

TOWN OF CANTERBURY, CONNECTICUT

State Single Audit Reports

**For The Year Ended
June 30, 2007**



CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors

**TOWN OF CANTERBURY, CONNECTICUT
STATE SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2007**

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*State Internal
Control and
Compliance
Reports*



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**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***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Canterbury, Connecticut (the "Town") as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 27, 2007. 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.

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 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiency described as item 2007-1 in the accompanying schedule of state findings and questioned costs to be a significant deficiency in the Town's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiency described as item 2007-1 in the accompanying schedule of state findings and questioned costs to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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 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 matters that we reported to management of the Town in a separate letter dated December 27, 2007.

The Town's response to the finding identified in our audit is described in the accompanying schedule of state findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Finance and management of the Town, the Office of Policy and Management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carlton Charant Rosen, LLP

Glastonbury, Connecticut
December 27, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE STATE SINGLE AUDIT ACT, AND ON THE SCHEDULE
OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

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

COMPLIANCE

We have audited the compliance of the Town of Canterbury, Connecticut (the "Town") with the types of compliance requirements described in the Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that are applicable to each of its major state programs for the year ended June 30, 2007. The Town's major state programs are identified in the summary of audit results section of the accompanying schedule of state findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The 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 state programs. In planning and performing our audit, we considered the Town's 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 purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the Town's internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town's internal control over compliance.

Our consideration of the Town's internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

We have audited 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, and have issued our report thereon dated December 27, 2007. Our audit was performed 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Finance and management of the Town, the Office of Policy and Management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carlton, Charnon & Reem, LLP

Glastonbury, Connecticut
December 27, 2007

*Schedule of
Expenditures of
State Financial
Assistance*

**TOWN OF CANTERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2007**

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
NONEXEMPT PROGRAMS		
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Payment in Lieu of Taxes on State Owned Property	11000-OSC15910-17004	\$ 11,695
Mashantucket Pequot Grant	12009-OSC15910-17005	63,079
Property Tax Relief for Veterans	11000-OPM20600-17024-51007	7,710
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031-72003	9,086
Property Tax Relief for Elderly and Disabled Homeowners	11000-OPM20600-17018-51007	33,284
Property Tax Relief	11000-OPM20600-17036	44,238
Property Tax Relief Disability Exemption	11000-OPM20600-17011	893
Local Capital Improvement Program	12050-OPM20600-40254-13046	113,377
Total Office of Policy and Management		<u>283,362</u>
DEPARTMENT OF EDUCATION		
Direct:		
Primary Mental Health	11000-SDE64370-12198	18,973
Adult Education	11000-SDE64370-17030-84003	10,074
Child Nutrition Program	11000-SDE64370-16072-82051	7,004
Total Department of Education		<u>36,051</u>
CONNECTICUT STATE LIBRARY		
Direct:		
Connecticard	11000-CSL66051-17010-85007	1,431
State Grants to Public Libraries	11000-CSL66051-17003-85007	811
Historic Document Preservation Grant	12060-CSL66094-35150-73001	7,000
Total Connecticut State Library		<u>9,242</u>
OFFICE OF THE STATE COMPTROLLER		
Direct:		
Boat Grant	12027-OSC15910-40211	936
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grant	12001-DOT57131-17036-34005	111,755
Total State Financial Assistance Before Exempt Programs		<u>441,346</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost-Sharing	11000-SDE64370-17041-82010	4,369,210
Commitments for School Construction - Interest	13009-SDE64370-40896-82004	69,124
Commitments for School Construction - Principal	13010-SDE64370-40901-82003	296,747
Commitments for School Construction	13010-SDE64370-40901-82006	70,545
Transportation of School Children - Public	11000-SDE64370-17027-82010	211,313
Excess Cost - Equity	11000-SDE64370-17048-82015	23,059
Excess Cost - Student Based	11000-SDE64370-17047-82018	136,646
Total Exempt Programs		<u>5,176,644</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 5,617,990</u>

The accompanying note is an integral part of this schedule.

**TOWN OF CANTERBURY, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2007**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Canterbury, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

In accordance with regulations established by the State of Connecticut, Office of Policy and Management (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

*Schedule of
State Findings
and Questioned
Costs*

TOWN OF CANTERBURY, CONNECTICUT SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ✓ Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ 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 that are not considered to be material weaknesses? _____ Yes _____ ✓ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

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/ Program	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254-13046	\$113,377
Department of Transportation:		
Town Aid Road Grant	12001-DOT57131-17036-34005	\$111,755

**TOWN OF CANTERBURY, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2007**

II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

- We issued a report dated December 27, 2007 on internal control over reporting and on compliance with other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- The report indicated no reportable instances of noncompliance or other matters.
- The report indicated the following significant deficiency in internal control over financial reporting.

FINDING 2007-1

SIGNIFICANT DEFICIENCY CONSIDERED TO BE A MATERIAL WEAKNESS – FINANCIAL REPORTING AND INTERNAL CONTROL OF CAFETERIA FUND OPERATIONS

Criteria

The financial statements are the responsibility of management and, accordingly, the Town should have internal control over financial reporting that provides reasonable assurance that the basic financial statements and related notes to the basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

Condition

The school cafeteria has its own operations and performs all of its own accounting functions using its own separate general ledger system. During our audit, we noted that there was limited segregation of duties due to the fact that all accounting functions are performed by the Cafeteria Director. Although check disbursements require a signature by the Superintendent and the School Administrator, there did not appear to be any other formal review process or monitoring of cafeteria operations by the Board of Education. Further, significant audit adjustments had to be made in order to properly present the operations of the fund in the Town's financial statements.

Questioned Costs

No costs were questioned.

Effect

The effect of the condition is that misstatements, whether intentional or unintentional, may occur and go undetected. In addition, management does not have reliable financial information to be able to monitor and effectively manage the cafeteria's operations.

Cause

Unknown.

TOWN OF CANTERBURY, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2007

**II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

FINDING 2007-1 (Continued)

Auditor's Recommendation

We recommend that the Board of Education develop a formal monthly or quarterly review and monitoring process over the cafeteria operations in order to mitigate the risks created by the limited segregation of duties and to perform fiscal monitoring of the cafeteria operations. In addition, formal training should be given to the cafeteria personnel on how to properly record adjustments in the general ledger system, or adjustments should be proposed and made through the formal monthly or quarterly review. This will provide the Board of Education with reliable financial information so that potential issues can be identified and corrective actions implemented.

Management Response

While significant improvements have been made in fiscal year 2008 in regards to periodic review of the cafeteria's operations, the Town intends to take further appropriate action to remedy this deficiency in the future.

**III. FINDINGS AND QUESTIONED COSTS RELATING TO STATE
FINANCIAL ASSISTANCE**

- No findings or questioned costs are reported relating to state financial assistance programs.