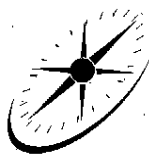


**TOWN OF CANTERBURY,  
CONNECTICUT**

**Required Auditor Communications  
in Connection with 2007 Audit**



**CCR**

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To the Board of Finance of the  
Town of Canterbury, Connecticut

Statement on Auditing Standards (SAS) No. 61, *Communication With Audit Committees*, SAS No. 90, *Audit Committee Communications*, and other professional standards require the auditor to ensure that the Board of Finance receives additional information regarding the scope and results of the audit that may assist the Board of Finance in overseeing the financial reporting and disclosure process for which management is responsible. Below we summarize these required communications:

**1. The Auditors' Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and the State Single Audit Act**

As stated in our engagement letter dated June 7, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement and are fairly presented in conformity with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. We have expressed unqualified opinions on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2007.

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purposes of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act.

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the State Single Audit Act, we examined, on a test basis, evidence about the Town's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement to the State Single Audit Act* applicable to each of its major state programs for the purpose of expressing an opinion on the Town's compliance with those requirements. While our audit provides a reasonable basis for our opinions, it does not provide a legal determination on the Town's compliance with those requirements. We expressed an unqualified opinion on the Town's compliance with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2007.

## 2. Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the basic financial statements (pages 24- 29). No new accounting policies were adopted and the application of existing policies was not changed during the year.

We noted no transactions entered into by the Town during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you. We noted no transactions for which there is a lack of authoritative guidance or consensus.

## 3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the basic financial statements are as follows:

- Allowance for doubtful accounts - The Town performs ongoing credit evaluations and generally does not require collateral or other forms of security. With respect to property taxes receivable and delinquent interest receivable, liens are filed on delinquent property taxes within one year. Based on factors surrounding the credit risk of specific taxpayers and others, historical trends, and other information, the Town has established an allowance for potential credit losses totaling \$50,000 and \$14,000 as of June 30, 2007 related to property taxes receivable and delinquent interest receivable, respectively.
- Depreciation and amortization expense (estimated lives) - The Town assigns estimated lives to its capital assets, which has an impact on depreciation and amortization expense recorded in the Town's basic financial statements.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

#### **4. Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town's financial reporting process. Except for adjustments made to the Child Nutrition Fund, there were no material audit adjustments. All audit adjustments that were proposed were recorded by the Town.

#### **5. Other Information in Documents Containing Audited Financial Statements**

There are no documents prepared by management that include the basic financial statements.

#### **6. Disagreements With Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **7. Consultation With Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Town's basic financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To the best of our knowledge, there were no such consultations with other accountants.

#### **8. Issues Discussed Prior to Retention of Independent Auditors**

We may discuss a variety of matters, including the application of accounting principles and auditing standards with management prior to retention as the Town's auditors. However, these discussions occur in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **9. Difficulties Encountered in Performing the Audit**

There were no difficulties encountered during the current year audit.

## 10. Impact of Recently Issued Auditing Standards

In March 2006, the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) issued eight Statements on Auditing Standards (SAS) relating to the assessment of risk in an audit of financial statements, as follows:

- SAS No. 104, *Amendment to Statement on Auditing Standards No 1, Codification of Auditing Standards and Procedures*
- SAS No. 105, *Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards*
- SAS No. 106, *Audit Evidence*
- SAS No. 107, *Audit Risk and Materiality in Conducting an Audit*
- SAS No. 108, *Planning and Supervision*
- SAS No. 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*
- SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*
- SAS No. 111, *Amendment to Statement on Auditing Standards No. 39, Audit Sampling*

The above SASs are effective for periods beginning on or after December 15, 2006 and establish standards and provide guidance concerning the auditor's assessment of the risks of material misstatement in a financial statement audit, and the design and performance of audit procedures whose nature, timing, and extent are responsive to the assessed risks. The primary object of the SASs is to enhance the auditor's application of the audit risk model in practice by specifying, among other things:

- More in-depth understanding of the entity and its environment, including its internal control, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate them.
- More rigorous assessment of the risks of material misstatement of the financial statements based on that understanding.
- Improved linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks.

The risk assessment standards will become effective for the Town's fiscal year ending June 30, 2008.

This information is intended solely for the use of the Board of Finance and the management of the Town and is not intended to be and should not be used by anyone other than these specified parties.

*Carlin, Chaman & Rosen, LLP*

Glastonbury, Connecticut  
December 27, 2007