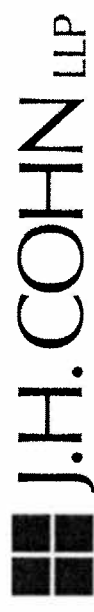


PRESENTATION OF THE ANNUAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2011

PRESENTED TO:

TOWN OF NEWTOWN, CONNECTICUT

February 1, 2012



Accountants and Consultants since 1919

We turn expertise into results.

Objective

- Provide overview of audit
- Discuss the various reports issued
- Review recommendations
- Provide required communications
- Discuss future considerations

REPORTS ISSUED

- Comprehensive Annual Financial Report (CAFR)
- Federal and State Single Audit Reports
- SAS 114 Communications
- Recommendations to Management

CAFR (Financial Statements)

- Opinion on Financial Statements (pg 10)
 - Unqualified “clean opinion”

- Management Discussion and Analysis (pg 12)
 - Executive Summary of fiscal year operations
 - Discussion of changes from prior years operations
 - a. Fund balance (pg 19)
 - b. General fund budgetary highlights (pg 19)
 - d. Capital assets (pg 21)
 - e. Long-term debt (pgs 21-22)

Notable Changes/Items in 2011 Report

- GASB 54 Implemented – New Fund Balance
- Financial Statements - Exhibit C (pg 26)
- Related disclosures (pgs 43-44, and 60)

GENERAL FUND OPERATIONS

- Exhibit F (Budgetary basis) (pg 31)
- Net decrease in Fund Balance \$494,235
- Appropriation of Fund Balance \$1,000,000
- Revenue budget shortages (\$964,693)
offset by spending savings of (\$1,323,124).

Pension Fund

- Financial Statements (pgs 35-36)
- Increase in net assets:
 - \$3,941,875 (Change in FV \$3,112,298)
- Slight Increase/Decrease in funded ratio: (pg 69)*
 - Town (0.5)% 89.5% to 89.0%
 - Police 0.5% 113.1% to 105.8%
- *5 year smoothing of asset values is causing decrease in current market

SINGLE AUDITS

FEDERAL SINGLE AUDIT

- Schedule of federal monies spent (pg 1-2)
- Unqualified opinion on compliance
- No findings or questioned costs

STATE SINGLE AUDIT

- Schedule of State monies spent (pg 10-11)
- Unqualified opinion on compliance
- No findings or questioned costs

REQUIRED COMMUNICATIONS

- SAS 114 letter
- Estimates (Item 2)
- Disclosures
- Management representations
- Corrected and uncorrected misstatements

2010 RECOMMENDATIONS

- Policy and procedures were developed
- Journal entries were properly approved
- Drawdown requests were reviewed and approved
- Board of Education Budget transfers were properly approved
- The school lunch fund is now recorded in the general ledger

2011 RECOMMENDATIONS

- Board of Education – record adult education and school custodian funds into general ledger
- Special Revenue Funds – GASB 54

Formal approval of special revenue funds and related purpose

FUND BALANCE REPORTING

- Fund balance components:

<u>NEW CATEGORY</u>	<u>OLD CATEGORY</u>
Nonspendable	Reserved
Restricted	Reserved
Committed	Reserved
Assigned	Designated/Unreserved
Unassigned	Unreserved

- Additional footnote disclosures
 - Fund balance policy
 - Minimum fund balance (If any)

FUTURE CONSIDERATIONS

- New accounting standards issued
 - **2012**
 - Derivative Instruments – Hedge Funds (GASB 64)
 - **2013**
 - Accounting and Reporting for Service Concession Arrangements (GASB 60)
 - Financial Reporting Entity – Component Units (GASB 61)
 - Codification of Pre-11/30/1989 Financial Reporting (GASB 62)
 - Financial Reporting of Deferred Outflows and Inflows of Resources (GASB 63)

QUESTIONS

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Legislative Council
Town of Newtown, Connecticut

We have audited the basic financial statements of the Town of Newtown, Connecticut, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted other matters involving the internal control over financial reporting and its operation that we are reporting to the management of the Town in the attached Recommendations to Management.

This report is intended solely for the information and use of management, the Legislative Council, others within the entity, Federal/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.

Kostin, Ruffkess & Company, LLC

Farmington, Connecticut
November 10, 2011



TOWN OF NEWTOWN, CONNECTICUT

RECOMMENDATIONS TO MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2011

We present for your consideration our comments and recommendations relating to the internal control and other operating and administrative matters, which came to our attention during the course of our audit. Comments and recommendations being repeated from the prior year's audit are identified by an "*".

BOARD OF EDUCATION

*GENERAL LEDGER

CONDITION:

Various fund accounting records are maintained on a manual basis and are not under general ledger control.

CAUSE & EFFECT:

General ledger control encompasses the recording of all transactions utilizing double entry procedures. Assets, liabilities, along with revenue and expenditure activity should all be recorded and controlled by the general ledger. Although expenditure transactions are currently processed through the computer system, the remainder of the general ledger accounting is done outside the general ledger software. The result of maintaining these accounts outside of the general ledger system is the loss of general ledger controls and efficiency in the process of recording, controlling, monitoring and preparation of financial statement and other reports.

RECOMMENDATION:

We recommend development of automated systems, including general ledger accounting control, for all funds. The system should be structured to facilitate systematic processing of all financial data. A common account structure will ensure financial reporting consistency between funds.

*INFORMATION TECHNOLOGY

We performed a review the Town and Board's information technology system for the purpose of obtaining an understanding necessary to perform our audit.

Based upon that review, we provide to the IT Department our recommendations for any improvements. Due to the sensitive nature of such comments, they are not presented in this report.

TOWN OF NEWTOWN, CONNECTICUT
RECOMMENDATIONS TO MANAGEMENT

Follow-up on Prior Year's Recommendations

The following comments and recommendations from the prior year's audit are not being repeated, since the Town has implemented procedures to rectify the situations:

- A policies and procedures manual was developed
- Journal entries are now approved by the finance director or the assistant finance director at least quarterly.
- Drawdown request forms are now reviewed and signed-off by the Business Manager prior to submission.
- The Business Office is now submitting budget transfers to the Board of Education for approval.
- The Board of Education now maintains the school lunch fund in the general ledger in the system; however, all other accounts are still maintained outside the general ledger software.

Sec. 10-248a. Unexpended education funds account. For the fiscal year ending June 30, 2011, and each fiscal year thereafter, notwithstanding any provision of the general statutes or any special act, municipal charter, home rule ordinance or other ordinance, the board of finance in each town having a board of finance, the board of selectman in each town having no board of finance or the authority making appropriations for the school district for each town may deposit into a nonlapsing account any unexpended funds from the prior fiscal year from the budgeted appropriation for education for the town, provided such amount does not exceed one per cent of the total budgeted appropriation for education for such prior fiscal year. □