

**FEDERAL SINGLE AUDIT AND
STATE SINGLE AUDIT
OF THE
TOWN OF VERNON, CONNECTICUT
YEAR ENDED JUNE 30, 2012**

TOWN OF VERNON, CONNECTICUT

FEDERAL SINGLE AUDIT
AND
STATE SINGLE AUDIT

YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
<u>FEDERAL SINGLE AUDIT</u>	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	1-4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	7
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	8-9
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	10-11
<u>STATE SINGLE AUDIT</u>	
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	12-13
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	14
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	15
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	16-17
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	18-19
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT	20-21

**Federal
Single
Audit**

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	State Project Number	Revenues	Expenditures
<u>U.S. Department of Agriculture</u>				
Food and Nutrition Service - Passed through State Department of Administrative Services, Bureau of Purchases:				
National School Lunch Program - Commodities	10.555	n/a	\$ 60,125	\$ 59,601
Passed through the State Department of Education:				
School Breakfast Program	10.553	12060-20508-82079	147,498	147,498
National School Lunch Program - Cash	10.555	12060-20560-82079	575,847	575,847
Special Milk Program for Children	10.556	12060-20500-82079	393	393
Summer Food Service Program for Children	10.559	12060-20540-82079	14,039	14,039
Summer Food Service Program for Children	10.559	12060-20548-82079	1,213	1,213
Total Child Nutrition Cluster			799,115	798,591
Fresh Fruit and Vegetable Program:	10.582			
Fresh Fruit and Vegetables carryover		12060-22051-82079-2011	3,033	3,033
Fresh Fruit and Vegetables		12060-22051-82079-2012	13,817	11,969
Total Fresh Fruit and Vegetable Program			16,850	15,002
Total U.S. Department of Agriculture			815,965	813,593
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the State Department of Economic and Community Development:				
Community Development Block Grant (CDBG) / State's Program (State-Administered Small Cities Program):				
Small Cities - 2010	14.228	SC 1014601	109,900	107,578
Small Cities - 2009	14.228	SC 0914601		5,100
Total U.S. Department of Housing and Urban Development			109,900	112,678
<u>U.S. Department of Justice</u>				
Office of Juvenile Justice & Delinquency Prevention - Passed through the State Office of Policy and Management:				
Juvenile Accountability Block Grants	16.523	2008-JB-FX-0006	10,790	10,790
Juvenile Justice & Delinquency Prevention - Allocation to States	16.540	2010-JF-FX-0012	54,163	54,163
Direct program - Bureau of Justice Assistance:				
Bullet Proof Vest Partnership Program	16.607	2010 BUBX	1,273	1,273
Direct program - Office of Community Oriented Policing Services:				
Public Safety Partnership and Community Policing Grants	16.710	2010 CKWX0475	300,000	300,000
Total U.S. Department of Justice			366,226	366,226

(Continued)

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	State Project Number	Revenues	Expenditures
<u>U.S. Department of Transportation</u>				
Federal Highway Traffic Safety Administration - Passed through the State Department of Transportation:				
Highway Planning and Construction	20.205	6146 (010)	\$ 45,915	\$ 47,838
Highway Planning and Construction	20.205	BRZ-6146 (1)	360	360
Highway Planning and Construction	20.205	BRZ-6146 (005)	2,678	2,678
Highway Planning and Construction	20.205	BRZ-6146 (2)	3,181	3,181
Highway Planning and Construction	20.205	BRZ-6146 (006)	2,672	2,672
Highway Planning and Construction	20.205	6146 (016)	1,013,214	1,013,218
Highway Planning and Construction	20.205	12DOT0158AA	8,168	8,168
Highway Planning and Construction	20.205	TCSP 010; 0146-180	22,509	22,509
Highway Planning and Construction	20.205	CT-12-01	22,831	22,831
Total Highway Planning and Construction			1,121,528	1,123,455
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	WAVE 42 CIOT	2,104	2,104
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	12-154AL; 0192-0722-AU	14,109	14,109
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	WAVE 41 CIOT	990	990
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	11-K8; 0191-0730-AS	11,476	11,476
Total Alcohol Impaired Driving Countermeasures Incentive Grants			28,679	28,679
Total U.S. Department of Transportation			1,150,207	1,152,134
<u>U.S. Department of Education</u>				
Passed through the State Department of Education:				
Adult Education - State Grant Program	84.002			
Adult Education		20784-2012-84002-170015	29,400	29,400
Adult Education		20784-2012-84002	197,400	197,400
Total Adult Education			226,800	226,800
Title I Grants to Local Educational Agencies:	84.010			
Title I PRTD carryover		20679-2011-82070	75,329	81,171
Title I PRTD		20679-2012-82070	404,877	404,877
Total Title I Grants to Local Educational Agencies			480,206	486,048
Title I Grants to Local Educational Agencies, Recovery Act: ARRA Title I	84.389	29010-2009-82070	44,060	44,060
Total Title I Grants to Local Educational Agencies - Cluster			524,266	530,108
Special Education - Grants to States:	84.027			
Special Education - State Grants (IDEA, Part B) carryover		20977-2011-82032	215,755	234,750
Special Education - State Grants (IDEA, Part B)		20977-2012-82032	659,271	659,271
Total Special Education - State Grants (IDEA, Part B)			875,026	894,021

(Continued)

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	State Project Number	Revenues	Expenditures
Special Education - Preschool Grants:	84.173			
Special Education - Preschool Grants Program		20983-2012-82032	\$ 48,028	\$ 24,859
Special Education - Preschool Grants Program carryover		20983-2011-82032		2,936
Total Special Education - Preschool Grants			48,028	27,795
Special Education - Preschool Grants, Recovery Act:				
ARRA IDEA, Part B, Section 619	84.392	29011-2009-82032	114,281	114,281
Total Special Education - Cluster			1,037,335	1,036,097
Career and Technical Education - Basic Grants to States:	84.048			
Carl D. Perkins		20742-2012-84010	38,959	38,959
English Language Acquisition Grants:	84.365			
Title III - A		20868-2012-82075	5,500	4,936
Passed through CREC:				
Title III - A		n/a		3,985
Total English Language Acquisition Grants			5,500	8,921
Improving Teacher Quality State Grants:	84.367			
Title II, Part A, Improving Teacher Quality - State Grants carryover		20858-2011-84131	93,014	93,014
Title II, Part A, Improving Teacher Quality - State Grants		20858-2012-84131	49,212	49,212
Total Title II, Part A, Improving Teacher Quality - State Grants			142,226	142,226
Education Technology State Grants, Recovery Act:				
ARRA Title II D, Ed Tech	84.386	29063-2009-82079-170002		2,023
ARRA T2 Ed Tech	84.386	29063-2009-82079-170003		8,064
Total Education Technology State Grants, Recovery Act:			-	10,087
Education Jobs Fund	84.410	22045-2011-82010	705,308	720,030
Passed through Manchester Community Technical College:				
Tech-Prep Education:	84.243			
Carl Perkins Vocational and Applied Tech		20848-2009-84013	3,400	3,400
Total U.S. Department of Education			2,683,794	2,716,628
<u>U.S. Department of Health and Human Services</u>				
Passed through the State Department of Social Services:				
Social Services Block Grant:				
SBG-35	93.667	10DSS5002BG	20,436	20,436
Passed through the State Department of Mental Health and Addiction Services and East of the River Action for Substance Abuse Elimination:				
Block Grants-Prevention/Treatment of Substance Abuse	93.959	n/a	4,245	4,245
Total U.S. Department of Health and Human Services			24,681	24,681

(Continued)

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	State Project Number	Revenues	Expenditures
<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-4023-CT	\$ 106,559	\$ 106,559
Disaster Grants - Public Assistance	97.036	DR-4046-CT	2,834,695	2,834,695
Total Disaster Grants - Public Assistance			2,941,254	2,941,254
Emergency Management - Performance Grants	97.042	146 EMPG FFY 2011	5,931	5,931
Assistance to Firefighters Grant	97.044	EMW-2010-FO-06796	178,709	178,709
Homeland Security Grant Program	97.067	007A146A	85,427	85,427
Total U.S. Department of Homeland Security			3,211,321	3,211,321
Total Federal Financial Assistance			\$ 8,362,094	\$ 8,397,261

CFDA = Catalog of Federal Domestic Assistance

(Concluded)

n/a - Not available

TOWN OF VERNON, CONNECTICUT

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

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*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in, the preparation of the basic financial statements.

2. NONCASH FEDERAL AWARDS

The Town received and expended \$59,601 of USDA donated commodities under the National School Lunch Program.

TOWN OF VERNON, CONNECTICUT

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

There were no prior year audit findings or questioned costs.

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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 auditors' report issued on compliance
for major programs: Unqualified

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

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
10.555/10.553/10.556/10.559	Child Nutrition Cluster
16.710	Public Safety Partnership and Community Policing Grants
20.205	Highway Planning and Construction
84.010/84.389	Title 1 Grants to Local Educational Agencies Cluster
84.027/84.173/84.392	Special Education Cluster
84.410	Education Jobs Fund
97.036	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

There were no findings reported relating to the financial statements.

III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs reported relating to Federal award programs.

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

Town Council
Town of Vernon, Connecticut

We have audited 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, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town in a separate letter dated January 4, 2013.

This report is intended solely for the information and use of management, the Town Council, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Farmington, Connecticut
January 4, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Town Council
Town of Vernon, Connecticut

Compliance

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, 2012. The Town's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2012 and have issued our report thereon dated January 4, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the 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 financial statements as a whole.

This report is intended solely for the information and use of management, the Town Council, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Farmington, Connecticut
January 4, 2013

State Single Audit

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012**

State Grantor Pass-Through Grantor Program Title	State Grant Program Core - CT Number	Revenues	Expenditures
Department of Economic and Community Development			
Urban Action Bonds; 2011-146-001	13019-EDC-46000	\$ 1,479,361	\$ 1,479,361
Special Act 07-7; 2008-146-002	12052-ECD-46000	2,457	2,457
Department of Transportation:			
Town Aid Road Grants Transportation Fund	12001-DOT57131-17036	208,231	236,453
Elderly & Disabled Demand Repsonive Transportation	12062-DOT57931-35304	22,667	22,667
Special Act 89-50	0146; 0181 (GR)	135,189	126,652
Local Bridge Program Transportation Fund 146-159; 146-160	21010-DOT57191-42313	885	885
Local Bridge Program Transportation Fund 146-159; 146-160	21010-DOT57191-42313	1,337	1,337
Local Bridge Program Transportation Fund 146-181	21010-DOT57191-42313	126,652	126,652
Total Local Bridge Program Transportation Fund		128,874	128,874
Office of Policy and Management:			
Local Capital Improvement Program	12050-OPM20600-40254	321,182	321,182
Property Tax Relief for Elderly & Totally Disabled Homeowners	11000-OPM20600-17018	146,601	146,601
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	3,350	3,350
Property Tax Relief for Veterans	11000-OPM20600-17024	19,132	19,132
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	318,886	318,886
PILOT on State-Owned Property	11000-OPM20600-17004	206,413	206,413
Department of Education:			
School Readiness and Child Care in Competitive Grant Municipalities - Severe Needs	11000-SDE64370-12113	107,000	107,000
School Readiness and Child Care in Competitive Grant Municipalities - Severe Needs Competitive	11000-SDE64370-17097	3,971	3,971
Healthy Foods Initiative	11000-SDE64370-16212	37,318	37,318
Child Nutrition State Match Grant	11000-SDE64370-16211	17,173	17,173
Vocational Agriculture	11000-SDE64370-17017	107,667	107,667
Adult Education - Provider	11000-SDE64370-17030	260,419	260,419
Health Services	11000-SDE64370-17034	4,821	4,821
State School Breakfast Program - Per Meal	11000-SDE64370-17046	2,995	2,995
State School Breakfast Program - Basic	11000-SDE64370-17046	21,000	21,000
Total State School Breakfast Program		23,995	23,995
Youth Services Bureaus	11000-SDE64370-17052	23,085	23,085
Youth Services Bureau Enhancement	11000-SDE64370-16201	6,250	6,250
Open Choice Program	11000-SDE64370-17053	45,000	19,184
Sheff Settlement	11000-SDE64370-12457	24,150	24,150
Primary Mental Health	11000-SDE64370-12198	12,612	12,597
School Breakfast	11000-SDE64370-17046	7,864	7,319
Connecticut State Library:			
Historic Documents Preservation Grant	12060-CSL66094-35150	6,000	6,000

(Continued)

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012**

State Grantor Pass-Through Grantor Program Title	State Grant Program Core - CT Number	Revenues	Expenditures
Department of Public Safety:			
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	\$ 4,274	\$ 4,274
Passed through the Town of Manchester:			
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	144,561	23,187
Total State Assets Forfeiture Revolving Fund		148,835	27,461
Department of Consumer Protection:			
Bingo Payments	12A146	193	193
Judicial Department:			
Treasurer Distribution (Parking fines)	34001-JUD95162-40001	50	50
Treasurer Distribution (Littering fines surcharge)	34001-JUD95162-40001	199	199
Treasurer Distribution (Motor Vehicle Violation surcharge)	34001-JUD95162-40001	14,730	14,730
Treasurer Distribution (Hand-Held device Violation surcharge)	34001-JUD95162-40001	1,454	1,454
Total Treasurer Distribution		16,433	16,433
State Department of Social Services:			
Medicaid Reimbursement	11000-DSS60000-16020	19,849	19,849
Connecticut Trust for Historic Preservation:			
Historic Preservation Technical Assistance Grant	CTHP11-05	850	850
Total State Financial Assistance before Exempt Programs		3,865,828	3,737,763
EXEMPT PROGRAMS			
Office of Policy and Management:			
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	217,972	217,972
Municipal Video Grant Competition	12060-OPM20600-35362	10,673	10,673
Municipal Revenue Sharing Account	12060-OPM20600-35458	465,643	465,643
Department of Education:			
Public School Transportation	11000-SDE64370-17027	172,573	172,573
Education Cost Sharing	11000-SDE64370-17041	17,593,087	17,593,087
Special Education - Agency Placement	11000-SDE64370-17047	161,241	161,241
Special Education - Excess Cost	11000-SDE64370-17047	429,172	429,172
Special Education - Excess Cost Student Based Supplemental	11000-SDE64370-17047	128,580	128,580
Regular Education - Agency Placement	11000-SDE64370-17047	51,786	51,786
Total Excess Cost - Student Based		770,779	770,779
Non-Public School Transportation	11000-SDE64370-17049	15,774	15,774
Commitments for School Construction - Progress Payments	13010-SDE64370-40901	4,278,043	4,278,043
Commitments for School Construction - Principal	13010-SDE64370-40901	212,082	212,082
Commitments for School Construction - Interest	13009-SDE64370-40896	6,547	6,547
Total Commitments for School Construction		4,496,672	4,496,672
Total Exempt Programs		23,743,173	23,743,173
Total State Financial Assistance		\$ 27,609,001	\$ 27,480,936

(Concluded)

See Notes to Schedule of Expenditures of State Financial Assistance.

TOWN OF VERNON, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2012

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, 2012. 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, 2012.

DEPARTMENT OF ENVIRONMENTAL PROTECTION:

Clean Water Funds (6865-3100-888):

Grant Number	Issue Date	Interest Rate	Original Amount	Balance July 1, 2011	Retired	Balance June 30, 2012
244-C	05/28/93	2%	\$ 649,740	\$ 46,023	\$ 32,487	\$ 13,536
200-C	12/31/97	2%	21,635,550	8,649,576	1,502,774	7,146,802

3. SUBRECIPIENTS

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

State Core-CT Number	Program Name	Amount
11000-SDE64370-12113	School Readiness - Severe Needs	\$ 107,000

TOWN OF VERNON, CONNECTICUT

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

There were no prior year audit findings or questioned costs.

TOWN OF VERNON, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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 auditors' report issued on compliance
for major programs: Unqualified

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

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

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
<u>DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT:</u>		
Urban Action Bonds.....	13019-EDC-46000	\$ 1,479,361
<u>DEPARTMENT OF TRANSPORTATION:</u>		
Town Aid Road Grants Transportation Fund.....	12001-DOT57131-17036	236,453
Local Bridge Program Transportation Fund	21010-DOT57191-42313	128,874
<u>OFFICE OF POLICY AND MANAGEMENT:</u>		
Local Capital Improvement Program	12050-OPM20600-40254	321,182
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals...	11000-OPM20600-17006	318,886
PILOT on State Owned Property	11000-OPM20600-17004	206,413

TOWN OF VERNON, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

II. FINANCIAL STATEMENT FINDINGS

There were no findings reported relating to the Town's financial statements.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs reported relating to State Financial Assistance programs.

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

Town Council
Town of Vernon, Connecticut

We have audited 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, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town in a separate letter dated January 4, 2013.

This report is intended solely for the information and use of management, the Town Council, others within the entity, the Office of Policy and Management, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Farmington, Connecticut
January 4, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

Town Council
Town of Vernon, Connecticut

Compliance

We have audited the Town of Vernon, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management 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, 2012. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2012 and have issued our report thereon dated January 4, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town's 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 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 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 financial statements or to the 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 financial statements as a whole.

This report is intended solely for the information and use of management, the Town Council, others within the entity, the Office of Policy and Management, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Farmington, Connecticut
January 4, 2013