State-Owned Property | 11000-OPM20600-17004 | 197,040 | 197,040 |
| State Department of Education: | | | |
| School Readiness and Childcare in Competitive Grant Municipalities - Severe Needs | 11000-SDE64370-12113 | 174,500 | 166,071 |
| School Readiness and Childcare in Competitive Grant Municipalities - Severe Needs Competitive | 11000-SDE64370-17097 | 4,487 | 4,487 |
| Healthy Foods Initiative Grant | 11000-SDE64370-16212 | 36,981 | 36,981 |
| Child Nutrition State Matching Grant | 11000-SDE64370-16211 | 17,023 | 17,023 |
| Vocational Agriculture | 11000-SDE64370-17017 | 140,579 | 134,879 |
| Adult Education | 11000-SDE64370-17030 | 254,826 | 254,826 |
| Health Services | 11000-SDE64370-17034 | 4,734 | 4,734 |
| School Breakfast - In Class | 11000-SDE64370-17046 | | 545 |
| School Breakfast - Per Meal | 11000-SDE64370-17046 | 2,620 | 2,620 |
| School Breakfast - Basic | 11000-SDE64370-17046 | 21,000 | 21,000 |
| Total School Breakfast | | 23,620 | 24,165 |
| Youth Services Bureau | 11000-SDE64370-17052 | 23,080 | 23,080 |

(Continued -1)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2013

| State Grantor / Pass-Through Grantor/Program Title | State Grant Program Core-CT number | Revenue | Expenditures |
|---|---------------------------------------|------------|--------------|
| Youth Services Bureau Enhancement | 11000-SDE64370-16201 | \$ 6,111 | \$ 6,111 |
| Youth Services Bureau Enhancement | 11000-SDE64370-16201 | 1,300 | 1,300 |
| Total Youth Services Bureau Enhancement | | 7,411 | 7,411 |
| Open Choice | 11000-SDE64370-17053 | 30,000 | 55,815 |
| Primary Mental Health | 11000-SDE64370-12198 | 16,351 | 16,065 |
| Alliance District Funding Program | 11000-SDE64000-17041-82164 | 671,611 | 671,611 |
| Connecticut State Library: | | | |
| Historic Documents Preservation Grants | 12060-CSL66094-35150 | 6,500 | 6,500 |
| Department of Public Safety: | | | |
| State Assets Forfeiture Revolving Fund | 12060-DPS32155-35142 | 2,286 | 2,286 |
| Passed through the Town of Manchester: | | | |
| State Assets Forfeiture Revolving Fund | 12060-DPS32155-35142 | 22,705 | 35,085 |
| Total State Assets Forfeiture Revolving Fund | | 24,991 | 37,371 |
| Department of Consumer Protection: | | | |
| Bingo Payments | 13A146 | 184 | 184 |
| Judicial Department: | | | |
| Treasurer Distribution (Parking fines) | 34001-JUD95162-40001 | 350 | 350 |
| Treasurer Distribution (Littering fines surcharge) | 34001-JUD95162-40001 | 720 | 720 |
| Treasurer Distribution (Motor Vehicle Violation surcharge) | 34001-JUD95162-40001 | 12,915 | 12,915 |
| Treasurer Distribution (Hand-Held device Violation surcharge) | 34001-JUD95162-40001 | 918 | 918 |
| Total Treasurer Distribution | | 14,903 | 14,903 |
| State Department of Social Services: | | | |
| Medicaid | 11000-DSS60000-16020 | 308,752 | 308,752 |
| Total State Financial Assistance before Exempt Programs | | 2,685,807 | 2,716,826 |
| EXEMPT PROGRAMS | | | |
| Office of Policy and Management: | | | |
| Mashantucket Pequot and Mohegan Fund Grant | 12009-OPM20600-17005 | 193,050 | 193,050 |
| Municipal Video Competition | 12060-OPM20600-35362 | 23,550 | 23,550 |
| Municipal Revenue Sharing Account | 12060-OPM20600-35458 | 363,329 | 363,329 |
| Department of Education: | | | |
| Public School Transportation | 11000-SDE64370-17027 | 153,162 | 153,162 |
| Education Cost Sharing | 11000-SDE64370-17041-82010 | 17,609,809 | 17,609,809 |

(Continued-2)

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2013

| State Grantor / Pass-Through Grantor/Program Title | State Grant Program Core-CT number | Revenue | Expenditures |
|--|---------------------------------------|---------------|---------------|
| EXEMPT PROGRAMS | | | |
| Special Education - Agency Placement | 11000-SDE64370-17047 | \$ 313,976 | \$ 313,976 |
| Special Education - Excess Cost | 11000-SDE64370-17047 | 672,474 | 672,474 |
| Special Education - Excess Cost Student Based Supplemental | 11000-SDE64370-17047 | 128,580 | 128,580 |
| Special Education - Agency Placement | 11000-SDE64370-17047 | 25,964 | 25,964 |
| Total Excess Cost - Student Based | | 1,140,994 | 1,140,994 |
| Nonpublic School Transportation | 11000-SDE64370-17049 | 8,123 | 8,123 |
| Department of Construction Services: | | | |
| Commitments for School Construction - Progress Payments | 13010-DCS28000-40901 | 438,511 | 438,511 |
| Commitments for School Construction - Principal | 13010-DCS28000-40901 | 115,843 | 115,843 |
| Commitments for School Construction - Interest | 13009-DCS28000-40896 | 1,750 | 1,750 |
| Total Commitments for School Construction | | 556,104 | 556,104 |
| Total Exempt Programs | | 20,048,121 | 20,048,121 |
| Total State Financial Assistance | | \$ 22,733,928 | \$ 22,764,947 |

(Concluded-3)

Town of Vernon, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2013

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Vernon, Connecticut, under programs of the State of Connecticut for the fiscal year ended June 30, 2013. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Vernon through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including general government, public safety, maintenance and development, human services and education.

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 promulgated by the Governmental Accounting Standards Board.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the schedule of expenditures of state financial assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

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 various loan program activity for the year ended June 30, 2013.

Department of Energy and Environmental Protection:

Clean Water Funds (21014-OTT14230-40001):

| Grant Number | Issue Date | Interest Rate | Original Amount | Balance July 1, 2012 | Retired | Balance June 30, 2013 |
|-----------------|---------------|------------------|--------------------|-------------------------|-----------|--------------------------|
| 244-C | 05/28/93 | 2.0% | \$ 649,740 | \$ 13,536 | \$ 13,536 | \$ - |
| 200-C | 12/31/97 | 2.0% | 21,635,550 | 7,146,802 | 1,533,107 | 5,613,695 |

Town of Vernon, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013**

3. Subrecipients

The Town of Vernon, Connecticut has provided state awards to subrecipients as follows:

| <u>State Core-CT Number</u> | <u>Program Name</u> | <u>Amount</u> |
|-----------------------------|---|---------------|
| 11000-SDE64370-12113 | School Readiness and Childcare in Competitive Grant Municipalities – Severe Needs | \$ 107,000 |
| 11000-SDE64370-17097 | School Readiness and Childcare in Competitive Grant Municipalities – Severe Needs Competitive | 4,487 |

4. Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs.

Town of Vernon, Connecticut

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

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? yes x none reported

Noncompliance material to financial statements noted? yes x no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations of the State Single Audit Act? x yes 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> |
|--|-----------------------------|---------------------|
| <u>Department of Education:</u> | | |
| Adult Education | 11000-SDE64370-17030 | \$ 254,826 |
| Alliance District Funding Program | 11000-SDE64000-17041-82164 | 671,611 |
| <u>Office of Policy and Management:</u> | | |
| Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals | 11000-OPM20600-17006 | 304,100 |
| Property Tax Relief for Elderly and Totally Disabled Homeowners | 11000-OPM20600-17018 | 135,045 |
| <u>Department of Social Services:</u> | | |
| Medicaid | 11000-DSS60000-16020 | 308,752 |
| Dollar threshold used to distinguish between Type A and Type B programs: | | \$ 200,000 |

II. Financial Statement Findings

None.

Town of Vernon, Connecticut
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

III - State Awards Findings and Questioned Costs

Finding – Medicaid 11000-DSS60000-16020

2013-1 Unavailable Supporting Documentation

Condition

The Town was not able to provide us the Medicaid Service Information (MSI) and, therefore, we could not compare the MSI forms to the Individual Education Program (IEP) and charge detail report as required under the special tests and provisions section of the compliance supplement.

Criteria

The suggested audit procedures include the comparison of the MSI forms to the IEPs and charge detail report.

Questioned Costs

Not determinable.

Context

No MSI forms were available for our review.

Effect

Audit procedures were unable to be performed.

Cause

The Town uses a vendor to complete the MSI's. The Town recently changed vendors and was unable to get the forms from the vendor and did not have copies of the forms for their own records.

Recommendation

We recommend the Board of Education immediately take steps to obtain copies of all reports from their prior and current vendor and retain for audit purposes.

Town of Vernon, Connecticut
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

III - State Awards Findings and Questioned Costs

Finding – Medicaid 11000-DSS60000-16020

2013-2 Time Study Reports - Medicaid

Condition

There was no supporting documentation for certain time study reports.

Criteria

The State requests time study reports from the Board of Education on a periodic basis. These reports should have supporting documentation retained for audit purposes.

Questioned Costs

Not determinable.

Context

10 out of 15 time studies reviewed did not have supporting documentation.

Effect

Not having appropriate documentation to support time spent on Medicaid activities may lead to incorrect reimbursement rates.

Cause

Documentation was not provided to support the reports.

Recommendation

We recommend all time studies include appropriate supporting documentation for the amount of time reported on each time study.

Town of Vernon, Connecticut

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

III - State Awards Findings and Questioned Costs

Finding – Medicaid 11000-DSS60000-16020

2013-3 Annual Cost Report

Condition

- Amounts reported in the cost report were not prepared in accordance with the cost report instructions for reporting the ED001.
- In addition, one salary amount reported did not agree to the supporting documentation and incorrectly included a coaching stipend.

Criteria

- The State requires the cost report to be prepared using the amounts from the ED001.
- Salary amounts reported should agree to supporting documentation and be for costs that support the program.

Questioned Costs

Not determinable.

Context

- The amounts reported for the ED001 costs totaled \$4,467,458. This amount was \$98,126 higher than the costs reported in the ED001.
- The salary amount reported in the cost report was greater than the supporting documentation by \$3,884 and also included \$13,314 for a coaching stipend.

Effect

Incorrect amounts reported in the cost report will lead to incorrect reimbursements amounts.

Cause

The amounts in the general ledger were used to prepare the cost report vs the ED001 amounts.

The amounts reported for the incorrect salary amounts were clerical errors.

Recommendation

We recommend the cost reports be prepared in accordance with the instructions and that an employee other than the preparer review the application for accuracy before submitting it to the State.

Independent Auditor's 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*

Town Council
Town of Vernon, 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, 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, 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 December 30, 2013.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Farmington, Connecticut
December 30, 2013

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

Town Council
Town of Vernon, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Vernon, Connecticut'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 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.

Basis for Qualified Opinion on the Medicaid Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the Town of Vernon, Connecticut with State CT Core Number 11000-DSS60000-16020 as described in Finding numbers 2013-1, 2013-2 and 2013-3 for special reporting and special tests and provisions, nor were we able to satisfy ourselves as to the Town of Vernon, Connecticut's compliance with those requirements by other auditing procedures.

Qualified Opinion on the Medicaid Program

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Town of Vernon, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Program for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major State Programs

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 other major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs 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 our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

Report on the 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 Town of Vernon, Connecticut, 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. We have issued our report thereon dated December 30, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Farmington, Connecticut
December 30, 2013