

Town of New Canaan, Connecticut

Internal Control and Compliance Reports
June 30, 2013

Town of New Canaan, Connecticut

Table of Contents
Year Ended June 30, 2013

	<u>Page No.</u>
Internal Controls and Compliance Reports	
<u>Government Auditing Standards</u> Report	1
State Single Audit	
State Single Audit Report	3
Schedule of Expenditures of State Financial Assistance	6
Notes to the Schedule of Expenditures of State Financial Assistance	7
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	11
Federal Single Audit	
Federal Single Audit Report	12
Schedule of Expenditures of Federal Awards	15
Notes to the Schedule of Expenditures of Federal Awards	16
Schedule of Findings and Questioned Costs	17

**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***

Independent Auditors' Reports

**The Town Council
Town of New Canaan, Connecticut**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Canaan, Connecticut ("Town") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 13, 2014.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items (identified as MW-2012-01) to be material weaknesses.

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 other matters that we reported to management of the Town in a separate letter dated March 13, 2014.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

O'Connor Davies, LLP

Wethersfield, Connecticut
March 13, 2014

Town of New Canaan, Connecticut

State Single Audit
June 30, 2013

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

Independent Auditors' Report

**The Town Council
Town of New Canaan, Connecticut**

Report on Compliance for Each Major State Program

We have audited the Town of New Canaan, Connecticut's ("Town") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2013. The Town's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of 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 Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated March 13, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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 taken as a whole.

O'Connor Davies, LLP

Wethersfield, Connecticut
March 13, 2014

Town of New Canaan, Connecticut

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

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Department of Transportation		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$ 164,756
Transit Grants - Bus Operations	12001-DOT57931-12175	23,911
Department of Economic and Community Development		
Small Town Economic Assistance Program (ECD)	12052-ECD46350-42411	150,000
Department of Justice		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	22,954
Office of Policy and Management		
Reimburse Towns - Tax Loss on State Property	11000-OPM20600-17004	44,568
Reimburse Property Tax - Disability Exemption	11000-OPM20600-17011	163
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	29,730
Property Tax Relief for Veterans	11000-OPM20600-17024	1,306
Office of State Treasurer		
Nitrogen Credit Exchange Program	21016-OTT14230-42407	61,327
Department of Education		
Child Care Services	11000-SDE64220-12520	204,130
Youth Services Bureau Enhancement	11000-SDE64370-16201	6,111
Adult Education	11000-SDE64370-17030	25
Health and Welfare - Private School Pupil	11000-SDE64370-17034	18,187
Youth Services Bureaus	11000-SDE64370-17052	14,411
Magnet Schools	11000-SDE64370-17057	<u>1,300</u>
Total State Financial Assistance before Exempt Programs		<u>742,879</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64000-17041	\$ 1,545,870
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	846,905
School Construction Grants	13009-SDE64000-40896	26,672
School Construction Grants	13009-SDE64000-40901	284,253
Office of Policy and Management		
Municipal Revenue Sharing	12060-OPM20600-35458	119,768
Municipal Video Competition	12060-OPM20600-35362	87,803
Office of State Comptroller		
Mashantucket Pequot and Mohegan Fund Grant	12009-OSC15910-17005	<u>7,435</u>
Total exempt programs		<u>2,918,706</u>
Total State Financial Assistance		<u>\$ 3,661,585</u>

The accompanying notes are an integral part of this schedule

Town of New Canaan, Connecticut

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

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of New Canaan, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2013. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full accrual basis of accounting,

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of 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 Programs

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2013:

Town of New Canaan, Connecticut

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

2. Loan Programs (*Continued*)

Department of Environmental Protection:

Clean Water Funds 21014-OTT14230-4001:

	Issue Date	Interest Rate	Original Amount	Beginning Balance	Retired	Ending Balance
185-D/C	5/31/00	2%	\$12,440,686	\$4,829,308	\$(657,620)	\$4,171,688
185-P	Oct-94	2%	\$ 185,063	\$ 11,806	\$ (10,889)	\$ 917

Town of New Canaan, Connecticut

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

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Type of 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 and Program	State Core-CT Number	Expenditures
Office of the State Treasurer: Nitrogen Credit Exchange Program	21016-OTT14230-42407	\$61,327
Department of Transportation: Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$164,756
Department of Economic and Community Development: Small Town Economic Assistance Program (ECD)	12052-ECD46400-42411	\$150,000
Office of Policy and Management: Reimburse Towns - Tax Loss on State Property	11000-OPM20600-17004	\$44,568

Dollar threshold used to distinguish between type A and type B programs: \$100,000

Section II - Financial Statement Findings

Material Weaknesses in Internal Control

MW-2012-01 – Timely and Accurate Financial Reporting

Criteria – Financial reporting should be timely and accurate.

Town of New Canaan, Connecticut

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

Condition – The Town did not have timely and accurate financial reporting for the fiscal year.

Effect – Management did not have adequate financial reporting to make decisions and comply with budgeting rules and regulations in the Town’s charter. The financial reports that were being produced were materially misstated.

Cause – The Town changed accounting systems and financial management simultaneously. This uncovered a number of issues in the existing accounting practices.

Recommendation – Written financial reporting procedures must be developed for the new system. A checklist of monthly closing procedures should be prepared and deadlines set to assure timely and accurate financial reporting.

Views of Responsible Officials and Planned Corrective Actions – The current financial management has made substantial changes and improvement for the fiscal year ending June 30, 2013. Changes and improvement for the fiscal year ending June 30, 2014 will continue to be implemented.

Section III - State Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to State financial assistance programs.

Town of New Canaan, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Material Weaknesses in Internal Control

MW-2012-01 – Timely and Accurate Financial Reporting

Criteria – Financial reporting should be timely and accurate.

Condition – The Town did not have timely and accurate financial reporting for the fiscal year.

Current Status: The finding has been repeated as MW-2012-01

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.

Material Noncompliance with Laws and Regulations

MNC-2012-01 – Compliance with Budget Rules and Regulations

Criteria – The Town's Charter makes provisions for additional appropriations and transfers to budgeted expenditures so that the actual expenditures do not exceed the approved budget.

Condition – The Town did not have timely and accurate financial reporting for the fiscal year (see material weakness number MW-2012-01). This prevented management from appropriately monitoring the budget.

Current Status: The finding has been corrected.

Town of New Canaan, Connecticut

Federal Single Audit
June 30, 2013

**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, and on the Schedule of
Expenditures of Federal Awards**

Independent Auditors' Report

**To the Town Council
Town of New Canaan, Connecticut**

Report on Compliance for Each Major Federal Program

We have audited the Town of New Canaan, Connecticut's ("Town") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget's ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2013. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Town's compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the 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 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.

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 the 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. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2013, and have issued our report thereon dated March 13, 2014, which contained unmodified opinions on these financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 statement 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 Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

O'Connor Davies, LLP

Wethersfield, Connecticut
March 13, 2014

Town of New Canaan, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Total Federal Program
Department of Education:		
Passed through the State of Connecticut:		
Title I - Current	84.010	103,600
Title I - Carryover	84.010	693
Title II - Part A, Improving Teacher Quality - Current	84.367	22,090
Title II - Part A, Improving Teacher Quality - Carryover	84.367	546
IDEA, Part B, Section 611, Handicapped - Current	84.027	768,176
IDEA, Part B, Section 619, Preschool - Current	84.173	17,042
Career and Technical Education	84.048	25,744
Total Department of Education		<u>937,891</u>
Department of Energy		
Passed through the State of Connecticut:		
State Energy Assurance - ARRA	81.122	1,200
Department of Health and Human Services		
Passed through the State of Connecticut:		
Social Services Block Grant	93.667	31,722
Department of Transportation:		
Passed through the State of Connecticut:		
Highway Planning and Construction	20.205	1,257,344
Highway Planning and Construction - ARRA	20.205	38,892
Total Department of Transportation		<u>1,296,236</u>
Department of Homeland Security:		
Passed through the State of Connecticut:		
Disaster Grants - Public Assistance	97.036	2,110,326
Citizen Corps	97.067	1,200
Total Department of Homeland Security		<u>2,111,526</u>
Department of the Interior:		
Passed through the State of Connecticut:		
Justice Assistance Grant - ARRA	16.804	7,492
Total Federal Financial Assistance		<u>\$ 4,386,067</u>

The accompanying notes are an integral part of this schedule

Town of New Canaan, Connecticut

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

1. Summary Of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Town of New Canaan ("Town"), Connecticut under programs of the Federal government for the year ended June 30, 2013. Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule.

Basis of Accounting

The financial statements for the governmental fund types contained in Town of New Canaan, Connecticut's ("Town") basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full accrual basis of accounting,

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. 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 Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Town of New Canaan, Connecticut

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

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major programs:

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

Type of report issued on compliance for major programs: unmodified

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
84.027	IDEA, Part B, Section 611 Cluster
84.173	IDEA, Part B, Section 619 Cluster
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
Auditee qualified as a low risk auditee? yes no

Section II - Financial Statement Findings:

Material Weaknesses in Internal Control

MW-2012-01 – Timely and Accurate Financial Reporting

Criteria – Financial reporting should be timely and accurate.

Condition – The Town did not have timely and accurate financial reporting for the fiscal year.

Effect – Management did not have adequate financial reporting to make decisions and comply with budgeting rules and regulations in the Town's charter. The financial reports that were being produced were materially misstated.

Town of New Canaan, Connecticut

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

Cause – The Town changed accounting systems and financial management simultaneously. This uncovered a number of issues in the existing accounting practices.

Recommendation – Written financial reporting procedures must be developed for the new system. A checklist of monthly closing procedures should be prepared and deadlines set to assure timely and accurate financial reporting.

Views of Responsible Officials and Planned Corrective Actions – The current financial management has balanced the records for the year ended June 30, 2013. This was done more thoroughly and accurately than for the year ended June 30, 2012. Continued changes and improvement are being made for the fiscal year ending June 30, 2014 to assure that these issues will continue to improve.

Section III - Federal Financial Assistance Findings And Questioned Costs

No findings or questioned cost are reported relating to Federal financial assistance programs.

I. Summary Schedule of Prior Audit Findings

Material Weaknesses in Internal Control

MW-2012-01 – Timely and Accurate Financial Reporting

Condition: The Town did not have timely and accurate financial reporting for the fiscal year.

Current Status: Repeated as finding number MW-2012-01.

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.

Material Noncompliance with Laws and Regulations

MNC-2012-01 – Compliance with Budget Rules and Regulations

Condition: The Town did not have timely and accurate financial reporting for the fiscal year (see material weakness number MW-2012-01). This prevented management from appropriately monitoring the budget.

Current Status: Corrected in the current year.