# Town of Monroe

## 2016-2017

### PROPOSED ANNUAL BUDGET
### WORKBOOK INFORMATION

# FINANCE

# DEPARTMENT: FINANCE

**MISSION:**

To provide timely and accurate financial information to all members of the Public, Town Departments and all Boards and Commissions in an effort to promote better decision making and fiscal resource management while maintaining a high level of compliance with Federal and State regulations, Generally Accepted Accounting Principles, and Government Accounting Standards.

| FINANCE: | Dept 0125 | 15-16 | 16-17 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1001-10-15101-0120-150001 | Finance Director & Comptroller | 102,658 | 102,910 | | | | | | | |
| | Total Admin: | 102,658 | 102,910 | | | | | | | |
| 1001-10-15101-0120-150003 | Deputy Finance Director & Comptroller | 82,000 | 84,050 | | | | | | | |
| | Longevity | - | 750 | | | | | | | |
| | Payroll Clerk | 40,381 | 44,086 | | | | | | | |
| | Longevity | 450 | 450 | | | | | | | |
| | Leap Year | 161 | - | | | | | | | |
| | Accounts Payable Clerk | 37,568 | 40,763 | Upgrade 7-6 4 to 7-9 1 | | | | | | |
| | Longevity | 100 | 100 | | | | | | | |
| | Leap Year | 141 | - | | | | | | | |
| | Seasonal Audit/Year-End | 16,500 | 16,500 | | | | | | | |
| | Total Other: | 177,301 | 186,699 | | Hours/yr | Hrly Rate | $ Amount | Hours/yr | Hrly Rate | $ Amount |
| | | | | | 15-16 | 15-16 | 15-16 | 16-17 | 16-17 | 16-17 |
| 1001-10-15101-0120-150005 | PT-Bookkeeper | 18,252 | 20,280 | Incr Rate | 1,014 | $ 18.00 | $ 18,252 | 1,014 | $ 20.00 | $ 20,280 |
| | PT-Staff Accountant | 32,500 | 33,800 | Incr Rate | 1,300 | $ 25.00 | $ 32,500 | 1,300 | $ 26.00 | $ 33,800 |
| | Total Part-Time: | 50,752 | 54,080 | | | | | | | |
| | Total Finance: | 330,711 | 343,689 | | | | | | | |
| | Headcount-FT | 4 | 4 | | | | | | | |
| | Headcount-PT | 2 | 2 | | | | | | | |

| SALARY SUMMARY | 15-16 | 16-17 |
|---|---|---|
| FINANCE SALARY ADMIN | 102,658 | 102,910 |
| FINANCE SALARY OTHER | 177,301 | 186,699 |
| FINANCE SALARY-PT | 50,752 | 54,080 |
| | 330,711 | 343,689 |

| FINANCE: | Dept 0125 | 14-15 Actual | 15-16 Final Budget | 15-16 YTD 12/31/15 | 16-17 Department | 16-17 FS Adj | 16-17 FS Budget | 15/16-16/17 $ Change | % |
|---|---|---|---|---|---|---|---|---|---|
| 1001-10-15101-0120- 150001 | FINANCE SALARY ADMIN | 157,826 | 102,658 | 50,200 | 102,910 | - | 102,910 | 252 | 0.25% |
| 1001-10-15101-0120- 150003 | FINANCE SALARY OTHER | 173,008 | 177,301 | 82,151 | 186,699 | - | 186,699 | 9,398 | 5.30% |
| 1001-10-15101-0120- 150005 | FINANCE SALARY-PT | 34,701 | 50,752 | 21,289 | 54,080 | - | 54,080 | 3,328 | 6.56% |
| 1001-10-15101-0120-150700 | FINANCE BANK EXPENSE | 772 | 1,800 | 618 | 1,800 | - | 1,800 | - | 0.00% |
| 1001-10-15101-0120-153005 | FINANCE WMNR ADMIN CHGBK | (25,008) | (30,000) | (15,006) | (30,000) | - | (30,000) | - | 0.00% |
| 1001-10-15101-0120- 153385 | FINANCE OFFICE EXPENSE | 17,288 | 21,500 | 4,262 | 20,700 | - | 20,700 | (800) | -3.72% |
| 1001-10-15101-0120-153485 | FINANCE R&M EQUIPMENT | - | - | - | - | - | - | - | |
| | TOTAL FINANCE: | 358,586 | 324,011 | 143,514 | 336,189 | - | 336,189 | 12,178 | 3.76% |

**Explaination of Increases/Decreases:**

150001 2.5% Non Union Wage increase and 15/16 wage adjustment allocation.

150003 2.5% Non Union Wage increase, 15/16 wage adjustment allocation and Contractual Union increases.

150005 Increase to PT hourly rates.

153385 Reduction due to 2017 MUNIS Conference location in Boston. Airfare not necessary. Office Supplies: Postage/Copier & Paper Exp / W2, 1099 and 1095 tax forms and envelopes for all Town EE's & Volunteers $7K, Publication of Budget $2K, Supplies to Print/Produce budget for Departments, First Selectman/Town Council/Board of Finance & Referendum(s) versions $2K, MUNIS Conference 2 people $3.5K, continuing MUNIS training for Payroll and Financials $6K.

# APPENDIX A



## COST PROPOSAL FOR AUDITING SERVICES

Name of firm: O'Connor Davies, LLP

Location of office staffing the audit: Wethersfield/Stamford

Professional audit staff assigned to Monroe (Number): 9

Certified professional audit staff assigned to Monroe (Number): 5

Connecticut municipal audit clients:
List fiscal year 2014 engagements for municipalities with population of 15,000 or higher.

1. New Canaan
2. New Fairfield
3.

### Audit Fees for Year 1

Proposed Annual Audit Fee for the Town of Monroe: $ 56,000 (similar to 2014)
$1,500 (additional for CAFR)

Hourly rate in excess of fixed fee allowance or for audit services outside the scope of the annual audit: $ Varies by level - see attached

Hours provided for in above stated fees:

Partner-in-charge and review partner: 65 hours

Supervising manager: 100 hours

Audit Staff: 380 hours

### Audit Fees for Year 2

Proposed Annual Audit Fee for the Town of Monroe: $ 57,750 (similar to 2014)
$1,500 (additional for CAFR)

Hourly rate in excess of fixed fee allowance or for audit services outside the scope of the annual audit: $ Varies by level - see attached

Hours provided for in above stated fees:

Partner-in-charge and review partner: 55 hours

Supervising manager: 90 hours

Audit Staff: 330 hours

# APPENDIX A



## Audit Fees for Year 3

Proposed Annual Audit Fee for the Town of Monroe $ 60,000 (similar to 2014)
$1,500 (additional for CAFR)

Hourly rate in excess of fixed fee allowance or for audit services outside the scope of the annual audit $ varies by level - see attached

Hours provided for in above stated fees: (These are the estimated hours for all future years)

Partner-in-charge and review partner 50 hours

Supervising manager 80 hours

Audit Staff 310 hours

O'Connor Davies, LLP
(Firm)

(Authorized Signature) (Title)

860-257-1870
(Telephone)

February 18, 2015
(Date)

O'CONNOR DAVIES

COPY

PKF

Audit Engagement Letter

July 1, 2015

Board of Finance
Town of Monroe, Connecticut
7 Fan Hill Road
Monroe, Connecticut 06468

This letter sets forth our understanding of the terms and objectives of our engagement, and the nature and scope of the services we will provide to the Town of Monroe, Connecticut ("the Entity").

**Audit objectives**

We will audit the Entity's statements of the governmental activities, each major fund and the aggregate remaining fund information and related notes to the financial statements, which collectively comprise the basic financial statements of the Entity as of and for the years ended June 30, 2015 and issue our report thereon as soon as reasonably possible after completion of our work.

Accounting principles generally accepted in the United States of America ("US GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis to supplement the Entity's financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Entity's RSI in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by US GAAP and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Budgetary Comparison Information
- Schedules of Funding Progress and Employer Contributions – Other Post-Employment Benefits
- Schedules of Changes in Net Pension Liability, Employer Contributions and Annual Money-Weighted Rate of Return – Pension Trust Funds

O'CONNOR DAVIES, LLP
100 Great Meadow Road, Wethersfield, CT 06109 | Tel: 860.257.1870 | Fax: 860.257.1875 | www.odpkf.com

We have also been engaged to report on supplementary information other than the RSI that accompanies the Entity's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 financial statements themselves, and other additional procedures in accordance with US GAAS and our auditors' report will provide an opinion on such information in relation to the financial statements as a whole:

- Combining and Individual Fund Financial Statements and Schedules
- Schedule of Expenditures of Federal and State Awards

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditors' report will not provide an opinion or any assurance on that other information.

- Introductory section of the Comprehensive Annual Financial Report
- Statistical section of the Comprehensive Annual Financial Report

The objective of an audit is the expression of an opinion on whether these financial statements are presented fairly, in all material respects, in conformity with US GAAP and to report on the fairness of the supplementary information referred to in the preceding paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.

We will conduct the audit in accordance with US GAAS and the standards for financial audits contained in Government Auditing Standards ("GAGAS") issued by the Comptroller General of the United States, and will include tests of accounting records and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. The aforementioned standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Entity's or to acts by management or employees acting on behalf of the Entity. Because the determination of abuse is subjective, GAGAS do not expect auditors to provide reasonable assurance of detecting abuse. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us even though the audit is properly planned and performed in accordance with US GAAS and GAGAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements and on those programs we have determined to be major programs (if applicable). However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting or misappropriation of assets and any material abuse that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Entity's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to GAGAS.

If our opinion on either the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion(s), we may decline to express an opinion or decline to issue a report as a result of the engagement.

In making our risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to GAGAS. An audit is also not designed to identify significant deficiencies or material weaknesses. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control and other internal control related matters relevant to the audit of the financial statements that we have identified during the audit, as required by US GAAS and GAGAS.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and (2) that the report is an integral part of an audit performed in accordance with GAGAS in considering internal control over financial reporting and compliance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

We will also communicate with those charged with governance any (a) fraud involving senior management and other fraud that causes a material misstatement of the financial statements; (b) violations of laws or governmental regulations that come to our attention (unless they are clearly inconsequential); (c) disagreements with management and other serious difficulties encountered in performing the audit; and, (d) various matters related to the Entity's accounting policies and financial statements.

As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. Management, however, has final responsibility for reviewing the proposed entries and understanding the nature and impact of the proposed entries to the financial statements. It is our understanding that management has designated qualified individuals with the necessary expertise to be responsible and accountable for overseeing the acceptance and processing of such journal entries.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

## Management's responsibilities

The financial statements and their fair presentation in accordance with US GAAP, including all informative disclosures, RSI and supplementary information, are the responsibility of the Entity's management. Management is also responsible for: (1) the selection and application of accounting policies; (2) the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge; (3) ensuring the Entity complies with the laws and regulations applicable to its activities; (4) making all financial records and related information available to us of which you are aware that is relevant to the preparation and fair presentation of the financial statements, as well as any additional information that we may request for the purpose of the audit; (5) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence; and (6) adjusting the financial statements and supplementary information to correct material misstatements.

Management's responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the RSI and supplementary information in accordance with US GAAP; (2) you believe the RSI and supplementary information, including its form and content, is fairly presented in accordance with US GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the RSI and supplementary information.

In order to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements, management is responsible for establishing and maintaining effective internal control, including internal control over compliance, and for evaluating and monitoring ongoing activities.
Management's responsibilities also include identifying any significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the Entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Entity received in communications from employees, former employees, grantors, regulators or others. In addition, you are responsible for identifying and ensuring that the Entity complies with applicable laws, regulations, contracts, agreements and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the audit objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. The Entity is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

At the conclusion of the engagement, we will request from management written confirmation concerning representations made to us in connection with the audit. The representation letter, among other things, will confirm management's responsibility for: (1) the preparation of the financial statements in conformity with US GAAP, (2) the availability of financial records and related data, and (3) the completeness and availability of all minutes of board meetings. Management's representation letter will further confirm that: (1) the effects of any uncorrected misstatements aggregated by us during the engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, and (2) we have been informed of, or that there were no incidences of, fraud involving management or those employees who have significant roles in the Entity's internal control. You will also be required to acknowledge in the management representation letter, when applicable, our assistance with preparation of the financial statements and related schedules and RSI. We will place reliance on these representations in issuing our report.

In the event that we become obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, as a direct or indirect result of an intentional, knowing or reckless misrepresentation or provision to us of inaccurate or incomplete information by the Entity or, any elected official, member of management or employee thereof in connection with this engagement, and not any failure on our part to comply with professional standards, you agree to indemnify us against such obligations.

To the best of your knowledge, you are unaware of any facts which might impair our independence with respect to this engagement.

The financial statements are the property of the Entity and can be reproduced and distributed as management desires. However, you must notify us in advance and obtain our approval if you intend to make reference to our firm in a document that includes our auditors' report on the financial statements. Because our engagement does not contemplate the foregoing, there may be an additional fee in connection with our review of any such documents. In the event our auditor/client relationship has been terminated when the Entity seeks such consent, we will be under no obligation to grant such consent or approval.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We understand that your accounting department personnel will assist us to the extent practicable in completing the audit. They will provide us with detailed trial balances, supporting schedules, and other information we deem necessary. A list of these schedules and other items of information will be furnished to you before we begin the audit. The timely and accurate completion of this information is an essential condition to our completion of the audit and the issuance of the audit report.

We keep documents related to this engagement in accordance with our records retention policy and applicable regulations. However, we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

Management is responsible for management decisions and assuming all management responsibilities; for designating an individual with suitable skill, knowledge, and/or experience to oversee the non-attest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

If fraud is discovered in any Connecticut government, you are required to report this to the Office of Policy and Management. If you do not do so, we are required to make that report.

**Non-reliance on Oral Advice**

It is our policy to put all advice on which a client intends to rely in writing. We believe that is necessary to avoid confusion and to make clear the specific nature and limitations of our advice. You should not rely on any advice that has not been put in writing by our firm after a full supervisory review.

**Electronic and other communication**

During the course of the engagement, we may communicate with you or with Entity personnel via fax or e-mail. You should be aware that communication in those media may be unsafe to use and contains a risk of misdirection and/or interception by unintended third parties, or failed delivery or receipt. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of e-mail or other electronic transmissions, including any consequential, incidental, direct, indirect or special damages.

**Access to working papers**

During the course of this engagement, we will develop files of various documents, schedules and other related engagement information known as our working papers. As we are sure you can appreciate, these working papers may contain confidential information and our firm's proprietary data. You understand and agree that these working papers are, and will remain, our exclusive property. Except as discussed below, any requests for access to our working papers will be discussed with you before making them available to requesting parties:

(1) Our firm, as well as other accounting firms, participates in a peer review program covering our audit and accounting practices. This program requires that once every three years we subject our system of quality control to an examination by another accounting firm. As part of this process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected for review. If it is, the other firm is bound by professional standards to keep all information confidential.

(2) We may be requested to make certain working papers available to regulators pursuant to authority given to them by law, regulation or subpoena. Such regulators may include (i) a federal agency providing direct or indirect funding or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities; (ii) the American Institute of Certified Public Accountants; and (iii) the State Education Department. If requested, access to such working papers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected working papers to them. The regulator may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.

**Initial audit engagements**

In initial audit engagements, professional standards require that we perform specified procedures to obtain sufficient appropriate audit evidence regarding opening balances. In addition, prior to our acceptance of this engagement, we are required to contact the Entity's predecessor auditor, Mahoney Sabol & Company, LLP, and make specific and reasonable inquiries of the predecessor regarding matters that will assist us in determining our acceptance of this engagement. Accordingly, our acceptance of this engagement is predicated upon our discussion with the predecessor auditor. Furthermore, because this will be our initial audit of the Entity, our review of the predecessor auditor's prior-period working papers will be a necessary procedure that will assist in the planning of our engagement. You agree to authorize the predecessor auditor to respond fully to our inquiries and grant us access to their working papers. If the predecessor auditor requests that authorization in writing, you agree to comply with that request. The predecessor auditor may charge fees for their time expended in providing the required access, and any such fees will be your responsibility.

**Fees and billing**

The components of our fee are detailed below:

| | |
|---|---|
| General Government | $ 32,000 |
| Board of Education (including ED001) | 20,000 |
| Federal Single Audit, if applicable (threshold is increasing) | 4,000 |
| For similar services to the June 30, 2014 financial statements | $ 56,000 |
| Preparation of a CAFR (New Service, 2014 was not a CAFR) | $ 1,500 |

The fee is based on anticipated cooperation from your personnel, audit condition of the books and records and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In accordance with our firm policies, work may be suspended if your account becomes overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Our fees for these services are due and payable under the payment schedule which follows. Invoices for additional amounts that may be incurred for these and other services will be rendered as such work progresses and are payable upon presentation.

| Payments will be due | Percentage |
|---|---|
| Upon completion of our audit planning work | 25% |
| Upon completion of our audit field work | 65% |
| Upon submission of the final report(s) | 10% |
| | 100% |

**Employment of firm partner or professional employee**

Professional standards require that we perform certain additional procedures on current and previous engagements whenever a partner or professional employee leaves the firm and is subsequently employed by or is associated with a client. Accordingly, the Entity agrees it will compensate our firm for any additional costs incurred as a result of the Entity's employment of a partner or professional employee of our firm.

**Liability**

Any and all claims by the Entity arising under this engagement must be commenced by the Entity within one year following the date on which our firm delivered our report on the financial statements associated with this engagement, or the date the Entity is informed of the engagement's termination in the event our report is not delivered, for any reason.

You agree to indemnify our firm, its partners, principals and employees, to the fullest extent permitted by law for any expense, including compensation for our time at our standard billing rates and reimbursement for our out-of-pocket expenses and reasonable attorneys' fees, incurred in complying with or responding to any request (by subpoena or otherwise) for testimony, documents or other information concerning the Entity by any governmental agency or investigative body or by a party in any litigation or dispute other than litigation or disputes involving claims by the Entity against the firm. This indemnification will survive termination of this engagement.

**Dispute resolution**

Any claim or controversy ("dispute") arising out of or relating to this engagement, the services provided thereunder, or any other services provided by or on behalf of the firm or any of its subcontractors or agents to the Entity or at its request (including any dispute involving any person or entity for whose benefit the services in question are or were provided), shall first be submitted in good faith for mediation administered by the American Arbitration Association ("AAA") under its Mediation Rules. Each party shall bear its own costs in the mediation. Absent an agreement to the contrary, the fees and expenses of the mediator shall be shared equally by the parties.

If the dispute is not resolved by mediation, any proceedings arising out of and/or relating to this engagement shall be resolved by a judge trial without a jury and the right to a jury trial is waived, to the fullest extent permitted by applicable law.

**Confirmation and other**

Marcia L. Marien, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We expect to begin our audit near the end of your fiscal year and to issue our report no later than December 31st. In order to meet this deadline, we will need all information from the Town of Monroe, Connecticut by November 25th. If there are still outstanding items at this date, we will ask for a 30-day extension of time to file this report with the State of Connecticut. The reporting package must be submitted by December 31st, unless an extension is applied for by November 30th and agreed to in advance by the cognizant agency.

GAGAS require that we provide you with a copy of our most recent external peer review report, and any subsequent peer review reports received during the period of the contract. Our latest peer review report accompanies this letter.

We will provide copies of our reports to the Entity; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Our audit engagement for each year ends on delivery of our audit report covering that year. Requests for services other than those included in this engagement letter will be agreed upon separately.

We keep documents related to this engagement in accordance with our records retention policy and applicable regulations or for any additional period requested by the applicable cognizant agency. If we are aware that a federal and/or state awarding agency or the Entity is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. We do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

During the performance of this engagement, we will not discriminate with any vendor or employee. We will follow all federal, state and local laws and regulations, including Connecticut's Executive Order Number 3 with respect to nondiscrimination and 17 with respect to posting of job openings.

| Additional Services Included in Attached Addendum: | Included? |
|---|---|
| Federal Single Audit | Yes |
| Connecticut Single Audit | Yes |
| ED001 and Related Forms | Yes |

Prior to the commencement of our audit we may not know if an audit performed in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is required. Consequently this letter includes our best estimate as of the date of this engagement letter.

All rights and obligations set forth herein shall become the rights and obligations of any successor firm to O'Connor Davies, LLP by way of merger, acquisition or otherwise.

If this letter correctly expresses your understanding of the terms of our engagement, including our respective responsibilities, please sign the enclosed copy where indicated and return it to us.

We are pleased to have this opportunity to serve you.

Very truly yours,

Marcia L. Marien, CPA
Partner

Enclosures

The services and terms described in the foregoing letter are in accordance with our requirements and are acceptable to us.

**Town of Monroe, Connecticut**

**BY:** _____

**TITLE:** _____

**DATE:** _____



* * *


System Review Report

May 15, 2014

To the Partners of O'Connor Davies, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of O'Connor Davies, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards;* audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (Service Organizations Control (SOC) 1 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of O'Connor Davies, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies) or fail.* O'Connor Davies, LLP has received a peer review of *pass.*

Davie Kaplan, CPA, P.C.

Davie Kaplan, CPA, P.C.

Davie Kaplan, CPA, P.C.
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# Federal Single Audit Addendum

## Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards will be subjected to the auditing procedures applied in our 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 financial statements themselves, and other additional procedures in accordance with U.S. GAAS, and our auditors' report will provide an opinion on such information in relation to the financial statements as a whole.

## Audit of Major Program Compliance

Our audit of Town of Monroe, Connecticut's major federal award program(s) compliance will be made in accordance with the requirements of the Single Audit Act, as amended; and the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and other procedures we consider necessary to enable us to express such an opinion and render the required reports.

An audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements and on those programs we have determined to be major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting or misappropriation of assets and any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

The objective of our audit also includes reporting on internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the Government has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the "OMB Circular A-133 Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the Government's major programs. The purpose of these procedures will be to express an opinion on the Government's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133. As required by OMB Circular A-133, we will also perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to prevent or detect material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

## Federal Single Audit Addendum – Continued

If our opinion on the Federal Single Audit compliance is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion(s), we may decline to express an opinion or decline to issue a report as a result of the engagement.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

## Management Responsibilities

Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your schedule of expenditures of federal awards and related notes. You agree to include our report on the schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. You are responsible for making all management decisions and performing all management functions relating to schedule of expenditures of federal awards and related notes, and for accepting full responsibility for such decisions.

Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You will also be required to acknowledge in the management representation letter our assistance with preparation of the schedule of expenditures of federal awards and that you have reviewed and approved the schedule of expenditures of federal awards and related notes prior to their issuance and have accepted responsibility for them. We will place reliance on these representations in issuing our report.

## State Single Audit Addendum

### Schedule of Expenditures of State Financial Assistance

The Schedule of Expenditures of State Financial Assistance will be subjected to the auditing procedures applied in our 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 financial statements themselves, and other additional procedures in accordance with U.S. GAAS, and our auditors' report will provide an opinion on such information in relation to the financial statements as a whole.

### Audit of Major Program Compliance

Our audit of Town of Monroe, Connecticut's major state award program(s) compliance will be made in accordance with the requirements of the Connecticut Single Audit Act, C.G.S Section 4-230 to 4-236; and other procedures we consider necessary to enable us to express such an opinion and render the required reports.

An audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements and on those programs we have determined to be major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting or misappropriation of assets and any material abuse that comes to our attention. We will include such matters in the reports required for a State Single Audit. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

The objective of our audit also includes reporting on internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the State Single Audit.

The State Single Audit requires that we also plan and perform the audit to obtain reasonable assurance about whether the Government has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the "Office of Policy and Management's Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the Government's major programs. The purpose of these procedures will be to express an opinion on the Government's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the State Single Audit Act. As required by the State Single Audit Act, we will also perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to prevent or detect material noncompliance with compliance requirements applicable to each major state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the State Single Audit.

State Single Audit Addendum - Continued

If our opinion on the State Single Audit compliance is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion(s), we may decline to express an opinion or decline to issue a report as a result of the engagement.

At the conclusion of the engagement, we will upload the reporting package with the Office of Policy and Management using the electronic audit report system (EARS) by the due date of the report plus any extensions. Obtaining extensions is discussed in the body of the engagement letter. We will also file a hard copy with the appropriate cognizant state agency, as required.

Management Responsibilities

Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the Schedule of Expenditures of State Financial Assistance in accordance with the requirements of the State Single Audit. As part of the audit, we will assist with preparation of your schedule of expenditures of state awards and related notes. You agree to include our report on the Schedule of Expenditures of State Financial Assistance in any document that contains, and indicates that we have reported on, the Schedule of Expenditures of State Financial Assistance. You also agree to include the audited financial statements with any presentation of the Schedule of Expenditures of State Financial Assistance that includes our report thereon. You are responsible for making all management decisions and performing all management functions relating to Schedule of Expenditures of State Financial Assistance and related notes, and for accepting full responsibility for such decisions.

Additionally, as required by the State Single Audit, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You will also be required to acknowledge in the management representation letter our assistance with preparation of the Schedule of Expenditures of State Financial Assistance and that you have reviewed and approved the Schedule of Expenditures of State Financial Assistance and related notes prior to their issuance and have accepted responsibility for them. We will place reliance on these representations in issuing our report.

## ED001 and Related Forms Addendum

We will apply the agreed upon procedures specified in the Connecticut State Department of Education's (the "Department") Review Package for the June 30, 2015 school year grant applications: ED001 and related.

### Engagement Objectives

Our engagement is solely to meet the requirements of the Department. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures.

If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures do not constitute an audit, we will not express an opinion on the ED001 or related forms. In addition, we have no obligation to perform any procedures beyond those listed in the Department's Review Package for the year ended June 30, 2015.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the information and use of the Department and the Town of Monroe, Connecticut's Board of Education and should not be used by those who did not agree to the procedures and take responsibility for the sufficiency of the procedures for their purposes. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our engagement cannot be open to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist.

### Management Responsibilities

You are responsible for the presentation of the ED001 and related reports in accordance with the related instructions issued by the Department. You are responsible for assuming all management responsibilities and for overseeing the adjustments we might recommend as a result of our procedures. This responsibility includes designated an individual with the appropriate skills, knowledge and experience for overseeing our work, evaluating the adequacy and results of the services performed, and accepting responsibility for the results of such services.

## DEPARTMENT: FINANCE

**MISSION:**

To provide timely and accurate financial information to all members of the Public, Town Departments and all Boards and Commissions in an effort to promote better decision making and fiscal resource management while maintaining a high level of compliance with Federal and State regulations, Generally Accepted Accounting Principles, and Government Accounting Standards.

| FINANCE: | Dept 0125 | 15-16 | 16-17 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1001-10-15101-0120-150001 | Finance Director & Comptroller | 102,658 | 102,910 | | | | | | | | |
| | Total Admin: | 102,658 | 102,910 | | | | | | | | |
| 1001-10-15101-0120-150003 | Deputy Finance Director & Comptroller | 82,000 | 84,050 | | | | | | | | |
| | Longevity | - | 750 | | | | | | | | |
| | Payroll Clerk | 40,381 | 44,086 | | | | | | | | |
| | Longevity | 450 | 450 | | | | | | | | |
| | Leap Year | 161 | - | | | | | | | | |
| | Accounts Payable Clerk | 37,568 | 40,763 | Upgrade 7-6 4 to 7-9 1 | | | | | | | |
| | Longevity | 100 | 100 | | | | | | | | |
| | Leap Year | 141 | - | | | | | | | | |
| | Seasonal Audit/Year-End | 16,500 | 16,500 | | | | | | | | |
| | Total Other: | 177,301 | 186,699 | | Hours/yr | Hrly Rate | $ Amount | Hours/yr | Hrly Rate | $ Amount | |
| | | | | | 15-16 | 15-16 | 15-16 | 16-17 | 16-17 | 16-17 | |
| 1001-10-15101-0120-150005 | PT-Bookkeeper | 18,252 | 20,280 | Incr Rate | 1,014 | $ 18.00 | $ 18,252 | 1,014 | $ 20.00 | $ 20,280 | |
| | PT-Staff Accountant | 32,500 | 33,800 | Incr Rate | 1,300 | $ 25.00 | $ 32,500 | 1,300 | $ 26.00 | $ 33,800 | |
| | Total Part-Time: | 50,752 | 54,080 | | | | | | | | |
| | Total Finance: | 330,711 | 343,689 | | | | | | | | |
| | Headcount-FT | 4 | 4 | | | | | | | | |
| | Headcount-PT | 2 | 2 | | | | | | | | |

| SALARY SUMMARY | 15-16 | 16-17 |
|---|---|---|
| FINANCE SALARY ADMIN | 102,658 | 102,910 |
| FINANCE SALARY OTHER | 177,301 | 186,699 |
| FINANCE SALARY-PT | 50,752 | 54,080 |
| | 330,711 | 343,689 |

| FINANCE: | Dept 0125 | 14-15 Actual | 15-16 Final Budget | 15-16 YTD 12/31/15 | 16-17 Department | 16-17 FS Adj | 16-17 FS Budget | 15/16-16/17 $ Change | % |
|---|---|---|---|---|---|---|---|---|---|
| 1001-10-15101-0120- 150001 | FINANCE SALARY ADMIN | 157,826 | 102,658 | 50,200 | 102,910 | - | 102,910 | 252 | 0.25% |
| 1001-10-15101-0120- 150003 | FINANCE SALARY OTHER | 173,008 | 177,301 | 82,151 | 186,699 | - | 186,699 | 9,398 | 5.30% |
| 1001-10-15101-0120- 150005 | FINANCE SALARY-PT | 34,701 | 50,752 | 21,289 | 54,080 | - | 54,080 | 3,328 | 6.56% |
| 1001-10-15101-0120-150700 | FINANCE BANK EXPENSE | 772 | 1,800 | 618 | 1,800 | - | 1,800 | - | 0.00% |
| 1001-10-15101-0120-153005 | FINANCE WMNR ADMIN CHGBK | (25,008) | (30,000) | (15,006) | (30,000) | - | (30,000) | - | 0.00% |
| 1001-10-15101-0120- 153385 | FINANCE OFFICE EXPENSE | 17,288 | 21,500 | 4,262 | 20,700 | - | 20,700 | (800) | -3.72% |
| 1001-10-15101-0120-153485 | FINANCE R&M EQUIPMENT | - | - | - | - | - | - | - | |
| | TOTAL FINANCE: | 358,586 | 324,011 | 143,514 | 336,189 | - | 336,189 | 12,178 | 3.76% |

**Explaination of Increases/Decreases:**

150001 2.5% Non Union Wage increase and 15/16 wage adjustment allocation.

150003 2.5% Non Union Wage increase, 15/16 wage adjustment allocation and Contractual Union increases.

150005 Increase to PT hourly rates.

153385 Reduction due to 2017 MUNIS Conference location in Boston. Airfare not necessary. Office Supplies: Postage/Copier & Paper Exp / W2, 1099 and 1095 tax forms and envelopes for all Town EE's & Volunteers $7K, Publication of Budget $2K, Supplies to Print/Produce budget for Departments, First Selectman/Town Council/Board of Finance & Referendum(s) versions $2K, MUNIS Conference 2 people $3.5K, continuing MUNIS training for Payroll and Financials $6K.

# APPENDIX A



## COST PROPOSAL FOR AUDITING SERVICES

Name of firm: O'Connor Davies, LLP

Location of office staffing the audit: Wethersfield/Stamford

Professional audit staff assigned to Monroe (Number): 9

Certified professional audit staff assigned to Monroe (Number): 5

Connecticut municipal audit clients: List fiscal year 2014 engagements for municipalities with population of 15,000 or higher.

1. New Canaan
2. New Fairfield
3.

### Audit Fees for Year 1

Proposed Annual Audit Fee for the Town of Monroe: $ 56,000 (similar to 2014)
$1,500 (additional for CAFR)

Hourly rate in excess of fixed fee allowance or for audit services outside the scope of the annual audit: $ Varies by level - see attached

Hours provided for in above stated fees:

Partner-in-charge and review partner: 65 hours

Supervising manager: 100 hours

Audit Staff: 380 hours

### Audit Fees for Year 2

Proposed Annual Audit Fee for the Town of Monroe: $ 57,750 (similar to 2014)
$1,500 (additional for CAFR)

Hourly rate in excess of fixed fee allowance or for audit services outside the scope of the annual audit: $ Varies by level - see attached

Hours provided for in above stated fees:

Partner-in-charge and review partner: 55 hours

Supervising manager: 90 hours

Audit Staff: 330 hours

# APPENDIX A



## Audit Fees for Year 3

Proposed Annual Audit Fee for the Town of Monroe $ 60,000 (similar to 2014)
$1,500 (additional for CAFR)

Hourly rate in excess of fixed fee allowance or for audit services outside the scope of the annual audit $ varies by level - see attached

Hours provided for in above stated fees: (These are the estimated hours for all future years)

Partner-in-charge and review partner 50 hours

Supervising manager 80 hours

Audit Staff 310 hours

O'Connor Davies, LLP
(Firm)

(Authorized Signature) (Title)

860-257-1870
(Telephone)

February 18, 2015
(Date)

O'CONNOR DAVIES

COPY

PKF

**Audit Engagement Letter**

July 1, 2015

Board of Finance
Town of Monroe, Connecticut
7 Fan Hill Road
Monroe, Connecticut 06468

This letter sets forth our understanding of the terms and objectives of our engagement, and the nature and scope of the services we will provide to the Town of Monroe, Connecticut ("the Entity").

**Audit objectives**

We will audit the Entity's statements of the governmental activities, each major fund and the aggregate remaining fund information and related notes to the financial statements, which collectively comprise the basic financial statements of the Entity as of and for the years ended June 30, 2015 and issue our report thereon as soon as reasonably possible after completion of our work.

Accounting principles generally accepted in the United States of America ("US GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis to supplement the Entity's financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Entity's RSI in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by US GAAP and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Budgetary Comparison Information
- Schedules of Funding Progress and Employer Contributions – Other Post-Employment Benefits
- Schedules of Changes in Net Pension Liability, Employer Contributions and Annual Money-Weighted Rate of Return – Pension Trust Funds

O'CONNOR DAVIES, LLP
100 Great Meadow Road, Wethersfield, CT 06109 | Tel: 860.257.1870 | Fax: 860.257.1875 | www.odpkf.com

We have also been engaged to report on supplementary information other than the RSI that accompanies the Entity's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 financial statements themselves, and other additional procedures in accordance with US GAAS and our auditors' report will provide an opinion on such information in relation to the financial statements as a whole:

- Combining and Individual Fund Financial Statements and Schedules
- Schedule of Expenditures of Federal and State Awards

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditors' report will not provide an opinion or any assurance on that other information.

- Introductory section of the Comprehensive Annual Financial Report
- Statistical section of the Comprehensive Annual Financial Report

The objective of an audit is the expression of an opinion on whether these financial statements are presented fairly, in all material respects, in conformity with US GAAP and to report on the fairness of the supplementary information referred to in the preceding paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.

We will conduct the audit in accordance with US GAAS and the standards for financial audits contained in Government Auditing Standards ("GAGAS") issued by the Comptroller General of the United States, and will include tests of accounting records and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. The aforementioned standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Entity's or to acts by management or employees acting on behalf of the Entity. Because the determination of abuse is subjective, GAGAS do not expect auditors to provide reasonable assurance of detecting abuse. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us even though the audit is properly planned and performed in accordance with US GAAS and GAGAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements and on those programs we have determined to be major programs (if applicable). However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting or misappropriation of assets and any material abuse that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Entity's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to GAGAS.

If our opinion on either the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion(s), we may decline to express an opinion or decline to issue a report as a result of the engagement.

In making our risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to GAGAS. An audit is also not designed to identify significant deficiencies or material weaknesses. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control and other internal control related matters relevant to the audit of the financial statements that we have identified during the audit, as required by US GAAS and GAGAS.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and (2) that the report is an integral part of an audit performed in accordance with GAGAS in considering internal control over financial reporting and compliance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

We will also communicate with those charged with governance any (a) fraud involving senior management and other fraud that causes a material misstatement of the financial statements; (b) violations of laws or governmental regulations that come to our attention (unless they are clearly inconsequential); (c) disagreements with management and other serious difficulties encountered in performing the audit; and, (d) various matters related to the Entity's accounting policies and financial statements.

As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. Management, however, has final responsibility for reviewing the proposed entries and understanding the nature and impact of the proposed entries to the financial statements. It is our understanding that management has designated qualified individuals with the necessary expertise to be responsible and accountable for overseeing the acceptance and processing of such journal entries.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

## Management's responsibilities

The financial statements and their fair presentation in accordance with US GAAP, including all informative disclosures, RSI and supplementary information, are the responsibility of the Entity's management. Management is also responsible for: (1) the selection and application of accounting policies; (2) the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge; (3) ensuring the Entity complies with the laws and regulations applicable to its activities; (4) making all financial records and related information available to us of which you are aware that is relevant to the preparation and fair presentation of the financial statements, as well as any additional information that we may request for the purpose of the audit; (5) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence; and (6) adjusting the financial statements and supplementary information to correct material misstatements.

Management's responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the RSI and supplementary information in accordance with US GAAP; (2) you believe the RSI and supplementary information, including its form and content, is fairly presented in accordance with US GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the RSI and supplementary information.

In order to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements, management is responsible for establishing and maintaining effective internal control, including internal control over compliance, and for evaluating and monitoring ongoing activities.
Management's responsibilities also include identifying any significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the Entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Entity received in communications from employees, former employees, grantors, regulators or others. In addition, you are responsible for identifying and ensuring that the Entity complies with applicable laws, regulations, contracts, agreements and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the audit objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. The Entity is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

At the conclusion of the engagement, we will request from management written confirmation concerning representations made to us in connection with the audit. The representation letter, among other things, will confirm management's responsibility for: (1) the preparation of the financial statements in conformity with US GAAP, (2) the availability of financial records and related data, and (3) the completeness and availability of all minutes of board meetings. Management's representation letter will further confirm that: (1) the effects of any uncorrected misstatements aggregated by us during the engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, and (2) we have been informed of, or that there were no incidences of, fraud involving management or those employees who have significant roles in the Entity's internal control. You will also be required to acknowledge in the management representation letter, when applicable, our assistance with preparation of the financial statements and related schedules and RSI. We will place reliance on these representations in issuing our report.

In the event that we become obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, as a direct or indirect result of an intentional, knowing or reckless misrepresentation or provision to us of inaccurate or incomplete information by the Entity or, any elected official, member of management or employee thereof in connection with this engagement, and not any failure on our part to comply with professional standards, you agree to indemnify us against such obligations.

To the best of your knowledge, you are unaware of any facts which might impair our independence with respect to this engagement.

The financial statements are the property of the Entity and can be reproduced and distributed as management desires. However, you must notify us in advance and obtain our approval if you intend to make reference to our firm in a document that includes our auditors' report on the financial statements. Because our engagement does not contemplate the foregoing, there may be an additional fee in connection with our review of any such documents. In the event our auditor/client relationship has been terminated when the Entity seeks such consent, we will be under no obligation to grant such consent or approval.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We understand that your accounting department personnel will assist us to the extent practicable in completing the audit. They will provide us with detailed trial balances, supporting schedules, and other information we deem necessary. A list of these schedules and other items of information will be furnished to you before we begin the audit. The timely and accurate completion of this information is an essential condition to our completion of the audit and the issuance of the audit report.

We keep documents related to this engagement in accordance with our records retention policy and applicable regulations. However, we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

Management is responsible for management decisions and assuming all management responsibilities; for designating an individual with suitable skill, knowledge, and/or experience to oversee the non-attest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

If fraud is discovered in any Connecticut government, you are required to report this to the Office of Policy and Management. If you do not do so, we are required to make that report.

**Non-reliance on Oral Advice**

It is our policy to put all advice on which a client intends to rely in writing. We believe that is necessary to avoid confusion and to make clear the specific nature and limitations of our advice. You should not rely on any advice that has not been put in writing by our firm after a full supervisory review.

**Electronic and other communication**

During the course of the engagement, we may communicate with you or with Entity personnel via fax or e-mail. You should be aware that communication in those media may be unsafe to use and contains a risk of misdirection and/or interception by unintended third parties, or failed delivery or receipt. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of e-mail or other electronic transmissions, including any consequential, incidental, direct, indirect or special damages.

**Access to working papers**

During the course of this engagement, we will develop files of various documents, schedules and other related engagement information known as our working papers. As we are sure you can appreciate, these working papers may contain confidential information and our firm's proprietary data. You understand and agree that these working papers are, and will remain, our exclusive property. Except as discussed below, any requests for access to our working papers will be discussed with you before making them available to requesting parties:

(1) Our firm, as well as other accounting firms, participates in a peer review program covering our audit and accounting practices. This program requires that once every three years we subject our system of quality control to an examination by another accounting firm. As part of this process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected for review. If it is, the other firm is bound by professional standards to keep all information confidential.

(2) We may be requested to make certain working papers available to regulators pursuant to authority given to them by law, regulation or subpoena. Such regulators may include (i) a federal agency providing direct or indirect funding or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities; (ii) the American Institute of Certified Public Accountants; and (iii) the State Education Department. If requested, access to such working papers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected working papers to them. The regulator may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.

**Initial audit engagements**

In initial audit engagements, professional standards require that we perform specified procedures to obtain sufficient appropriate audit evidence regarding opening balances. In addition, prior to our acceptance of this engagement, we are required to contact the Entity's predecessor auditor, Mahoney Sabol & Company, LLP, and make specific and reasonable inquiries of the predecessor regarding matters that will assist us in determining our acceptance of this engagement. Accordingly, our acceptance of this engagement is predicated upon our discussion with the predecessor auditor. Furthermore, because this will be our initial audit of the Entity, our review of the predecessor auditor's prior-period working papers will be a necessary procedure that will assist in the planning of our engagement. You agree to authorize the predecessor auditor to respond fully to our inquiries and grant us access to their working papers. If the predecessor auditor requests that authorization in writing, you agree to comply with that request. The predecessor auditor may charge fees for their time expended in providing the required access, and any such fees will be your responsibility.

**Fees and billing**

The components of our fee are detailed below:

| | |
|---|---|
| General Government | $ 32,000 |
| Board of Education (including ED001) | 20,000 |
| Federal Single Audit, if applicable (threshold is increasing) | 4,000 |
| For similar services to the June 30, 2014 financial statements | $ 56,000 |
| Preparation of a CAFR (New Service, 2014 was not a CAFR) | $ 1,500 |

The fee is based on anticipated cooperation from your personnel, audit condition of the books and records and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In accordance with our firm policies, work may be suspended if your account becomes overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Our fees for these services are due and payable under the payment schedule which follows. Invoices for additional amounts that may be incurred for these and other services will be rendered as such work progresses and are payable upon presentation.

| Payments will be due | Percentage |
|---|---|
| Upon completion of our audit planning work | 25% |
| Upon completion of our audit field work | 65% |
| Upon submission of the final report(s) | 10% |
| | 100% |

**Employment of firm partner or professional employee**

Professional standards require that we perform certain additional procedures on current and previous engagements whenever a partner or professional employee leaves the firm and is subsequently employed by or is associated with a client. Accordingly, the Entity agrees it will compensate our firm for any additional costs incurred as a result of the Entity's employment of a partner or professional employee of our firm.

**Liability**

Any and all claims by the Entity arising under this engagement must be commenced by the Entity within one year following the date on which our firm delivered our report on the financial statements associated with this engagement, or the date the Entity is informed of the engagement's termination in the event our report is not delivered, for any reason.

You agree to indemnify our firm, its partners, principals and employees, to the fullest extent permitted by law for any expense, including compensation for our time at our standard billing rates and reimbursement for our out-of-pocket expenses and reasonable attorneys' fees, incurred in complying with or responding to any request (by subpoena or otherwise) for testimony, documents or other information concerning the Entity by any governmental agency or investigative body or by a party in any litigation or dispute other than litigation or disputes involving claims by the Entity against the firm. This indemnification will survive termination of this engagement.

**Dispute resolution**

Any claim or controversy ("dispute") arising out of or relating to this engagement, the services provided thereunder, or any other services provided by or on behalf of the firm or any of its subcontractors or agents to the Entity or at its request (including any dispute involving any person or entity for whose benefit the services in question are or were provided), shall first be submitted in good faith for mediation administered by the American Arbitration Association ("AAA") under its Mediation Rules. Each party shall bear its own costs in the mediation. Absent an agreement to the contrary, the fees and expenses of the mediator shall be shared equally by the parties.

If the dispute is not resolved by mediation, any proceedings arising out of and/or relating to this engagement shall be resolved by a judge trial without a jury and the right to a jury trial is waived, to the fullest extent permitted by applicable law.

**Confirmation and other**

Marcia L. Marien, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We expect to begin our audit near the end of your fiscal year and to issue our report no later than December 31st. In order to meet this deadline, we will need all information from the Town of Monroe, Connecticut by November 25th. If there are still outstanding items at this date, we will ask for a 30-day extension of time to file this report with the State of Connecticut. The reporting package must be submitted by December 31st, unless an extension is applied for by November 30th and agreed to in advance by the cognizant agency.

GAGAS require that we provide you with a copy of our most recent external peer review report, and any subsequent peer review reports received during the period of the contract. Our latest peer review report accompanies this letter.

We will provide copies of our reports to the Entity; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Our audit engagement for each year ends on delivery of our audit report covering that year. Requests for services other than those included in this engagement letter will be agreed upon separately.

We keep documents related to this engagement in accordance with our records retention policy and applicable regulations or for any additional period requested by the applicable cognizant agency. If we are aware that a federal and/or state awarding agency or the Entity is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. We do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

During the performance of this engagement, we will not discriminate with any vendor or employee. We will follow all federal, state and local laws and regulations, including Connecticut's Executive Order Number 3 with respect to nondiscrimination and 17 with respect to posting of job openings.

| Additional Services Included in Attached Addendum: | Included? |
|---|---|
| Federal Single Audit | Yes |
| Connecticut Single Audit | Yes |
| ED001 and Related Forms | Yes |

Prior to the commencement of our audit we may not know if an audit performed in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is required. Consequently this letter includes our best estimate as of the date of this engagement letter.

All rights and obligations set forth herein shall become the rights and obligations of any successor firm to O'Connor Davies, LLP by way of merger, acquisition or otherwise.

If this letter correctly expresses your understanding of the terms of our engagement, including our respective responsibilities, please sign the enclosed copy where indicated and return it to us.

We are pleased to have this opportunity to serve you.

Very truly yours,

Marcia L. Marien, CPA
Partner

Enclosures

The services and terms described in the foregoing letter are in accordance with our requirements and are acceptable to us.

**Town of Monroe, Connecticut**

**BY:** _____

**TITLE:** _____

**DATE:** _____

O'Connor Davies, LLP, is a member firm of PKF International Limited, a network of legally independent firms. Neither the other member firms nor PKF International Limited are responsible or accept liability for the work or advice which O'Connor Davies, LLP provides to its clients.

* * *


System Review Report

May 15, 2014

To the Partners of O'Connor Davies, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of O'Connor Davies, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards;* audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (Service Organizations Control (SOC) 1 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of O'Connor Davies, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies) or fail.* O'Connor Davies, LLP has received a peer review of *pass.*

Davie Kaplan, CPA, P.C.

Davie Kaplan, CPA, P.C.

Davie Kaplan, CPA, P.C.
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Tel: 585-454-4161 · Fax: 585-454-2573 · www.daviekaplan.com

## Federal Single Audit Addendum

### Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards will be subjected to the auditing procedures applied in our 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 financial statements themselves, and other additional procedures in accordance with U.S. GAAS, and our auditors' report will provide an opinion on such information in relation to the financial statements as a whole.

### Audit of Major Program Compliance

Our audit of Town of Monroe, Connecticut's major federal award program(s) compliance will be made in accordance with the requirements of the Single Audit Act, as amended; and the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and other procedures we consider necessary to enable us to express such an opinion and render the required reports.

An audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements and on those programs we have determined to be major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting or misappropriation of assets and any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

The objective of our audit also includes reporting on internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the Government has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the "OMB Circular A-133 Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the Government's major programs. The purpose of these procedures will be to express an opinion on the Government's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133. As required by OMB Circular A-133, we will also perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to prevent or detect material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

**Federal Single Audit Addendum – Continued**

If our opinion on the Federal Single Audit compliance is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion(s), we may decline to express an opinion or decline to issue a report as a result of the engagement.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

**Management Responsibilities**

Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your schedule of expenditures of federal awards and related notes. You agree to include our report on the schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. You are responsible for making all management decisions and performing all management functions relating to schedule of expenditures of federal awards and related notes, and for accepting full responsibility for such decisions.

Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You will also be required to acknowledge in the management representation letter our assistance with preparation of the schedule of expenditures of federal awards and that you have reviewed and approved the schedule of expenditures of federal awards and related notes prior to their issuance and have accepted responsibility for them. We will place reliance on these representations in issuing our report.

## State Single Audit Addendum

### Schedule of Expenditures of State Financial Assistance

The Schedule of Expenditures of State Financial Assistance will be subjected to the auditing procedures applied in our 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 financial statements themselves, and other additional procedures in accordance with U.S. GAAS, and our auditors' report will provide an opinion on such information in relation to the financial statements as a whole.

### Audit of Major Program Compliance

Our audit of Town of Monroe, Connecticut's major state award program(s) compliance will be made in accordance with the requirements of the Connecticut Single Audit Act, C.G.S Section 4-230 to 4-236; and other procedures we consider necessary to enable us to express such an opinion and render the required reports.

An audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements and on those programs we have determined to be major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting or misappropriation of assets and any material abuse that comes to our attention. We will include such matters in the reports required for a State Single Audit. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

The objective of our audit also includes reporting on internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the State Single Audit.

The State Single Audit requires that we also plan and perform the audit to obtain reasonable assurance about whether the Government has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the "Office of Policy and Management's Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the Government's major programs. The purpose of these procedures will be to express an opinion on the Government's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the State Single Audit Act. As required by the State Single Audit Act, we will also perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to prevent or detect material noncompliance with compliance requirements applicable to each major state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the State Single Audit.

**State Single Audit Addendum - Continued**

If our opinion on the State Single Audit compliance is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion(s), we may decline to express an opinion or decline to issue a report as a result of the engagement.

At the conclusion of the engagement, we will upload the reporting package with the Office of Policy and Management using the electronic audit report system (EARS) by the due date of the report plus any extensions. Obtaining extensions is discussed in the body of the engagement letter. We will also file a hard copy with the appropriate cognizant state agency, as required.

**Management Responsibilities**

Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the Schedule of Expenditures of State Financial Assistance in accordance with the requirements of the State Single Audit. As part of the audit, we will assist with preparation of your schedule of expenditures of state awards and related notes. You agree to include our report on the Schedule of Expenditures of State Financial Assistance in any document that contains, and indicates that we have reported on, the Schedule of Expenditures of State Financial Assistance. You also agree to include the audited financial statements with any presentation of the Schedule of Expenditures of State Financial Assistance that includes our report thereon. You are responsible for making all management decisions and performing all management functions relating to Schedule of Expenditures of State Financial Assistance and related notes, and for accepting full responsibility for such decisions.

Additionally, as required by the State Single Audit, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You will also be required to acknowledge in the management representation letter our assistance with preparation of the Schedule of Expenditures of State Financial Assistance and that you have reviewed and approved the Schedule of Expenditures of State Financial Assistance and related notes prior to their issuance and have accepted responsibility for them. We will place reliance on these representations in issuing our report.

## ED001 and Related Forms Addendum

We will apply the agreed upon procedures specified in the Connecticut State Department of Education's (the "Department") Review Package for the June 30, 2015 school year grant applications: ED001 and related.

### Engagement Objectives

Our engagement is solely to meet the requirements of the Department. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures.

If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures do not constitute an audit, we will not express an opinion on the ED001 or related forms. In addition, we have no obligation to perform any procedures beyond those listed in the Department's Review Package for the year ended June 30, 2015.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the information and use of the Department and the Town of Monroe, Connecticut's Board of Education and should not be used by those who did not agree to the procedures and take responsibility for the sufficiency of the procedures for their purposes. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our engagement cannot be open to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist.

### Management Responsibilities

You are responsible for the presentation of the ED001 and related reports in accordance with the related instructions issued by the Department. You are responsible for assuming all management responsibilities and for overseeing the adjustments we might recommend as a result of our procedures. This responsibility includes designated an individual with the appropriate skills, knowledge and experience for overseeing our work, evaluating the adequacy and results of the services performed, and accepting responsibility for the results of such services.