

TOWN OF NEW CANAAN, CONNECTICUT

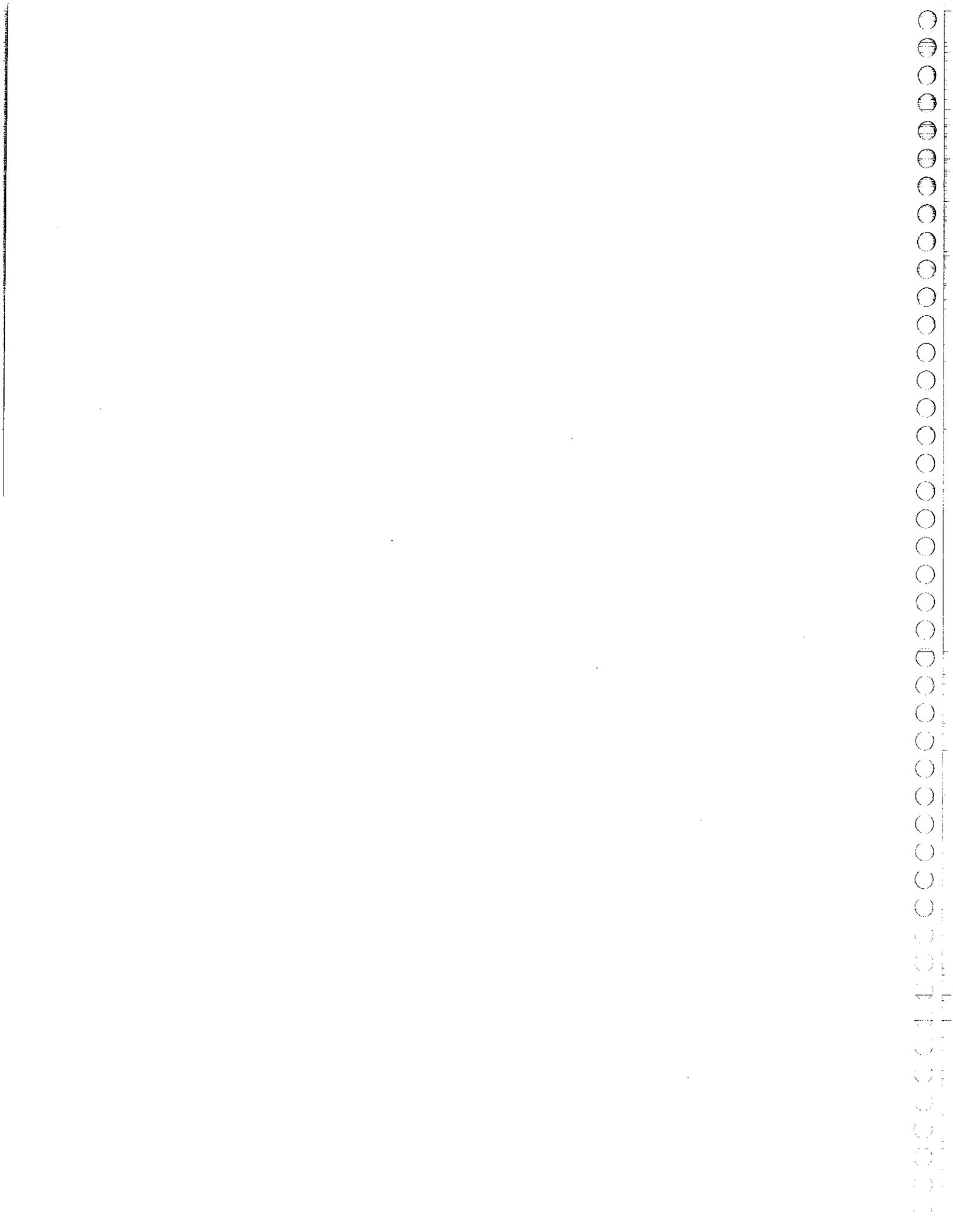
REPORT TO THE TOWN COUNCIL

JANUARY 27, 2012



McGladrey

McGladrey & Pullen, LLP
Certified Public Accountants





January 27, 2012

To the Members of the
Town Council
Town of New Canaan
77 Main Street
New Canaan, Connecticut

We are pleased to present this report related to our audit of the basic financial statements of the Town of New Canaan, Connecticut for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Town of New Canaan's financial and compliance reporting process.

This report is intended solely for the information and use of the Town Council acting as the Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Town of New Canaan.

McGladrey & Pullen, LLP

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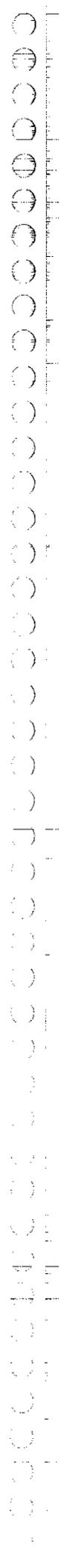
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Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America <i>Government Auditing Standards</i> issued by the Comptroller General of the United States; the provisions of the Single Audit Act; OMB Circular A-133; OMB's <i>Compliance Supplement</i> ; and the State Single Audit has been described to you in our arrangement letter dated May 9, 2011.
Accounting Practices	Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Town of New Canaan, Connecticut. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year. In the current year, the Town adopted: <ul style="list-style-type: none"><li data-bbox="670 1024 1433 1598">• GASB Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i>. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. As described in Notes 13 and 14 to the basic financial statements, the Town reclassified the fund balances and restated the General Fund by \$16,233, the Non-Major Governmental Funds by \$260,664, and the Enterprise Funds by \$244,431.<li data-bbox="670 1619 1433 1974">• GASB Statement No. 59, <i>Financial Instruments Omnibus</i>. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, <i>Accounting and Financial Reporting for Derivative Instruments</i>, and applying the reporting provisions for interest-earning investment contracts of GASB 31, <i>Accounting and Financial Reporting for Certain Investments and for External Investment Pools</i>.



Area	Comments
Management's Judgments and Accounting Estimates	<p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Alternative Treatments Discussed with Management</p> <p>We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.</p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."</p>
Financial Statement Disclosures	<p>In our meeting we will discuss with you the following items as they relate to the neutrality, consistency and clarity of the disclosures in the financial statements:</p> <ul style="list-style-type: none"> • Disclosures related to revenue recognition.
Audit Adjustments	<p>Audit adjustments recorded by the Town of New Canaan are attached with the representation letter with Exhibit A</p>
Uncorrected Misstatements	<p>There were no uncorrected misstatements.</p>
Disagreements with Management	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
Consultations with Other Accountants	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
Significant Issues Discussed with Management	<p>No significant issues arising from the audit were discussed or were the subject of correspondence with management.</p>
Difficulties Encountered in Performing the Audit	<p>We did not encounter any difficulties in dealing with management during the audit.</p>
Certain Written Communications Between Management and Our Firm	<p>Copies of certain written communications between our firm and the management of the Town are attached as Exhibit A.</p>



TOWN OF NEW CANAAN, CONNECTICUT

**Summary of Accounting Estimates
Year Ended June 30, 2011**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Town of New Canaan's June 30, 2011 basic financial statements:

Area	Accounting Policy	Estimation Process	Comments
Pension and OPEB Plans	The Town has an actuarial valuation performed to determine the annual required contribution and funds accordingly. Any net difference between the annual required contribution and actual contributions from or on behalf of the Town are recorded as a net asset or obligation in the governmental activities of the Town.	The Town utilizes the services of actuaries to determine the Town's Annual Required Contribution. Management and the actuary determine the appropriateness of the actuarial assumptions to be utilized. The actuary then performs the calculation which is reviewed and approved by management of the Town.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.
Allowance for Doubtful Accounts	All trade and other receivables are shown net of an allowance for uncollectible accounts.	Receivables are analyzed for their collectability based on the terms and conditions of the agreements. In addition to receivables specifically identified as uncollectible, a general allowance is calculated based on the Town's historic experience.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.



Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by the Town. The Town's management has not yet determined the effect these Statements will have on the Town's financial statements. However, the Town plans to implement all standards by the required dates. The Statements which might impact the Town are as follows:

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit certain OPEB plans to use an alternative measurement method. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions of this Statement will be effective for the Town beginning with year ending June 30, 2012.

GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*

The objective of this Statement is to provide accounting and financial reporting guidance by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2013.

GASB Statement 61, *Financial Reporting Entity: Omnibus*

This Statement amends Statement 14, *The Financial Reporting Entity*, as well as Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The primary purpose of this Statement is to improve financial reporting for governmental entities. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2013.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

The objective of this Statement is to incorporate into the GASB's authoritative literature certain additional accounting and financial reporting guidance that was issued before November 30, 1989. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2013.



GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

**GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—
an amendment of GASB Statement No. 53**

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The provisions of this Statement are effective for financial statements for the Town beginning with its year ending June 30, 2012. Earlier application is encouraged.

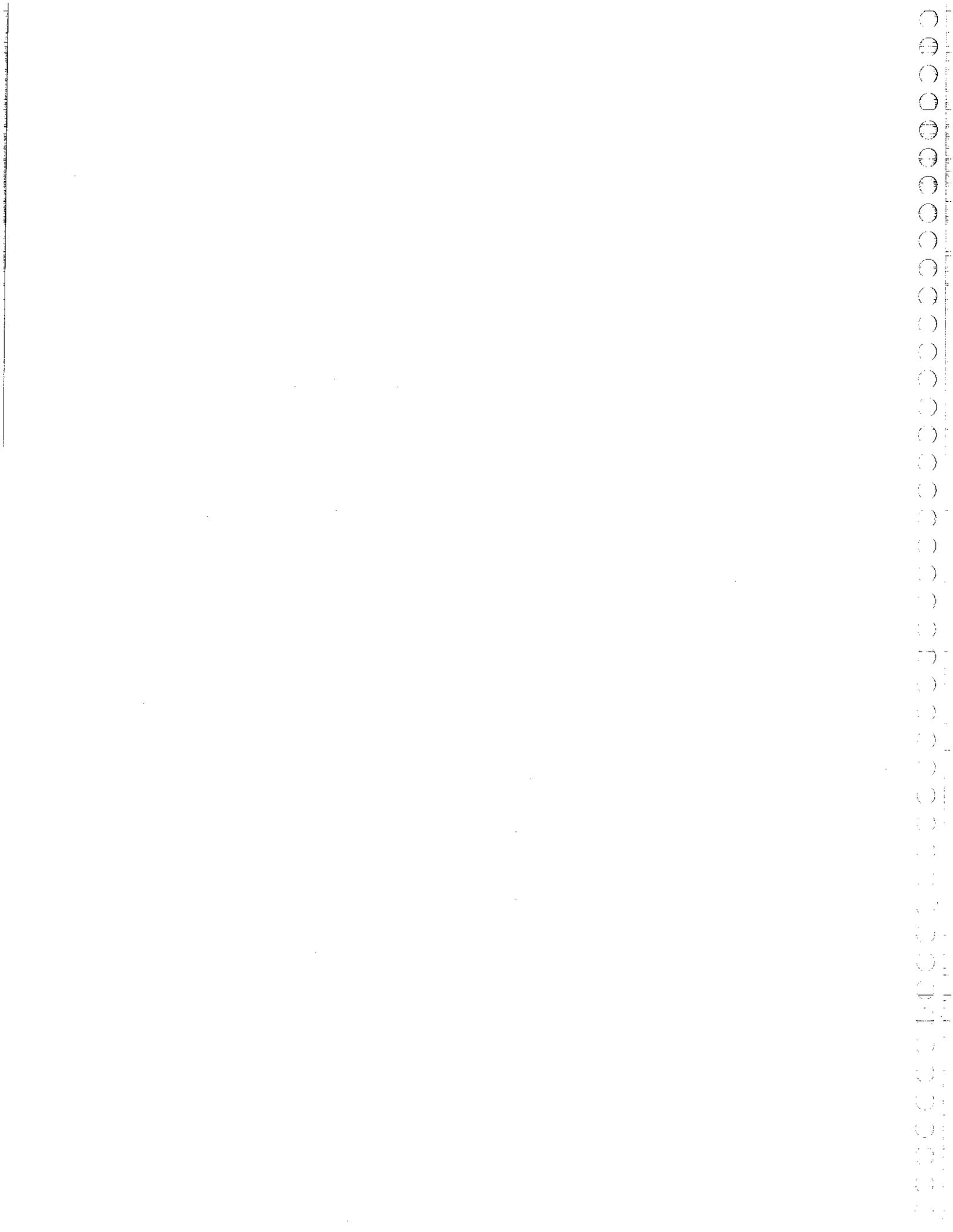


Exhibit A - Certain Written Communications Between Management and Our Firm

- Representation Letter, with Audit Adjustments
- Management Letter



Town of New Canaan
Town Hall, 77 Main Street
New Canaan, CT 06811

January 27, 2012

McGladrey & Pullen, LLP
One Church Street
New Haven, CT 06510

In connection with your audit of the basic financial statements of the Town of New Canaan, Connecticut (the "Town") as of and for the year ended June 30, 2011, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position and cash flows where applicable and general fund budget statements where applicable in conformity with accounting principles generally accepted in the United States of America.

We confirm, to the best of our knowledge and belief, as of January 27, 2012 the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. There are no organizations that should be part of the reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* that are:
 - a. Component units.
 - b. Other organizations for which the nature and significance of their relationship with Town of New Canaan, Connecticut are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - c. Jointly governed organizations in which we participated.
3. We have identified for you all of our funds and governmental functions, identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria.
6. We are responsible for compliance with laws and regulations applicable to the Town of New Canaan, Connecticut including adopting, approving, and amending budgets.
7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
8. In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm we are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Town of New Canaan, Connecticut.
 - b. Establishing and maintaining effective internal control over financial reporting.



9. In connection with your audit, conducted in accordance with Government Auditing Standards, we have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor repository or noncompliance.
10. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
13. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.
14. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
15. We have reviewed, approved, and take full responsibility for all accrual adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.
16. In connection with your audit of federal and state awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236), we confirm:
 - a. We are responsible for complying, and have complied, with the requirements of Circular A-133 and the State Single Audit Act.
 - b. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of the Town of New Canaan, Connecticut's federal and state programs.
 - c. We are responsible for establishing and maintaining, and we have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing federal and state awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal and state programs.
 - d. We have prepared the schedule of expenditures of federal and state awards in accordance with Circular A-133, the State Single Audit Act, and have included expenditures made during the period being audited for all awards provided by federal and state agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, where applicable.
 - e. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
 - f. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.
 - g. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal and state programs and



related activities that have taken place with federal and state agencies or pass-through entities.

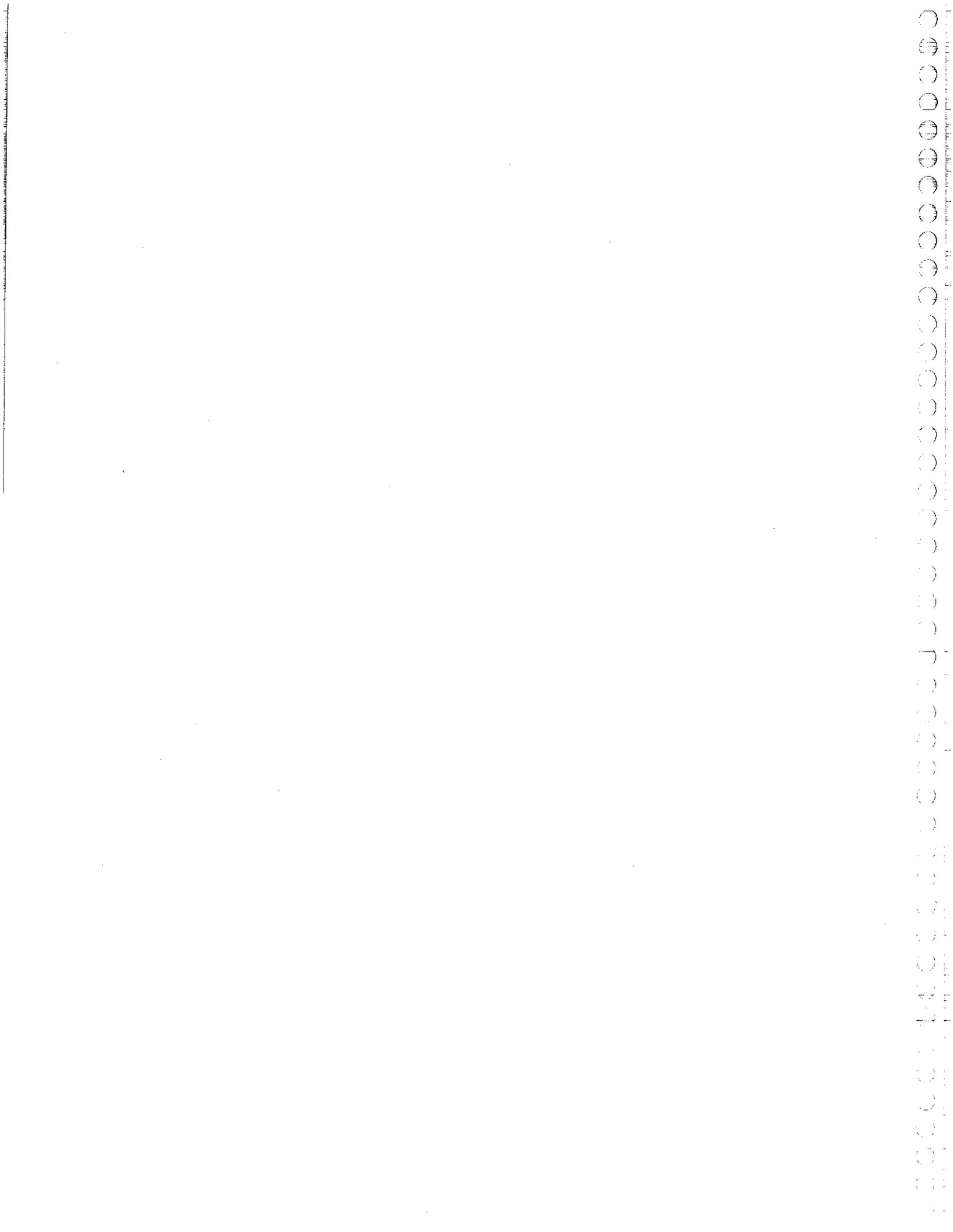
- h. We have charged costs to federal and state awards in accordance with applicable cost principles.
- i. We have made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- j. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- k. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal and state agency or pass-through entity, as applicable.
- l. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133 and the State Single Audit Act. There were no such findings.
- m. We have advised you that we are not aware of any amounts that have been questioned or known instances of noncompliance with the direct and material compliance requirements of federal awards and state awards.
- n. We believe that we have complied with the direct and material compliance requirements.
- o. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements including communications received from the end of the period covered by the compliance audit to the date of your report.
- p. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of your report.
- q. We are responsible for taking corrective action on audit findings of the compliance audit.
- r. We have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- s. There are no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- t. We have accurately completed the appropriate sections of the data collection form.
- u. There is no known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report.
- v. There have been no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by us with regard to significant deficiencies internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent of the date as of which compliance is audited.



17. We have made available to you:
 - a. All financial records and related data of all funds, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory or contractual provisions or requirements.
 - 2) Financial reporting practices that could have a material effect on the financial statements.
18. We have no knowledge of fraud or suspected fraud affecting the Town of New Canaan, Connecticut involving:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where fraud could have a material effect on the financial statement.
19. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the Town of New Canaan received in communications from employees, former employees, regulators, or others.
21. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Town's ability to record, process, summarize, and report financial data.
22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
23. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
24. The following have been properly reflected and/or disclosed in the financial statements:
 - a. The fair value of investments.
 - b. Debt issue provisions.
 - c. All significant estimates known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year.
 - d. Authorized but unissued bonds and/or notes.
 - e. Risk financing activities.
 - f. Deposits and investment securities categories of custodial credit risk.
 - g. The effect which has not been determined on the financial statements of GASB Statement Nos. 57, 60, 61, 62, 63 and 64 which have been issued, but which we have not yet adopted.
 - h. All leases and material amounts of rental obligations under long-term leases.



25. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of actions we expect to take. In that regard, adequate provisions have been made:
- a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
 - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2011 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2011.
 - d. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2011.
 - e. To reduce obsolete, damaged or excess inventories to their estimated net realizable values.
 - f. For post closure care costs associated with the Town's landfill.
26. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
 - d. Guarantees, whether written or oral, under which the government is contingently liable.
 - e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.
 - f. Agreements to repurchase assets previously sold.
 - g. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - h. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - i. Special items or extraordinary items.
 - j. Material amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.



- k. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - l. Material losses to be sustained as a result of purchase commitments.
 - m. Conduit debt disclosure requirements as defined by GASB Interpretation No. 2, "Disclosure for Conduit Debt Obligations."
 - n. Arbitrage rebate liabilities.
 - o. Impairment of capital assets.
 - p. Lines of credit or similar arrangements.
 - q. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - r. Environmental clean-up obligations that would have a material impact on the Town as a whole.
 - s. Derivative financial instruments.
 - t. Material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - u. Related party transactions as defined in Section 2100 of the Government Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.
 - v. Security agreements in effect under the uniform commercial code.
27. Unless disclosed to you, there have been no complaints filed with or concerning our compliance with the provisions of:
- a. Davis-Bacon Act relative to payment of prevailing wage rates.
 - b. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 relative to acquisition of real property and the relocation of occupants of acquired property.
28. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
29. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, or to special assessment bond holders, which is not disclosed in the financial statements.
30. We have satisfactory title to all owned assets.
31. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and approved.
33. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities and allocations have been made on a reasonable basis.



34. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
35. Capital assets, including infrastructure assets, are properly capitalized, reported and depreciated.
36. Required supplementary information is properly measured and presented.
37. We confirm all disclosures and financial information for June 30, 2011 to be accurate in the Management's Discussion and Analysis. The Management Discussion and Analysis and the required supplementary information (RSI) is measured and presented within prescribed guidelines.
38. We have followed applicable laws and regulations in adopting, approving and amending budgets.
39. Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
40. Interfunds outstanding at year end are going to be paid in the short term.
41. No material civil rights suits were settled during the period of your audit and there are no material civil rights suits pending as of June 30, 2011.
42. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the summarized schedule of posted adjustments and will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
43. The note disclosures and related calculation of the net pension obligation/asset are proper and accurate in accordance with GASB Statement No. 27 and 50.
44. The fund deficits in all funds will be reduced with future revenues and/or future appropriations.
45. The Town has recorded its compensated absences in accordance with GASB Statement No. 16, "Accounting for Compensated Absences."
46. The capital assets recorded as construction in progress have not been placed in service as of June 30, 2011.
47. The note disclosures and related calculation of the net pension obligation are proper and accurate in accordance with GASB Statement No. 45.
48. All funds received and expended under the American Resource and Recovery Act (ARRA) as of June 30, 2011 are reported in accordance with the applicable grant program.
49. We believe the adoption of GASB Statement Nos. 54 and 59 are appropriate and proper.



No events or transactions have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

TOWN OF NEW CANAAN, CONNECTICUT

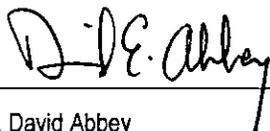


Mr. Robert E. Mallozzi III
First Selectman

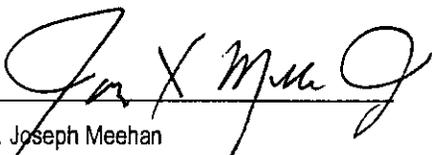


Ms. Kathleen A. Corbet
Acting Finance Director

TOWN OF NEW CANAAN, CONNECTICUT
BOARD OF EDUCATION



Dr. David Abbey
Superintendent of Schools



Mr. Joseph Meehan
Director of Finance and Operations

Town of New Canaan

Year End: June 30, 2011

Name	Account No	Debit	Credit
EDUCATION	034--000-0016 G34G	377,603.00	
Deferrd Rev School Construct	034--000-0075 G34G	2,432,430.00	
Deferrd Rev School Construct	034--000-0075 G34G		-2,810,033.00

To properly state school construction receivable

ACCOUNTS PAYABLE	400-000-0400 CPF01	27.99	
INTEREST ON INVESTMENTS	400-000-1400 CPF01		-27.99

To correct the fund balance

WACHOVIA-BOE HB-COBRA	080-000-0106 ISF02	42,598.50	
WACHOVIA-BOE HB-COBRA	080-000-0106 ISF02		-1,186.75
EMPLOYEE CONTRIBUTIONS	080-000-1905 ISF02		-42,598.50
INSURANCE PREMIUMS	080-270-2035 ISF02	929.47	
ADMINISTRATION FEES	080-270-2045 ISF02	257.28	

To book the activity during the year
for the BOE Cobra Account that was not properly booked by client.

TD BANK-PARKING CR.CARD	010-000-0112 GF01	24,140.51	
PARKING TICKETS	010-000-1505 GF01		-1,725.51
PARKING METERS	010-000-1620 GF01		-22,415.00
TD BANK-PARKING	090-000-0112 ENT01	44,813.05	
PARKING METERS	090-000-1620 ENT01		-44,813.05

To correct the Bank Reconciliation activity

FUND BALANCE	030-000-0030 CPF10	8,623.00	
Miscellaneous income	030-000-1750 CPF10		-8,623.00

To properly adjust fund balance

CASH	021-1-000-1000 SRF05	1,742.72	
AP Due To	021-1-999-1201 SRF05		-1,742.72
CASH	996-1-000-0110 SRF02	665,926.63	
Due To/Due From	996-1-000-0250 SRF02		-665,926.63
CASH	997-1-000-0110 SRF06	71,888.57	
Due to/From Other Funds	997-1-999-0601 SRF06		-71,888.57
Cash	999-1-000-0110 CPF12	16,317.25	
Due to/from Town of New Canaan	999-1-999-1201 CPF12		-16,317.25



This entry is booked to correct
the Interfund account balances.

DUE TO GENERAL FUND	110-000-0550 AF01		-207.70
EXPENSE DETAIL	110-900-2700 AF01	207.70	

To correct ending balance

STATE TEACHER ON BEHALF	010-000-2500 GF01		-5,526,000.00
STATE TEACHER ON BEHALF	010-999-0010 GF01	5,526,000.00	

To record teacher's retirement
pension gross up to actual per state

Deferred Rev. School Construction	010-000-9998 GF01		-1,666,653.00
School Construction Receivable	010-000-9999 GF01	1,666,653.00	

To record school construction receivable

DUE FROM STATE	415-000-0235 CPF04		-1,948,102.00
DEF REV - MISC.	415-000-0510 CPF04	1,948,102.00	

To properly adjust the school
construction receivable

RESERVE FOR BROOKS LAB CLAIMS	415-000-0628 CPF04		-40,000.00
CONSTRUCTION/FFE	415-800-56320 CPF04	40,000.00	

To book unearned revenue

ACCOUNTS RECEIVABLE	996-1-000-0120 SRF02		-119,242.00
Accounts payable	996-1-000-0211 SRF02		-2,339.00
SCHOOL LUNCH SALES	996-1-000-0420 SRF02	121,581.00	

Reclass revenue amount
accidentally included in AR

DUE FROM STATE	030-000-0235 CPF10		-269,988.00
05-OLD NWLK RD BRIDGE ENG	030-800-4683 CPF10	269,988.00	

To correct the receivable/capital
outlay accounts



To the Honorable First Selectman and
Members of the Town Council
Town of New Canaan, Connecticut

In connection with our audit of the basic financial statements of the Town of New Canaan, Connecticut, as of and for the year ended June 30, 2011, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

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 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.

The following is a description of the control deficiencies that we determined did not constitute a significant deficiencies or material weaknesses:

1. **Observation:**

There were audit adjustments made to the original trial balances presented to us to begin our audit, including accounts payable and accruals, accounts receivable, deferred revenue and fund balance.

Recommendation:

We recommend the Town review the trial balances for all funds on a periodic basis to ensure transactions are being recorded accurately and timely.

2. **Observation:**

It was noted that the Town did not follow its policy regarding appropriation from fund balance.

Recommendation:

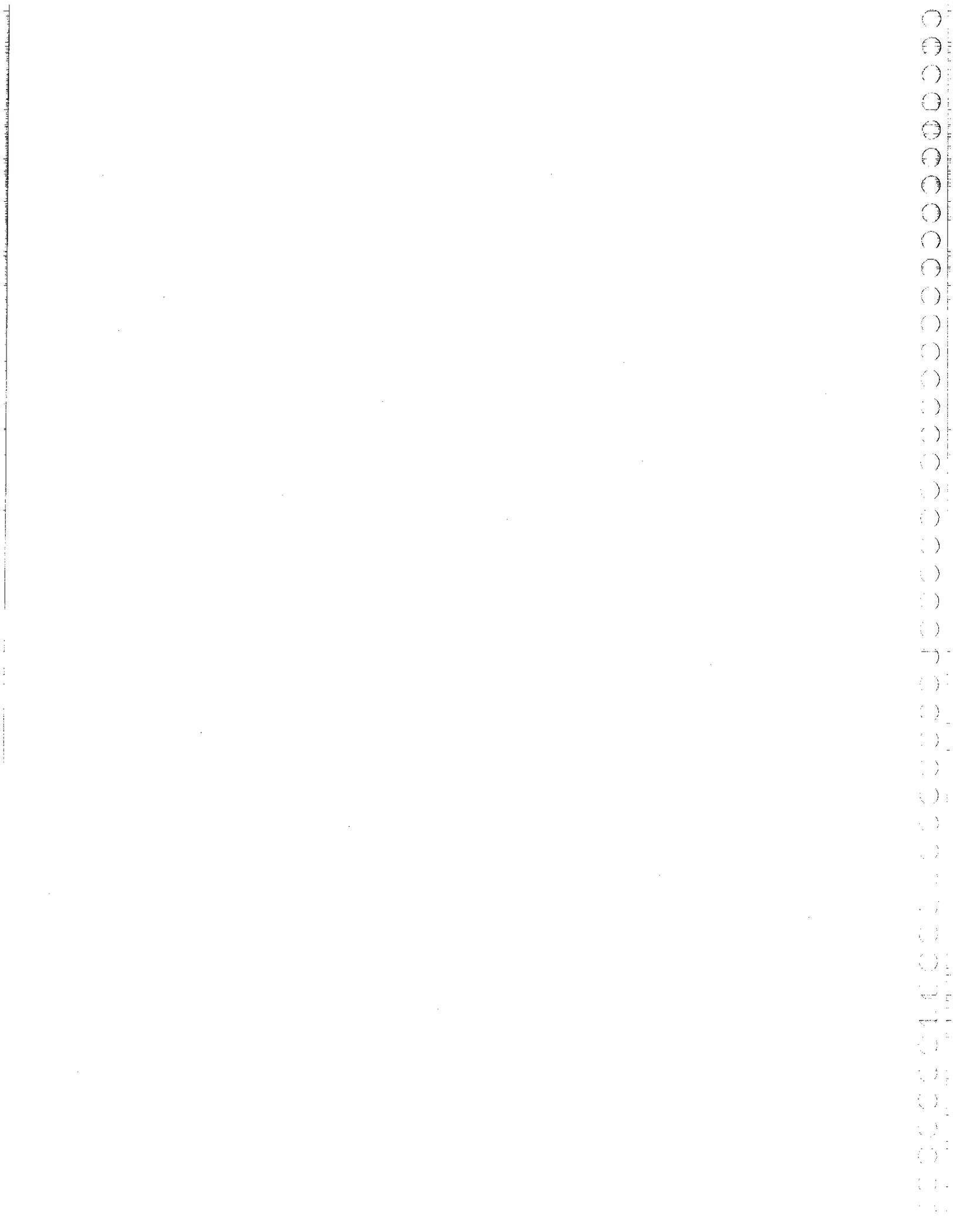
Town policy should be followed for all expenditure items. Expenditures should not be made unless the proper authorizations are in place and Town policy has been followed.

3. **Observation:**

Pension contributions were underpaid for certain employees who worked substantial overtime.

Recommendation:

We recommend the Town review the reports from ADP Payroll Service and reconcile any discrepancies, paying particular attention to overtime calculations and pay rates.

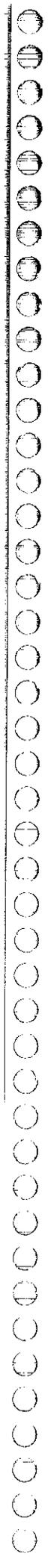


This report is intended solely for the information and use of the Town Council, the management of the Town of New Canaan, Connecticut and federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 27, 2012





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