

Town of New Canaan, Connecticut

Internal Control and Compliance Reports

Year Ended June 30, 2014

Town of New Canaan, Connecticut

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June 30, 2014

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Town of New Canaan, Connecticut

Internal Control and Compliance Reports
June 30, 2014

**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***

**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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 23, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or 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 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 December 23, 2014.

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 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 purposes.

O'Connor Davies, LLP

December 23, 2014

Town of New Canaan, Connecticut

Federal Single Audit
June 30, 2014

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, 2014. 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, 2014.

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated December 23, 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

December 23, 2014

Town of New Canaan, Connecticut

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

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Department of Energy and Environmental Protection		
Environmental Quality Fees Fund	11000-DEP43970-12501	\$ 25
Department of Transportation		
Transit District Grants/Loans Transp. Fund-Bus Operations	12001-DOT57931-12175	25,399
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	330,353
Department of Emergency Services and Public Protection		
Drug Asset Forfeiture Revenue Account DPS	12060-DPS32155-35142	2,276
Fire School Training and Education - Extension	12060-DPS32251-35180	100
Department of Justice		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	24,704
Office of Policy and Management		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	42,306
Reimburse Property Tax - Disability Exemption	11000-OPM20600-17011	154
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	29,301
Property Tax Relief for Veterans	11000-OPM20600-17024	1,339
Municipal Purposes and Projects	12052-OPM20600-43587	188
Office of State Treasurer		
Nitrogen Credit Exchange Program	21016-OTT14230-42407	84,118
Office of Early Childhood		
Child Care Services	11000-OEC64840-12520	153,304
Department of Education		
Youth Services Bureau Enhancement	11000-SDE64370-16201	6,172
Adult Education	11000-SDE64370-17030	27
Health and Welfare - Private School Pupil	11000-SDE64370-17034	16,997
Youth Services Bureaus	11000-SDE64370-17052	14,418
High Qualities School Start Up	1052-SDE64370-43538	80,347
Total State Financial Assistance before Exempt Programs		811,528
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64000-17041	1,624,226
Public School Transportation	11000-SDE64000-17027	290
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	775,498
Department of Administrative Services		
School Construction Grants	13009-DAS27636-40896	20,741
School Construction Grants	13009-DAS27636-40901	289,120
Office of Policy and Management		
Municipal Revenue Sharing	12060-OPM20600-35458	84,210
Municipal Video Competition	12060-OPM20600-35362	24,859
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	4,292
Total exempt programs		2,823,236
Total State Financial Assistance		\$ 3,634,764

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, 2014

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, 2014. 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 accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments.

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.

Town of New Canaan, Connecticut

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

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: The finding has been corrected.

Town of New Canaan, Connecticut

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

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting

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

State Financial Assistance

Internal control over major programs

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

Type of 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 X no

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

State Grantor and Program	State Core-CT Number	Expenditures
Department of Transportation Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$330,353
Office of Policy and Management Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	\$29,301
Department of Education High Qualities School Start Up	12052-SDE64370-43538	\$80,347

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

Section II - Financial Statement Findings

No matters were reported.

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

State Single Audit
June 30, 2014

**Report on Compliance For Each Major Federal Program; Report on Internal Control
Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required
by OMB Circular A-133**

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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 requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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.

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.

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2014, and have issued our report thereon dated December 23, 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.

O'Connor Davies, LLP

December 23, 2014

Town of New Canaan, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Program
U.S. Department of Justice			
Pass-Through programs from Connecticut Office of Policy and Management Edward Byrne Memorial Justice Assistance Grants Program	16.738	12060-OPM20350-291921	\$ 15,279
Pass-Through programs from Connecticut Department of Justice Crime Victims Assistance	16.575	12060-JUD95810-22631	390
Pass-Through programs from Connecticut Department of Emergency Services and Public Protection Internet Crimes Against Children Task Force Program	16.543	12060-DPS32353-21917	691
Total U.S. Department of Justice			<u>16,360</u>
U.S. Department of Transportation			
Pass-Through programs from Connecticut Department of Transportation Alcohol Open Container Requirements	20.607	12062-DOT57343-22091	823
Highway Planning and Construction	20.205	12062-DOT57124-22108	11
Highway Planning and Construction	20.205	12062-DOT57161-22108	610,706
Total U.S. Department of Transportation			<u>611,540</u>
U.S. Department of Education			
Pass-Through programs from Connecticut State Department of Education Special Education Cluster (IDEA)			
IDEA, Part B, Section 611, Handicapped - Current	84.027	12060-SDE64370-20977	711,688
IDEA, Part B, Section 619, Preschool - Current	84.173	12060-SDE64370-20983	15,279
Total Special Education Cluster (IDEA)			<u>726,967</u>
Title I - Current	84.010	12060-SDE64370-20679	115,815
Career and Technical Education	84.048	12060-SDE64370-20742	23,562
Title II - Part A, Improving Teacher Quality - Current	84.367	12060-SDE64370-20858	42,077
Total U.S. Department of Education			<u>908,421</u>
U.S. Department of Health and Human Services			
Pass-Through programs from Connecticut Office of Early Childhood Social Services Block Grant, Child Day Care	93.667	12060-OEC64841-26155	<u>76,289</u>
U.S. Department of Homeland Security			
Direct Programs Assistance to Firefighters	97.044	N/A	78,467
Pass-Through programs from Connecticut Department of Emergency Management and Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	12060-DPS32000-22520	89,357
Total U.S. Department of Homeland Security			<u>167,824</u>
Total Federal Financial Assistance			<u>\$ 1,780,434</u>

The accompanying notes are an integral part of this schedule

Town of New Canaan, Connecticut

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

1. Summary Of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of Federal Awards presents activity of all federal award programs for the year ended June 30, 2014. 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, 2014

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:

CFDA Number(s)	Name of Federal Program or Cluster
	Special Education Cluster (IDEA)
84.027	IDEA, Part B, Section 611, Handicapped
84.173	IDEA, Part B, Section 619, Preschool
84.010	Title I – Grants to Local Educational Agencies
84.048	Title II – Part A, Improving Teacher Quality

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 - Federal Financial Assistance Findings And Questioned Costs

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