

TOWN OF HEBRON, CONNECTICUT

STATE SINGLE AUDIT REPORTS

JUNE 30, 2016

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INTERNAL CONTROL AND COMPLIANCE REPORT

**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**

To the Members of the Board of Finance
Town of Hebron, 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, each major fund, and the aggregate remaining fund information of the Town of Hebron, Connecticut (the "Town"), as of and for the year ended June 30, 2016, 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 23, 2016.

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 a 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 a 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*.

We noted certain matters that were reported to management of the Town in a separate letter dated December 23, 2016.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Glastonbury, Connecticut
December 23, 2016

STATE SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
ON INTERNAL CONTORL OVER COMPLIANCE REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT,
AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

To the Members of the Board of Finance
Town of Hebron, Connecticut

Report on Compliance for Each Major Program

We have audited the Town of Hebron, Connecticut’s (the “Town”) compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management’s *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town’s major state programs for the year ended June 30, 2016. The Town’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of state findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable 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 of Hebron, Connecticut, 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, 2016.

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 an 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 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of state findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

Management's Response to the Finding

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

Purpose of this Report

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 Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated December 23, 2016, 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 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. The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
December 23, 2016

TOWN OF HEBRON, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS:		
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grants	12052-DOT57131-43455	\$ 241,222
Bus Operations	12001-DOT57931-12175	18,126
Small Town Economic Assistance Program	12052-DOT57191-40532	34,629
Local Bridge Program	21010-DOT57000-42310	31,825
Total Department of Transportation		<u>325,802</u>
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Local Capital Improvements	12050-OPM20600-40254	70,831
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	32,344
Property Tax Relief for Veterans	11000-OPM20600-17024	4,032
Municipal Grants-In-Aid	12052-OPM20600-43587	2,216
Property Tax Relief for the Totally Disabled	11000-OPM20600-17011	757
Total Office of Policy and Management		<u>110,180</u>
DEPARTMENT OF EDUCATION		
Direct:		
Family Resource Centers	11000-SDE64370-16110	108,518
Youth Services Bureau	11000-SDE64370-17052	35,011
Youth Services Enhancement	11000-SDE64370-16201	5,817
Healthy Food Initiative	11000-SDE64370-16212	5,390
Child Nutrition Program	11000-SDE64370-16211	2,623
Early Childhood Minor Capital	12052-SDE64370-43540	61,736
High Quality Schools Start Up	12052-SDE64370-43538	17,248
Total Department of Education		<u>236,343</u>
OFFICE OF EARLY CHILDHOOD		
Direct:		
School Readiness and Childcare in Competitive Grant Municipalities	11000-OEC64845-12113	113,400
School Readiness Quality Enhancement	11000-OEC64845-17097	3,881
Total Office of Early Childhood		<u>117,281</u>

(Continued)

The accompanying note is an integral part of this schedule.

TOWN OF HEBRON, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2016

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS (Continued) :		
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		
State of Connecticut Historic Preservation Office:		
Making Places Grant	MP 2015-01	\$ 35,500
Direct:		
Small Town Economic Assistance Program	12052-ECD46210-42411	108,095
Historic Restoration Fund	12060-ECD46840-45241	30,000
Total Department of Economic and Community Development		<u>173,595</u>
CONNECTICUT STATE LIBRARY		
Direct:		
Historic Document Preservation Grant	12060-CSL66094-35150	<u>3,000</u>
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION		
Direct:		
Community Investment Account	12060-DEP43153-35328	110,500
Environmental Settlements	12060-DEP43930-35169	9,809
Total Department of Energy and Environmental Protection		<u>120,309</u>
Total State Financial Assistance Before Exempt Programs		<u>1,086,510</u>
EXEMPT PROGRAMS:		
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	11000-SDE64370-17041	6,984,557
Excess Cost - Student Based	11000-SDE64370-17047	43,692
Public Transportation of School Children	11000-SDE64370-17027	30,676
Total Department of Education		<u>7,058,925</u>
DEPARTMENT OF ADMINISTRATIVE SERVICES		
Direct:		
School Construction Grants	13010-DAS27635-40901	<u>62,885</u>
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	<u>28,744</u>
Total Exempt Programs		<u>7,150,554</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 8,237,064</u>

The accompanying note is an integral part of this schedule.

TOWN OF HEBRON, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Hebron, Connecticut (the "Town") through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

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

TOWN OF HEBRON, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION 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 ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None

Noncompliance material to financial statements noted? _____ Yes ✓ No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? ✓ Yes _____ None

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 to the State Single Audit Act? _____ Yes ✓ No

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

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
Department of Transportation		
Town Aid Road Grants	12052-DOT57131-43455	\$ 241,222
Office of Early Childhood		
School Readiness and Childcare in Competitive Grant Municipalities	11000-OEC64845-12113	113,400
Department of Energy and Environmental Protection		
Community Investment Account	12060-DEP43153-35328	110,500
Department of Education		
Family Resource Centers	11000-SDE64370-16110	108,518

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

TOWN OF HEBRON, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II. FINANCIAL STATEMENT FINDINGS

No findings were reported.

SECTION III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Finding 2016-001 Significant Deficiency in Internal Control over Major Program – Subrecipient Monitoring

Grantor: State of Connecticut Department of Education

Program Name: Family Resource Centers

State Grant Program Core CT Number: 11000-SDE64370-16110

Criteria

The Town's Board of Education should have appropriate internal control over subrecipient monitoring to provide reasonable assurance that all grant subrecipients are conducting such grants in accordance with applicable grant agreements and compliance supplements. Specifically, the Board of Education is responsible for (a) identifying to the subrecipient the State award information such as program identification number, proper title of program, and State source of funding, (b) monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers State awards in compliance with State requirements, (c) ensuring required audits are performed and requiring the subrecipient to take prompt corrective action on any audit findings, and (d) evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable State regulations.

Condition

The Town's Board of Education has not designed appropriate internal controls over subrecipient monitoring to ensure compliance by the subrecipient of the family resource center grant.

Questioned Costs

No costs were questioned.

Cause

Inadequate oversight and turnover in the Board of Education's financial management division.

Effect

The subrecipient was not actively monitored throughout the year.

Auditor's Recommendation

We recommend that the Board of Education Business Office design appropriate internal controls over subrecipient monitoring to ensure all subrecipients are actively monitored throughout the year and that all applicable compliance requirements are being met by the subrecipient.

TOWN OF HEBRON, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2016

SECTION III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2016-001 Significant Deficiency in Internal Control over Major Program – Subrecipient Monitoring *(Continued)*

Management's Response

The Board of Education's Business Office plans to implement policies and procedures to ensure all subrecipients are actively monitored in the future. Subsequent to year-end, the Board of Education Business Office incurred a turnover in management level employees. A restructuring of the Business Office has since taken place and additional levels of monitoring controls will be put into effect immediately.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR YEAR AUDIT FINDINGS

No findings were reported.