

**Federal Single Audit
and
State Single Audit**

of the

Town of Vernon, Connecticut

Year Ended June 30, 2014

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, 2014**

Federal / 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	\$ 57,875	\$ 57,875
Passed through the State Department of Education:				
School Breakfast Program	10.553	12060-20508-82079-2014	171,849	171,849
National School Lunch Program	10.555	12060-20560-82079-2014	601,198	601,198
Summer Food Service Program for Children	10.559	12060-20540-82079-2013	19,559	17,398
Summer Food Service Program for Children	10.559	12060-20548-82079-2013	1,697	1,404
Total Child Nutrition Cluster			<u>852,178</u>	<u>849,724</u>
Passed through the State Department of Education:				
Child & Adult Care Food Program CCF Program		12060-20518-82079-2014	10,905	10,905
Child & Adult Care Food Program CCFC CIL		12060-20544-82079-2014	865	865
Total Child & Adult Care Food Program	10.558		<u>11,770</u>	<u>11,770</u>
Total U.S. Department of Agriculture			<u>863,948</u>	<u>861,494</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the State Department of Economic and Community Planning and Development:				
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii				
Small Cities - 2012		SC 1214601	247,150	228,595
Small Cities - 2013		SC 1314601	19,550	14,550
Total U.S. Department of Housing and Urban Development	14.228		<u>266,700</u>	<u>243,145</u>
<u>U.S. Department of Justice</u>				
Office of Juvenile Justice & Delinquency Prevention - Passed through the State Office of Policy and Management:				
Juvenile Justice & Delinquency Prevention - Allocation to States		2011-JF-FX-0024 (1)	9,998	9,998
Juvenile Justice & Delinquency Prevention - Allocation to States		2011-JF-FX-0024 (2)	2,875	2,875
Total Juvenile Justice & Delinquency Prevention - Allocation to States	16.540		<u>12,873</u>	<u>12,873</u>
Direct Program - Bureau of Justice Assistance:				
Bulletproof Vest Partnership Program		2012 BUBX	404	404
Bulletproof Vest Partnership Program		2013 BUBX	3,088	3,088
Total Bulletproof Vest Partnership Program	16.607		<u>3,492</u>	<u>3,492</u>
Passed through the State Office of Policy and Management:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0504	33,252	33,252
Total U.S. Department of Justice			<u>49,617</u>	<u>49,617</u>
<u>U.S. Department of Transportation</u>				
Federal Highway Administration - Passed through the State Department of Transportation:				
Highway Planning and Construction		6146 (010); SAFETEA-LU	32,189	32,189
Highway Planning and Construction		6146 (011); SAFETEA-LU	438,149	438,149
Highway Planning and Construction		BRZ-6146 (2); SAFETEA	9	17
Highway Planning and Construction		6146 (016); SAFETEA-LU	8,750	8,750
Highway Planning and Construction		1146 (109); STP-U	156,982	156,982
Highway Planning and Construction		6146 (009); SAFETEA-LU	41,194	41,194
Total Highway Planning and Construction	20.205		<u>677,273</u>	<u>677,281</u>

(Continued-1)

Town of Vernon, Connecticut

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal / Pass-Through Grantor: Program or Cluster Title	Federal CFDA #	State Pass-Through Project #	Revenues	Expenditures
Alcohol Impaired Driving Countermeasures Incentive Grants I		0194-0702-AC; WAVE 46	\$ 3,089	\$ 3,089
Alcohol Impaired Driving Countermeasures Incentive Grants I		0193-0722-CH	1,419	1,419
Total Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		<u>4,508</u>	<u>4,508</u>
Total U.S. Department of Transportation			<u>681,781</u>	<u>681,789</u>
<u>U.S. Department of Education</u>				
Passed through the State Department of Education:				
Adult Education - State Grant Program				
Adult Education		12060-20784-2014-84002-170015	35,000	35,000
Adult Education		12060-20784-2014-84002	160,000	160,000
Total Adult Education - State Grant Program	84.002		<u>195,000</u>	<u>195,000</u>
Title I Grants to Local Educational Agencies:				
Title I Grants to Local Educational Agencies (carryover)		12060-20679-2013-82070	22,439	22,439
Title I Grants to Local Educational Agencies		12060-20679-2014-82070	315,785	315,785
Total Title I Grants to Local Educational Agencies	84.010		<u>338,224</u>	<u>338,224</u>
<u>Special Education Cluster</u>				
Special Education - Grants to States:				
Special Education - State Grants (IDEA, Part B) carryover		12060-20977-2013-82032	141,166	141,166
Special Education - State Grants (IDEA, Part B)		12060-20977-2014-82032	620,888	620,888
Total Special Education - Grants to States (IDEA, Part B)	84.027		<u>762,054</u>	<u>762,054</u>
Special Education - Preschool Grants:				
Special Education - Preschool Grants Program carryover		12060-20983-2013-82032	35,927	35,927
Special Education - Preschool Grants Program		12060-20983-2014-82032	8,369	8,369
Total School Education - Preschool Grants (IDEA Preschool)	84.173		<u>44,296</u>	<u>44,296</u>
Total Special Education Cluster			<u>806,350</u>	<u>806,350</u>
Career and Technical Education - Basic Grants to States:				
Carl D. Perkins carryover		12060-20742-2012-84010	11,585	11,585
Carl D. Perkins		12060-20742-2014-84010	35,544	34,278
Passed through Manchester Community Technical College:				
Tech-Prep Education:				
Carl Perkins Vocational and Applied Tech		20848-2014-84013	2,260	2,254
Total Career and Technical Education - Basic Grants to States	84.048		<u>49,389</u>	<u>48,117</u>
English Language Acquisition State Grants:				
Title III - A carryover		12060-20868-2013-82075	2,315	2,315
Passed through Capital Region Education Council:				
Title III - A		20868-2014-82075	7,510	6,699
Total English Language Acquisition State Grants	84.365		<u>9,825</u>	<u>9,014</u>

(Continued-2)

Town of Vernon, Connecticut

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal / Pass-Through Grantor: Program or Cluster Title	Federal CFDA #	State Pass-Through Project #	Revenues	Expenditures
Improving Teacher Quality State Grants:				
Title II, Part A, Improving Teacher Quality - State Grants carryover		12060-20858-2013-84131	\$ 56,264	\$ 56,262
Title II, Part A, Improving Teacher Quality - State Grants		12060-20858-2014-84131	120,088	120,088
Total Improving Teacher Quality State Grants	84.367		<u>176,352</u>	<u>176,350</u>
Total U.S. Department of Education			<u>1,575,140</u>	<u>1,573,055</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through the State Department of Social Services:				
Social Services Block Grant:				
SBG-36		12DSS5002BG	10,218	10,218
SBG-37		14DSS5002BG	10,416	10,416
Total Social Services Block Grant	93.667		<u>20,634</u>	<u>20,634</u>
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	<u>4,245</u>	<u>4,245</u>
Total U.S. Department of Health and Human Services			<u>24,879</u>	<u>24,879</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the State Office of Emergency Management & Homeland Security:				
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-4046-CT	16,767	16,767
Emergency Management Performance Grants	97.042	012E146A EMPG FFY 2012	10,847	10,847
Total U.S. Department of Homeland Security			<u>27,614</u>	<u>27,614</u>
Total Federal Financial Assistance			<u>\$ 3,489,679</u>	<u>\$ 3,461,593</u>

CFDA = Catalog of Federal Domestic Assistance

(Concluded-3)

Town of Vernon, Connecticut

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

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 expended \$57,875 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, 2014

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)? x yes no

Identification of major programs:

CFDA Number

Name of Federal Program

14.228

Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Highway Planning and Construction
Title I Grants to Local Educational Agencies

20.205

84.010

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

Town of Vernon, Connecticut
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

III - Federal Award Findings and Questioned Costs

2014-001 Cash Management - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - 14.228

Condition

Grant funds were not disbursed timely upon receipt.

Criteria

Federal cash management regulations require that funds be disbursed within 5 days of receipt.

Questioned costs

There were no questioned costs.

Context

The deficiency occurred for the drawdowns during fiscal year.

Effect

Cash on hand exceeded grant requirements.

Cause

The cause is due to the practice of requesting drawdowns based upon signed rental rehabilitation contracts and not the receipt of invoices.

Recommendation

We recommend that all cash drawdown requests be based upon actual immediate cash needed in accordance with Federal regulations.

Views of responsible officials and planned corrective actions

The Town concurs with the finding as it applies to Federal regulations. The Town has been following the guidance of the State with respect to disbursement of funds from the grant account to the escrow account, which allows for project completion within 6 months. The Town will revise the drawdown procedures to comply with the Federal regulations.

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 5, 2015.

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 "Cohn Reznick LLP".

Hartford, Connecticut
February 5, 2015

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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-001. Our opinion on each major Federal program is not modified with respect to this matter.

The Town's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated February 5, 2015, 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.



Hartford, Connecticut
February 5, 2015

**State
Single
Audit**

Town of Vernon, Connecticut

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014**

State Grantor / Pass-Through Grantor/ Program Title	State Grant Program Core-CT ID #	Revenue	Expenditures
Department of Economic and Community Development, State Historic Preservation Office:			
Historic Preservation Enhancement Grant	CT-12-39 CAT CIA	\$ 2,794	\$ 2,794
Department of Transportation:			
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	403,155	418,449
Elderly & Disabled Demand Responsive Transportation Fund	12001-DOT57931-12175	31,441	31,441
Special Act 89-50	0146; 0181 (GR)	-	1,094
Local Bridge Program Transportation Fund 146-160	21010-DOT57191-42313	2	4
Local Bridge Program Transportation Fund 146-181	21010-DOT57191-42313	1,094	1,094
Total Local Bridge Program Transportation Fund		1,096	1,098
Office of Early Childhood:			
School Readiness and Childcare in Competitive Grant Municipalities	11000-OEC64840-12113	174,500	174,311
School Readiness Quality Enhancement	12060-OEC64840-17096	4,331	4,331
Office of Policy and Management:			
Local Capital Improvement Program	12050-OPM20600-40254	269,387	269,387
Property Tax Relief for Elderly & Totally Disabled Homeowners	11000-OPM20600-17018	142,746	142,746
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	3,118	3,118
Property Tax Relief for Veterans	11000-OPM20600-17024	21,035	21,035
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	310,249	310,249
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	197,996	197,996
Municipal Grants-in-Aid	12052-OPM20600-43587	142,578	142,578
Department of Education:			
Alliance District Funding Program	11000-SDE64370-17041-82164	1,394,045	1,375,282
Healthy Foods Initiative	11000-SDE64370-16212	34,225	34,225

(Continued-1)

Town of Vernon, Connecticut

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014**

State Grantor / Pass-Through Grantor/ Program Title	State Grant Program Core-CT ID #	Revenue	Expenditures
Child Nutrition State Matching Grant	11000-SDE64370-16211	\$ 16,722	\$ 16,722
Vocational Agriculture	11000-SDE64370-17017	168,722	173,805
Adult Education	11000-SDE64370-17030	249,988	249,988
State School Breakfast Program - Per Meal	11000-SDE64370-17046	1,988	1,988
State School Breakfast Program - Basic	11000-SDE64370-17046	21,000	21,000
Total School Breakfast Program		22,988	22,988
Youth Services Bureau	11000-SDE64370-17052	23,238	23,238
Youth Services Bureau Enhancement	11000-SDE64370-16201	6,171	6,171
Open Choice	11000-SDE64370-17053	15,000	15,000
High Quality Schools & Common Core Implementation	12052-SDE64370-43538	141,897	141,451
Connecticut State Library:			
Historic Documents Preservation Grant	12060-CSL66094-35150	6,500	6,500
Department of Public Safety:			
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	4,693	4,693
Passed through the Town of Manchester:			
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	50,406	54,767
Total State Assets Forfeiture Revolving Fund		55,099	59,460
Department of Emergency Management and Homeland Security:			
School Security Competitive Grant	013S146A	27,316	27,316
Department of Consumer Protection:			
Bingo Payments	14A146	147	147
Judicial Department:			
Treasurer Distribution (Parking fines)	34001-JUD95162-40001	350	350
Treasurer Distribution (Littering fines surcharge)	34001-JUD95162-40001	360	360
Treasurer Distribution (Motor Vehicle Violation surcharge)	34001-JUD95162-40001	12,295	12,295
Treasurer Distribution (Hand-Held device Violation surcharge)	34001-JUD95162-40001	994	994
Total Treasurer Distribution		13,999	13,999
Department of Social Services:			
Medicaid	11000-DSS60000-16020	166,804	166,804
Total State Financial Assistance before Exempt Programs		4,047,287	4,053,723

(Continued-2)

Town of Vernon, Connecticut

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014**

State Grantor / Pass-Through Grantor/ Program Title	State Grant Program Core-CT ID #	Revenue	Expenditures
EXEMPT PROGRAMS			
Office of Policy and Management:			
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	\$ 177,261	\$ 177,261
Municipal Video Competition	12060-OPM20600-35362	7,520	7,520
Department of Education:			
Public School Transportation	11000-SDE64370-17027	149,830	149,830
Education Cost Sharing	11000-SDE64370-17041-82010	17,723,577	17,723,577
Special Education - Agency Placement	11000-SDE64370-17047	321,300	321,300
Special Education - Excess Cost	11000-SDE64370-17047	1,011,044	1,011,044
Regular Education - Agency Placement	11000-SDE64370-17047	14,564	14,564
Total Excess Cost Student Based and Equity		1,346,908	1,346,908
Commitments for School Construction Grants - Progress Payments	13010-SDE64370-40901	2,313,863	2,313,817
Total Exempt Programs		21,718,959	21,718,913
Total State Financial Assistance		\$ 25,766,246	\$ 25,772,636

(Continued-3)

Town of Vernon, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014**

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, 2014. 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, 2014.

Department of Energy and Environmental Protection:

Clean Water Funds (21014-OTT14230-40001):

<u>Grant Number</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance July 1, 2013</u>	<u>Retired</u>	<u>Balance June 30, 2014</u>
200-C	12/31/97	2.0%	\$21,635,550	\$5,613,695	\$1,564,052	\$4,049,643

Town of Vernon, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014**

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-OEC64840-12113	School Readiness and Childcare in Competitive Grant Municipalities	\$ 107,000
12060-OEC64840-17097	School Readiness Quality Enhancement	4,331

Town of Vernon, Connecticut
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Finding - Medicaid 11000-DSS60000-16020

Finding 2013-1

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.

Current Status

Finding has been adequately addressed.

Finding 2013-2

Condition

There was no supporting documentation for certain time study reports.

Current Status

Finding has not been adequately addressed.

Finding 2013-3

Condition

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

Current Status

Condition (a) of the finding has been adequately addressed.

Condition (b) of the finding has not been adequately addressed.

Town of Vernon, Connecticut

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

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: Unmodified

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>Office of Policy and Management:</u>		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 269,387
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	310,249
<u>Department of Education:</u>		
Alliance District Funding Program	11000-SDE64370-17041-82164	1,375,282
<u>Department of Social Services:</u>		
Medicaid	11000-DSS60000-16020	166,804
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, 2014

III - State Awards Findings and Questioned Costs

Program - 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

1 out of 7 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.

Views of responsible officials and planned corrective actions

The Town agrees with this finding. The Board of Education has implemented a protocol for verifying all time studies and for maintaining supportive documentation. In addition, district employees are required to complete Random Moment Time Studies (RMTS) electronically. The Town is monitoring and providing training support to employees to ensure completion of the RMTS with the State Department of Social Services.

Town of Vernon, Connecticut

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

III - State Awards Findings and Questioned Costs

Program - Medicaid 11000-DSS60000-16020

2013-3 Annual Cost Report

Condition

The fringe benefits reported in the cost report did not agree to the supporting documentation.

Criteria

Fringe benefit amounts reported should agree to supporting documentation and be for costs that support the program.

Questioned Costs

\$7,446

Context

The fringe benefit amount reported in the cost report was incorrect for the seven items tested.

Effect

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

Cause

The amounts reported for the incorrect fringe benefit amounts were clerical errors.

Recommendation

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

Views of responsible officials and planned corrective actions

The Town agrees with this finding. The annual cost report shall be prepared in accordance with the instructions provided by the State Department of Social Services and all financial data shall be submitted through and verified by the Business Office.

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 5, 2015.

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 "Cohn Reznick LLP".

Hartford, Connecticut
February 5, 2015

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, 2014. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as findings 2013-2 and 2013-3. Our opinion on each major state program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated February 5, 2015, 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.



Hartford, Connecticut
February 5, 2015