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## TOWN OF NEWTOWN

### TOWN OF NEWTOWN LEGISLATIVE COUNCIL MEETING

APRIL 19, 2017

NEWTOWN MUNICIPAL CENTER, NEWTOWN, CT

**PRESENT:** Phil Carroll, Chris Eide, Neil Chaudhary, Judit DeStefano, Ryan Knapp, Paul Lundquist, Mary Ann Jacob, Dan Wiedemann, Dan Honan.

**ABSENT:** George Ferguson, Dan Amaral, Tony Filiato.

**ALSO PRESENT:** First Selectman Pat Llodra, Finance Director Bob Tait, Economic Development Commission Wes Thompson and Bob Rau, Director of Public Works Fred Hurley, 1 press.

**CALL TO ORDER:** Ms. Jacob called the meeting to order with the Pledge of Allegiance at 7:32 pm.

**VOTER COMMENT:** None

**MINUTES:** MR. CARROLL MOVED TO APPROVE THE MINUTES OF THE MARCH 29, 2017 MEETING. SECOND BY MR. WIEDEMANN. Ms. DeStefano asked that the minutes reflect her request to postpone, to the next Legislative Council meeting, the voting on the resolution regarding the 2017-2018 Town of Newtown Municipal & Education Budgets. Mr. Knapp requested that within the motion to provide for special appropriation the amount of \$850,000 for the new roof at Hawley School, the minutes reflect that he had asked if this was partially grant funded or if the entire amount bonded and Mr. Bienkowski responded that it is partially grant funded, in order to have a valid grant application funding would need to be in place; the CIP shows this as multiple funding streams. Motion: TO APPROVE THE MINUTES OF THE MARCH 29, 2017 MEETING WITH THE MODIFICATIONS NOTED BY MS. DESTEFANO AND MR. KNAPP. ALL IN FAVOR. (9-0)

MR. WIEDEMANN MOVED TO APPROVE THE MINUTES OF THE APRIL 5, 2017 MEETING. SECOND BY MR. CHAUDHARY. Mr. Lundquist requested more detail in future minutes to document opposing or differing views. ALL IN FAVOR. (9-0)

**COMMUNICATIONS:** Ms. Jacob said that Mr. Lundquist submitted for the record an exchange regarding the pension fund from a citizen; another communication received from a citizen is regarding the EDC proposed changes to the business incentive plan. (ATTACHMENT A) Mr. Lundquist spoke to the communication he received and a future agenda item to have some sort of reporting presented from the pension committee. Ms. Jacob has this noted as an outstanding item for a future agenda item.

**COMMITTEE REPORTS:** None.

## LEGISLATIVE COUNCIL

**FIRST SELECTMAN'S REPORT:** Ms. Llodra said that there was no report but encouraged the Council to encourage residents to vote. She spoke in support of both budgets and referendum items, advocacy and support is needed. Ms. Llodra will be having extended office hours to answer questions about the budget.

**Ms. Jacob** has been included in public info sessions with Dr. Erardi and Ms. Llodra in effort to explain what the majority of the Council voted to do, answer questions with clarity, and encourage people to show up to vote. She will also be conducting voter outreach with her own contacts, presenting an info session hosted by a neighbor on Friday night and has plans for a Saturday afternoon Facebook live video. Her thought is to have an informed electorate and encouraged the Council to reach out to their own networks.

**Mr. Knapp** commented about this being a uniquely complicated budget year and because of that there is some misunderstanding and misinformation out there and we need to be proactive and get people good information, including sharing links to the Town website, so they understand what they are voting on as well as the process and decision making.

**Mr. Chaudhary** asked Ms. Llodra to speak to the specific misinformation that she is seeing. Ms. Llodra replied that confusion of the million dollars and the pledge of the council to make that whole depending on the state's action. She said that everyone involved in the discussions fully understands and appreciates the decision making process but it is a bit confusing if you have not been in the discussions. She has also heard a bit of confusion if we reduced our spending as the BOS and BOE have done why there is an increase in the budget. Ms. Llodra said that the BOE budget is less than it was last year, the total Town request for spending is less than it was last year, we have an increase in our mill rate and our budget spending plan because we are trying to anticipate an approximate \$3 million in state revenue. The question she hears is that if you are spending less why is the budget going up? She said that we need to explain the bump in the mill rate because we are anticipating reduction in revenue from the state.

**Mr. Wiedemann** asked about any further word from Hartford. Ms. Llodra replied that she was in Hartford yesterday at a morning meeting, there is not much information, but everyone is nervous, there needs to be a solution to what the state is facing, at this time no one really knows. People involved with the appropriation committee say they will be looking at a new budget plan on April 25-26 and think they take action in the middle of May.

**Ms. Llodra** spoke to about the auction on the Connor house that is taking place on Saturday at 12 noon, a two year journey, actually 4 years ago they approached the Council on an ordinance on blight that brought us to this point. The appraised value is around \$70,000. Ms. Jacob asked what will happen to the money. Ms. Llodra said that \$38,000 Town lien will be owed to the Town, the current owner receives the difference. The house has to be destroyed. Ms. Llodra pointed out that if we did not have that ordinance we would not have been able to pursue an ordinance of blight.

## OLD BUSINESS

**Ms. Jacob** asked the Council to move to the discussion on the update on the EDC Business Incentive Plan.

**Mr. Thompson** thanked the Council for allowing them to speak at the meeting tonight. Mr. Thompson referred to a request from the Council to provide a heads up account of EDC progress, thought process of action and reasons why. Mr. Thompson said that the EDC has two applications from developers for rental apartments for consideration as business incentives, they approached the Town allowing state statute 124b, which includes housing incentives as part of the program, these developers are considering other options in the development process. The EDC key drivers for economic growth confirmed that we in Newtown need more housing options to attain and attract residents. The EDC agreed that diverse housing alternatives would benefit the Town. The EDC voted

unanimously to include an incentive for rental housing as a consideration for business incentives programs. The IHOZ (Incentive Housing Overlay Zone) has specific parameters for the applicability for those developments, for example it has to be a minimum 10-acre lot, serviced by a state highway or major thoroughfare, which defines the density of those apartments, it defines the density per acre of how many apartments can be built. In his research, Mr. Thompson talked with the Partnership of Strong Communities as well as 5 other towns for other points of view. Their conversations confirmed that there is a direct relationship between population growth and economic development, positive economic activities are associated with housing, including apartments. Apartments provide residents with an option to downsize to something smaller, and allow more choices to attract residents and attain residents. Newtown has a lack of options to satisfy that demand. The EDC also believes it is consistent with the POCD document, with a vision for housing for Newtown, that was important to Newtown for economic development. The EDC uses this as a guiding document for strategies for economic development. As the EDC looks to address the POCD, the POCD states the challenges to achieve diversity of housing. It acknowledges a gap for affordable housing in Newtown for young and old people that cannot afford the current housing inventory. Mr. Thompson said that we need to grow this segment to achieve necessary economic growth. He explained that the EDC achieved an excellent town grant by aspiring to be a town where people will want to live, work, and grow. Mr. Thompson said that there are some inhibitors to achieve that necessary growth, among them is to provide diversity in housing, and said that there is an opportunity now for forward thinking to address more diversity in housing.

**Mr. Rau** added that what has happened to the population of Newtown speaks for itself, the population of Newtown seniors is going up and the middle age group is going down. People are not coming to Newtown for a variety of reasons and housing is one of them. The Council was then asked for questions.

**Mr. Chaudhary** asked regarding what has been proposed, do the percentages and lengths of abatements stay the same for this group of diverse housing as with other businesses. Mr. Thompson said it stays the same as it has been but referred to the IHOZ, that gives the EDC some type of control of type of housing and the density of housing and allows us with Council approval, to change the parameters. We can reduce, expand, extend the number of years depending on the situation or refuse the opportunity.

**Ms. Jacob** asked for clarification, looking at the Business Incentive program the EDC presented last time, regarding the change on condominium projects that the Council looked at, and referred to a section on eligibility which would appear to not allow the parameter change. Mr. Thompson said that a change was made in a February meeting to be worded more specifically to commercial use, line item 3H was added.

**Mr. Wiedemann** asked if there has been any discussion regarding the size of these rental units or number of bedrooms. Mr. Thompson said the size is defined by the builder but the IHOZ specifically defines it as allows in the definition of the overlay zone, 50% usable acreage. He gave the example of a 10-acre lot, 5-acres is the most it can be, 12 units per acre which would max out at 60 units. Mr. Thompson offered to send information regarding the number of bedrooms. Mr. Wiedemann anticipates the question we are going to get: why would we look at giving some sort of tax rebate to bring in families with children that are going to go to school and cost the tax payers money. Mr. Thompson said the studies by the state show that rental apartments really don't add that many children to the school system in terms of the studies that have been done. In a complex that contains 60 units, there may possibly be 5 children added based on state studies, with that amount it does not seem that it would stress the school system because Newtown has already decided to keep open all

the schools, there is capacity in the Town to absorb some of those children into the school system. He said to think of the tax increases on an apartment complex of 60 units and \$300,000 in taxes versus a property that generates \$20,000 per year in taxes. It would be cash flow positive for the Town. If we do not try to encourage this overlay zone, there may be a possibility of low income housing the developers would apply for. Mr. Rau referred to a state Supreme Court decision that Newtown lost. Mr. Thompson referred to affordable housing income housing is based on around \$80,000 a year. Mr. Thompson referred to housing development near Sandy Hook center that may attract teachers, younger people that may move in which would stimulate business in Sandy Hook center and attract more businesses, population usually generates demand.

**Ms. DeStefano** asked for more detail about other towns that were contacted regarding similar tax abatement programs including this type of initiative. Mr. Thompson responded that the only one that he could find similar was in the downtown Danbury area, usually occurs in larger cities as they try to address blighted downtown areas, Willington has reason for apartments because of UConn, Ridgefield recently approved an over 55 in the housing downtown area, they came to a compromise on density. In Brookfield when one builder could not get what he wanted, he called a HUD regulation, which allows 50% of low income housing. Builders look to see what the cash flow is in areas for what they need. He could not find any other town with exact situation that put it in their program the same way as Newtown, but Mr. Thompson feels that it is important to take control of our destiny before something happens that we do not want to happen. Ms. DeStefano asked a follow up question regarding the studies as it impacts school population in this community if other communities have not explored this option as much. Mr. Thompson understands this is a legitimate concern and reiterated the EDC thought process that the school system can handle more children and the program would generate a lot more taxes per acre than a house would, spending in Town would increase as well and be a big benefit to the Town.

**Mr. Knapp:** a constituent brought a concern to his attention. He understands the net benefit to the Town, and he worries about the impact on the schools and stated that 80% of costs in education budget are direct costs, salaries, benefits, programming, so when we talk about studies we have to be careful of talking about studies in communities that are very different from us, we hear all the time that the biggest draw to Newtown is that we have good schools, we don't give away projects, we have a high degree of certainty, to entice projects that are enticing, example brownfields that need to be developed, projects we might lose to other towns like the tractor supply project, projects that have an infrastructure benefit. Mr. Knapp said that he hears the benefits of population growth, grow our grand list, and the diversity of housing, but he believes in a free market driving the demand, if there is such a great demand, the market will fill it without subsidy. Mr. Knapp expressed concern that the state and county are losing population, if this is to get them to go to the overlay zone as opposed to the 8-30g, they still pay taxes, if so it does not sound like an economic development argument, but sounds like a land use argument. Mr. Thompson said to recognize that the EDC is bounded by the POCD, bounded by what we think the voters in Town want and maintain the look and feel of the Town that defined our brand. Mr. Knapp is worried that we are getting away from the original intent. Mr. Thompson referred to the EDC program itself, defines you have to start the project within 12 months and finish in 24 months thus bringing the property on the tax rolls faster and brings the EDC oversight. Mr. Rau said to be aware that the state has a target for every community to have 10% of housing as affordable housing. Newtown is 1.8%. Mr. Knapp said that if we have an issue with the 8-30g we should take it up with the state as Tony Hwang is doing. Mr. Knapp cited that 31 towns out of 169 towns in Connecticut have 10%. Towns can apply for a 4-year moratorium if they can get to 2%. Aside from the land use concern that he has, Mr. Knapp said that he is concerned of the studies

## LEGISLATIVE COUNCIL

and be honest about why people move here. Mr. Knapp worries that we will set a precedent to incentivize housing, and has a hard time recognizing that, at the same time we are a community that buys development lots. Mr. Hurley said water and sewers are intricately involved with EDC there is a limiter as to where these housing projects can go, they need sewer availability, there is local control rather than 8-30g situation. Mr. Knapp said he would have a hard time supporting a proposal if it came to the Legislative Council level.

**Mr. Lundquist** made a point about affordable housing, that no one should be afraid of affordable housing, he is trying to understand the role of the tax abatement specifically and said that the EDC has created a mechanism to offer should that situation come along and asked if there is anything under consideration now. Mr. Thompson said that there are two applications for apartments, two have applied for the abatement, no decision made yet, the EDC is doing due diligence now and the Legislative Council will have the option to accept or decline. Mr. Lundquist wanted to understand the role of that in this situation, as far as having a tax abatement incentive. Mr. Lundquist said that we don't want to see a tax abatement being used unless it has to. Mr. Thompson said that developers ask for it, the EDC does not offer it first. Mr. Lundquist said to also look on the positive side, is could be a tool to potentially use with regard to the 8-30g and it could be a good tool for that.

**Mr. Weidemann** referred to the example of 30 additional children in the school system, using cost per student the amount, that is between \$4- \$500,000. Mr. Thompson said that has not happened in any other location. Mr. Weidemann asked if there has been a traffic study done. Mr. Thompson said yes.

**Ms. Llodra** said that we cannot support our local population with the population we have now. Local businesses are failing because discretionary income is not spent locally. The discussion needs to be bigger, how to grow our community, take some action or be a bedroom community with low commerce, can't be both, need to decide on what community we want to be.

**Mr. Chaudhary** asked if the overlay zones must have A, B, and C. Mr. Thompson replied yes and discussed the ability to provide incentive to use the overlay zone vs. an 8-30g, one advantage to a developer for an 8-30g is that the number of apartments is not limited, the density is not limited, by incentivizing, the population can be controlled. Mr. Chaudhary concluded that he was looking for a reason to like this, if it is incentivizing, it will need to be looked at on case-by-case basis.

**Ms. Jacob** agreed with Ms. Llodra about the kind of community we want to be in, she understands the EDC goal, but struggled with these business incentive programs, concerned that if we approve a project, it changes after approved, cited the example by exit 10. Ms. Jacob asked what would prevent a developer from applying for the higher density after being given the incentive. Mr. Thompson replied that if agreed to the overlay parameters, that may not be allowed. Ms. Jacob said that she would like to understand the overall financial benefits, and referred to the comment by Mr. Weidemann of the cost concern in the school system, she requested an overall cost analysis, and to include specifics, hard numbers, on the economic benefit to the Town. She suggested to look at Ridgefield, which may be part of public record, and look to a community that is similar to ours. She challenged the EDC to model something that we would want to be. Ms. Jacob said that she will have a difficult time supporting something without specifics or something based on something vague, studies from other towns that are not similar to Newtown.

**Mr. Eide** commented that Newtown does not have a good inventory of housing for young people, and made the point regarding economic development that businesses will not want to come to a town where the population is decreasing, commercial development is necessary for growth.

**Mr. Knapp** pointed out land use vs. economic development, and the contradicting point of wanting more control to incentivize housing, and not 8-30g, yet want more people in the Town.



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**Ms. Llodra** said not just the number of people, but how does the development align with our core values, the POCD, what is our responsibility to craft that vision.

**Mr. Rau** noted that the Town charter says increase the grand list but maintain the character of the Town.

**Mr. Lundquist** said that by the time the tax abatements get to the Legislative Council, in general, they say yes, the question is, what happens if the Legislative Council says no? Mr. Thompson said that with some of the commercial deals they would walk away, in the case of apartments it is hard to predict what the outcome would be. Mr. Thompson said that he wanted to come speak tonight to provide as much information as possible. Ms. Jacob suggested an executive session for confidential instances when possible. Mr. Hurley referred to pressure from banks being rigorous, that the project be financially beneficial, project has to stand on its own from a cash flow perspective by the bank. Mr. Hurley said banks are pushing for stand-alone projects.

**Ms. Llodra** added that by the time the project makes it to the Legislative Council, it does have merit. Ms. Jacob appreciated the team effort and encourages collaboration.

### NEW BUSINESS

MR. LUNDQUIST MOVED TO TRANSFER \$5,000 FROM CONTINGENCY TO SELECTMEN OTHER EXPENSES. SECOND BY MR. EIDE. (ATTACHMENT B) Mr. Hurley explained that this is the Town share and the borough is putting in money to reestablish the banner poles for non-profits to display their banners near the horseshoe by the Middle School. Eversource was not cooperative with the location that were 10' from primers. Mr. Lundquist asked who to call to hang the banners, Mr. Hurley said to call the borough, and then Mr. Hurley's department will hang them. ALL IN FAVOR. MOTION PASSES. (9-0)

MR. LUNDQUIST MOVED TO APPROVE THE NEWTOWN AUDITOR AS MAHONEY SABOL CPA LLC. SECOND BY MR. EIDE. (ATTACHMENT C) Mr. Tait described the process to look for a new auditor, RFP went out, 3 responses, put together an audit committee, who looked at the proposals independently, set up an evaluation matrix, references, and chose Mahoney Sabol. Mr. Lundquist asked why the previous auditing firm did not submit a bid. Mr. Tait replied that they left the municipal market. Mr. Lundquist asked about the price. Mr. Tait responded it will be the same over 3 years. Mr. Eide asked Mr. Tait's opinion about strengths that this company has over the others. Mr. Tait referred to their own scaling system and the professional evaluation. Mr. Knapp said he is glad there is fresh set of eyes as a matter of policy. ALL IN FAVOR. MOTION PASSES. (9-0)

**VOTER COMMENT:** none

**ANNOUNCEMENTS:** Ms. Jacob reminded everyone to vote next week.

**ADJOURNMENT:** There being no further business the meeting adjourned at 9:04 pm.

Respectfully Submitted,  
June Sgobbo, Clerk

Attachments: Communication emails, Town of Newtown Appropriation (Budget) Transfer Request, Audit Services Proposal – Evaluation Rankings, Mahoney Sabol Proposal.

*These are draft minutes and as such are subject to correction by the Legislative Council at the next regular meeting. All corrections will be determined in minutes of the meeting at which they were corrected.*

From: "paul lundquist"  
To: "Mary Ann Jacob"  
Cc:  
Sent: 17-Apr-2017 21:46:19 +0000  
Subject: Correspondence Received

ATTACHMENT A

Hi Mary Ann and June,  
Please include this correspondence as part of our meeting minutes for this week's 4/19/17 Legislative Council meeting. Please feel free to copy all LC members as well.  
This is a letter regarding a constituent's concern and interest in the Pension Committee.  
Thanks,  
Paul

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Hello Paul,

As an investment professional with 33 years experience, I know I have much to offer Newtown's Pension Fund. I served on the Pension Committee for approximately 9 years in the 1990's; attached please find my resignation letter for your review. All of those involved with Newtown's pension fund (trustees, committee) know that I have a strong desire to professionally advise the fund, the committee, and the trustees. As a taxpayer, I have a vested interest in protecting my hometown of 28 years, and thus, I continue to try and get my voice heard – unfortunately, without much success.

As my legislative representative, I am writing to express my continued concern regarding Newtown's Pension Fund. As we all know (as reported in The Bee), the fund underperformed its benchmarks over the past 5-6 years that eventually may cost Newtown Taxpayers approximately \$6 to \$10 million in the coming years. As evidence to this fact, the current budget includes a line item that shows the town has begun allocating resources to this issue in the amount of over \$200,000 in this year's budget, due to those lackluster results.

Consequently, there have been changes surrounding Newtown's Pension Fund:

- In 2015, after 17 plus years with one investment adviser (former First Selectman, and current Selectman Herb Rosenthal's past and current employer - Westport Resources), Newtown's Director of Finance, Robert Tait, provided the Board of Selectman an alternative investment advisor, FIA, based in Windsor, CT.
- In 2016, Attorney Thomas Murtha, the chairman of the Newtown's Pension Committee for 30 years, left the pension committee after resigning from the bar amid a state disciplinary action alleging he misappropriated clients' funds.
- The Pension Committee has nearly completely turned over with desperately needed new blood.
- After reviewing the 12/31/2016 Pension Fund report this week and cross referencing



this report with the December 2016 Pension Committee Meeting Minutes, I learned that a new FIDUCIARY from Wells Fargo was hired to oversee the Pension Fund's \$12 million individual bond portfolio.

- It is this individual who is responsible for Newtown's current \$12 million individual bond portfolio, as reported by Westport Resources, was cumulatively, on average rated BBB. It's commonly understood that S&P's ratings lower than BBB (BB, CCC, etc) are considered JUNK. Approximately, as best as I can tell, half of Newtown's pension portfolio is rated BBB, BB, and NR (not rated) and the remaining half is rated AAA, AA, A.

Despite these seemingly positive changes, I have many concerns that yesterday's million dollar mistakes can undoubtedly, re-appear tomorrow. There are still a multitude of questions that must be asked, that haven't been:

- Are the members of the Pension Committee and the Board of Selectman (the trustees of Newtown's Pension Fund) aware that the new FIDUCIARY from Wells Fargo has 3 disclosures listed on his FINRA Broker Check profile? (From [www.finra.org](http://www.finra.org): "A disclosure...includes information about customer disputes, disciplinary events and financial matters on the broker's record. FINRA lists each incident as reported by securities regulators, the individual broker, and any involved firms.")
- Are the members of the Pension Committee and the Board of Selectman (the trustees of Newtown's Pension Fund) aware that one of the above mentioned disclosures states that said the Wells Fargo Fiduciary was charged with "breaching fiduciary duty" which resulted in a \$31,000 settlement?
- Was any Due Diligence was performed?
- Whose responsibility was it to hire said Fiduciary? Was there an investment advisory agreement signed?
- When was this individual hired? Was this hire open to the public? Why, if not? Was it reported in the minutes of the Board of Selectman or Pension Committee?
- Why did the Pension Committee want this investment advisory fee paid separately from the Pension Portfolio?

This is just the beginning of a crucial list of questions that must be asked about the \$36 million dollar pension fund – questions that require answers that should be readily available – and lastly and most importantly, a party that knows the questions to ask - who is acting in Newtown's best interest and can fully comprehend the answers, and the path that this committee, the its trustees need to go.

Finally, in the 1990's, I advocated term limits for members of the pension committee. In 2014, I lobbied Newtown's First Selectman to propose term limits without success to the charter revision committee, without success. In August, 2016 - I challenged the only remaining Newtown Pension Committee member from the old lackadaisical regime to resign



– he chooses not to. Could conflicts of interest arise between long standing committee members with long standing vendor relationships? The answer to this question will justify Newtown's need to institute term limits.

I could go on, and on – but I'll stop, for now. Thank you for this time.

Regards

Walter Pachniuk, CFP®  
CERTIFIED FINANCIAL PLANNER™ professional  
Registered Principal, Investment Adviser Representative

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February 17, 1999

Mr. Tom Murtha, Chairman-Newtown Pension Committee  
Edmond Town Hall  
45 Main Street  
Newtown, CT 06470

Dear Tom,

After nearly nine years of service, I regretfully tenure my resignation from the Newtown Pension Committee effective today.

As many of the committee members already know, I am interested in actively pursuing the day to day investment management of Newtown's pension assets. My resignation comes in an effort to avoid any potential or perceived conflict of interest and ensures the integrity of this viable relationship.

I feel strongly that I am the best candidate for this critical responsibility for a myriad of reasons. I bring with me, not only years of invaluable experience on this committee, but a clear understanding of and commitment to the philosophies and objectives established by this committee. As a professional operating a successful investment management firm for over ten years and as a long-time resident actively involved in the community, I share a vested interest in the future prosperity and protection of Newtown's pension assets. The importance of using a firm whose best interests are in alignment with our town can not be overstated.

Reflecting on the last nine years we, as a committee, have accomplished a great deal. I am intensely proud to have participated in the significant growth of Newtown's Pension Assets from approximately \$4 million then, to approximately \$13 million now. I am most proud that we, as a committee, put in place systems, which would allow us to properly oversee the town's pension assets. We achieved this success, in part, by adopting written policies, procedures, and strategies.

The committee drafted its first investment policy statement in 1993 and agreed to a conservative asset allocation of 50% stocks and 50% bonds, believing it should err on the side of caution. The committee believed that diversification of its assets and investment managers would benefit the overall fund. Finally, the committee agreed to emphasize a "long-term investment approach and concluded it was their responsibility to monitor its managers and took a more active role in monitoring and verifying the overall investment performance. In essence, we jointly became a proactive committee in the supervision of Newtown's pension assets.

I would hope that the committee remains committed to moving forward and keeps in mind what led us to make these changes. The "deeply embarrassed" investment management firms who admittedly provided a "magnitude" of inaccurate information regarding the "true investment performance" of our pension monies in the early 1990's raised a red flag. We could be passive no more. The committee is now guided by written investment policy statements, asset allocation guidelines, and quarterly consolidated reports aimed at avoiding making the same mistakes twice.

As a truly independent advisor who has access to a large network of investment managers, I bring to the table the following attributes:

- *Unbiased, without any allegiance to particular investment managers...*
- *Experience - 15 years plus of investment industry experience ...*

- *Experience - 9 years plus of Pension Committee experience ...*
- *Cost - on a total cost basis, extremely competitive...*
- *Newtown resident & business owner with a vested interest in Newtown's Pension Assets ...*

Given the opportunity, I will diligently work to assemble a team of TOP investment managers equipped to prudently oversee the town's pension assets into the next millennium. At your convenience, I look forward to the opportunity to present *The Westfield Financial Group* for your consideration.

Respectfully,

Walter Pachniuk  
46 Gelding Hill Road  
Sandy Hook, CT 06482  
(203) 270-7373

cc: Mark Korotash  
Frank Krasowski  
David Lydem  
Dunham Smith, Treasurer  
Edward Zeller  
Jane Torrence

Herb Rosenthal, First Selectman

From: "Mary Ann Jacob"  
To:  
Cc: "June Sgobbo"  
Sent: 17-Apr-2017 21:33:22 +0000  
Subject: Re: Form submission from: Contact the Legislative Council

Hi Bruce,

My Understanding is the policy for commercial tax abatement is the sole purview of the EDC. However, the BOS, BOF and the LC each have to approve every individual application and request for tax abatement so any objections to the use of it in relation to apartments would be heard and voted on during that specific process. We will be discussing the policy issue tomorrow evening if you'd like to join us to hear the discussion.



Best, Mary Ann

On Apr 17, 2017, at 3:46 PM, <[bw.reloconsult@snet.net](mailto:bw.reloconsult@snet.net)> <[bw.reloconsult@snet.net](mailto:bw.reloconsult@snet.net)> wrote:

Ok. But now I'm confused. The EDC votes to add it to their approved list of abatement, but we seem to also have an ordinance. Not sure I see the BOS in the ordinance but EDC brought it to them. So maybe its in the charter also?

Is the incentive housing zone the same as what the ordinance is referencing?

Oh well suggest you not approve the request.

Bruce

-----Original Message-----

From: Mary Ann Jacob [<mailto:mjacob4404@charter.net>]

Sent: Monday, April 17, 2017 3:07 PM

To: Bruce Walczak <[bw.reloconsult@snet.net](mailto:bw.reloconsult@snet.net)>

Subject: Re: Form submission from: Contact the Legislative Council

Thank you Bruce, the policy itself is not under the control of the council, only the approval of each individual request.

Sent from my iPhone

On Apr 17, 2017, at 2:36 PM, Bruce Walczak via Newtown CT <[vtsdmailer@vt-snet](mailto:vtsdmailer@vt-snet)> wrote:

Submitted on Monday, April 17, 2017 - 2:36pm Submitted by user:

Anonymous Submitted values are:

Your name: Bruce Walczak

Your e-mail address: [bw.reloconsult@snet.net](mailto:bw.reloconsult@snet.net)

Subject: Apartment Tax Abatements

Message:

The EDC has recommended that the owner/developer of residential rental units are economic development and should be eligible for tax abatements.

I would suggest that housing is not economic development. Two bedroom apartments would more than likely include children and our per capita student expense is above \$14,000 per year. Thus these rental put stress on the school and town budget and all taxpayers.

The residents on Washington Ave were not universally positive about this development and providing tax incentives will pour salt into those wounds.

Locations for apartments are difficult to find and the building of apartments can prove to be financially very reward. Our recent change in zoning with IHZ provided a valuable benefits to builders allowing them more opportunities to build.

The suggestion that the owners will pass the tax reduction onto tenant is debatable. There is no obligation to charge rents below the going

rate except for the 20% of the units.

These apartments have already been given a 50% cut in there sewer assessment, cost other sewer utilizes need revenue to the Sewer Authority.

If apartment rental units are entitled to tax abatement why not accessory units for a home built or modified for rental purposes .

Expanding the abatement program to a questionable entity, residential housing, the LC risked alienation of the taxpayer to abatement programs in general.

For all these reason I would encourage the LC to deny this expansion to the use of Abatements'.

==Attachments:==

Attachment #1:

Attachment #2:

Attachment #3:

# TOWN OF NEWTOWN APPROPRIATION (BUDGET) TRANSFER REQUEST

FISCAL YEAR 2016 - 2017 DEPARTMENT Selectmen DATE 3/1/17

	<u>Account</u>	<u>Amount</u>	
FROM:	<u>1-101-24-570-5899-0000</u> CONTINGENCY	(5,000)	USE NEGATIVE AMOUNT ↓ USE POSITIVE AMOUNT
TO:	<u>1-101-11-100-5800-0000</u> OTHER EXPENDITURES	5,000	

REASON:

FOR A SYSTEM OF BANNER DISPLAY ALONG QUEEN STREET. THE BOROUGH WILL CONTRIBUTE UP TO \$10,000.

5K is the town share to put up poles acceptable to Eversource to fly the banners for all the fund raising groups that put up banners across the Middle School on Queen Street.

AUTHORIZATION:

date

(1) DEPARTMENT HEAD

(2) FINANCE DIRECTOR

(3) SELECTMAN

(4) BOARD OF SELECTMEN

(5) BOARD OF FINANCE

(6) LEGISLATIVE COUNCIL

3/1/17

4/10/17

AUTHORIZATION SIGN OFF

FIRST 335 DAYS >>>>WITH IN A DEPT.>>>>LESS THAN \$50,000>>>> (1), (2) & (3) SIGNS OFF; MORE THAN \$50,000>>>> (1), (2), (3) & (5)

>>>>ONE DEPT TO ANOTHER>>>>LESS THAN \$200,000>>>>ALL EXCEPT (6); MORE THAN \$200,000>>>>ALL SIGN OFF

AFTER 335 DAYS >>>>(1), (2), (3), (5) & (6)

ANY AMOUNT FROM CONTINGENCY>>>> ALL SIGN OFF



ATTACHMENT C

## AUDIT SERVICES PROPOSAL - EVALUATION RANKINGS

MahoneySabol

RANKING CRITERIA - (5 being the highest)	Evaluator			Notes	GRAND	
	#1	#2	#3		TOTAL	AVERAGE
Company's resource capability to perform required services.	4.0	5.0	5.0		14.0	4.7
Company's perception of project requirements.	5.0	4.7	5.0		14.7	4.9
Qualifications of staff.	4.0	4.3	5.0		13.3	4.4
Quality and content of approach to audit and schedule.	5.0	3.7	5.0		13.7	4.6
Similar assignments.	5.0	4.7	4.0		13.7	4.6
Fee for services.	3.0	2.7	4.0		9.7	3.2
Local presence	5.0	4.3	5.0		14.3	4.8
Total company staff listed	4.0	3.0	5.0		12.0	4.0
Use of technology detailed	4.0	4.0	3.0		11.0	3.7
Value added services	4.0	2.7	3.0		9.7	3.2
Completeness and professionalism of information submitted.	5.0	5.0	5.0		15.0	5.0
Overall impression - Total Score	48.0	44.1	49.0		141.1	12.8

O'Connor Davies

RANKING CRITERIA - (5 being the highest)	Evaluator			Notes	GRAND	
	#1	#2	#3		TOTAL	AVERAGE
Company's resource capability to perform required services.	5.0	5.0	5.0		15.0	5.0
Company's perception of project requirements.	5.0	4.7	5.0		14.7	4.9
Qualifications of staff.	4.0	4.7	5.0		13.7	4.6
Quality and content of approach to audit and schedule.	3.0	2.7	5.0		10.7	3.6
Similar assignments.	5.0	5.0	5.0		15.0	5.0
Fee for services.	3.0	2.7	3.0		8.7	2.9
Local presence	5.0	4.7	5.0		14.7	4.9
Total company staff listed	0.0	1.3	5.0		6.3	2.1
Use of technology detailed	2.0	1.3	4.0		7.3	2.4
Value added services	5.0	4.7	4.0		13.7	4.6
Completeness and professionalism of information submitted.	4.0	3.7	5.0		12.7	4.2
Overall impression - Total Score	41.0	40.5	51.0		132.5	12.0

Ron L. Beaulieu & Company

RANKING CRITERIA - (5 being the highest)	Evaluator			Notes	GRAND	
	#1	#2	#3		TOTAL	AVERAGE
Company's resource capability to perform required services.	4.0	4.3	3.0		11.3	3.8
Company's perception of project requirements.	5.0	4.3	3.0		12.3	4.1
Qualifications of staff.	4.0	3.0	4.0		11.0	3.7
Quality and content of approach to audit and schedule.	5.0	3.7	5.0		13.7	4.6
Similar assignments.	5.0	3.3	4.0		12.3	4.1
Fee for services.	5.0	5.0	5.0		15.0	5.0
Local presence	0.0	1.7	2.0		3.7	1.2
Total company staff listed	0.0	1.3	3.0		4.3	1.4
Use of technology detailed	2.0	1.0	3.0		6.0	2.0
Value added services	2.0	1.7	3.0		6.7	2.2

Completeness and professionalism of information submitted.	5.0	3.3	5.0	13.3	4.4
Overall impression - Total Score	37.0	32.6	40.0	109.6	10.0

**Pricing Comparison**

Town budget = \$71,010

<b>MahoneySabot</b> - First year fee	\$ 71,500
Fee for five years	\$ 360,500
<b>O'Connor Davies</b> - First year fee	\$ 71,700
Fee for five years	\$ 380,480
<b>Ron L. Beaulieu</b> - First year fee	\$ 57,500
Fee for five years	\$ 287,500



## Proposal to Provide Professional Services

Prepared For:

Town of  
Newtown,  
Connecticut

COPY

Prepared By:

Michael J. VanDeventer, CPA  
Jennifer M. Hawkins, CPA

Mahoney Sabol & Company, LLP  
180 Glastonbury Boulevard, Suite 400  
Glastonbury, CT 06033

Phone: 860.541.2000

Fax: 860.541.2001

Email: [mvandeventer@mahoneysabol.com](mailto:mvandeventer@mahoneysabol.com)

Email: [jhawkins@mahoneysabol.com](mailto:jhawkins@mahoneysabol.com)



February 28, 2017



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February 28, 2017

Mr. Robert Tait  
Director of Finance  
Town of Newtown  
3 Primrose Street  
Newtown, CT 06470

Dear Mr. Tait:

We are pleased to present our qualifications and approach to provide professional auditing services for the Town of Newtown, Connecticut (the "Town"). The following paragraphs summarize why we believe Mahoney Sabol & Company, LLP ("MahoneySabol" or "MSCO") is uniquely qualified to render competent and responsive auditing services to the Town on a minimum cost basis.

#### Experienced Team

We provide an experienced governmental auditing team in order to serve the auditing needs of the Town. We realize that our most important asset is our people and that attracting and retaining high caliber employees is the key to success in any organization. We take pride in the fact that we are able to commit to year-to-year continuity of the engagement team assigned to the Town. Our clients have told us that they appreciate our lack of engagement team turnover and enjoy having an engagement team who is knowledgeable of their industry and their own unique operations. We believe that the use of experienced professionals during all segments of the engagement is critical to the performance of an efficient and effective audit.

#### Technical Expertise

We handle some of the most sophisticated governmental engagements of any firm our size. A significant portion of our practice is devoted to serving clients in the governmental/nonprofit sector. Our firm currently provides auditing services to 19 municipalities, 3 regional school districts, 2 quasi-public state agencies and 1 major special revenue fund of the State of Connecticut (the Special Transportation Fund).

#### Additional Benefits of MahoneySabol

MahoneySabol is a Connecticut based accounting firm with offices located in Glastonbury, Middletown and Essex. Our market share is growing rapidly. We believe this is happening because organizations appreciate our regional presence, expertise, client service, and lower cost structure. Our size is important, as it allows us to serve clients better than any of our competitors.

## Transmittal Letter (continued)

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We can offer the Town the following additional benefits:

**Responsive Service:** Choosing MahoneySabol allows the Town to receive a high level of audit quality that is on par with national firms. The Town will be one of our most important clients, which means the Town's needs will receive the highest priority and attention. In addition, our expertise with client transitions is important as it will minimize any internal apprehension or distraction to the Town. We will deliver all our products and services on time and on budget. We value our relationship with you and consider responsive service as the foundation of that relationship.

**Partner Rotation:** Our Public Sector Practice Group includes multiple partners that allows for partner rotation upon request of the Town. The main purpose of audit partner rotation is to bring a "fresh look" to the audit engagement while maintaining firm continuity and overall audit quality.

**Unique Audit Approach:** Our engagement approach balances the experience and creativity of our engagement team with leading-edge technology to implement an efficient 'risk based' audit approach.

**National Firm Resources:** We are an independent member of the BDO Alliance USA, a nationwide association of independently owned local and regional accounting, consulting and service firms with similar client service goals. The BDO Alliance USA presents an opportunity for firms to expand services to clients without jeopardizing our existing relationships or our autonomy by accessing the resources of BDO USA, LLP and other Alliance members. The BDO Alliance USA was developed to provide Member firms with an alternative strategy for gaining competitive advantage in the face of a changing business landscape. The Alliance represents an opportunity for BDO to enhance relationships with reputable firms that share a mutual business understanding. The BDO Alliance USA is a subsidiary of BDO USA, LLP, a Delaware limited liability partnership. Through this affiliation, our team has developed a network with technical experts in the governmental industry and with Alliance member firms that serve several types of governmental entities, including local governments. The Town will be the beneficiary of this high level of technical expertise.

**True to Our Roots:** The accounting industry in Connecticut has seen regional and local firms being consolidated upward by larger firms outside of Connecticut. In many cases this has resulted in service issues and fee increases. MahoneySabol has become the exception. MahoneySabol is committed to growing locally while staying connected to the communities where we and our clients, work, live and play.

### Commitment to Quality Control

MahoneySabol is also one of a small percentage of accounting firms registered with and inspected by the Public Companies Accounting Oversight Board (PCAOB). The PCAOB was created by the Sarbanes-Oxley Act of 2002 to oversee auditors of public companies in order to protect the interest of investors and further the public interest in the preparation of informative, fair and independent audit reports. We are proud to be registered and believe it is a testament to the highest level of quality controls directed towards client service.



## Transmittal Letter (continued)

### Commitment to Corporate Governance and Internal Control

The public sector not only underwent profound changes in the financial reporting model, but also in terms of the accounting and regulatory environment which is placing additional emphasis on the prevention and detection of fraud, corporate governance, and auditor independence. We are committed to providing the Town with an objective assessment of its policies and procedures, and identifying high-risk areas. Our charge is to offer the Town recommendations and solutions to enhance controls in these high-risk areas and to be a valuable resource in the prevention and detection of fraud.

### Understanding of the Services to be Provided

It is our understanding that we are to perform the following services for the Town of Newtown for the fiscal years ending June 30, 2017 with four optional one-year extensions:

1. An audit of the basic financial statements of the Town of Newtown. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

At the conclusion of our audit, we will issue a report that expresses an opinion on whether the Town's basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Further, our report will include an "in relation to" paragraph covering the combining and individual fund financial statements and schedules, the schedule of expenditures of federal awards, and the schedule of expenditures of state financial assistance based on the results of the auditing procedures applied during the audit of the basic financial statements. Our report will also include a paragraph indicating that we have applied certain limited procedures regarding the methods of measurement and presentation of required supplementary information.

2. A federal single audit in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
3. A state single audit in accordance with Sections 4-230 through 4-236 of the Connecticut General Statutes and the provisions of the Connecticut Office of Policy and Management Compliance Supplement to the State Single Audit Act.

At the conclusion of our single audit work, we will issue the following reports:

- A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Report on compliance with requirements applicable to major federal award programs and on internal control over compliance in accordance with the Uniform Guidance.
- Report on compliance with requirements applicable to major state award programs and on internal control over compliance in accordance with the State Single Audit Act.

## Transmittal Letter (continued)

### Understanding of the Services to be Provided (continued)

4. Issuance of a report in accordance with Statements on Standards for Attestation Engagements, issued by the American Institute of Certified Public Accountants, based on the results of procedures required by the State Department of Education's Review Package.
5. Assistance in preparing the basic financial statements, including a comprehensive annual financial report (CAFR) for submission to the Government Finance Officer's Association Certificate of Achievement for Excellence in Financial Reporting Program.
6. Preparation of a management letter setting forth our observations and recommendations for constructive change.
7. Preparation of a document setting forth those communications required by our professional standards.
8. Meetings with management, Legislative Council and the Board of Finance at the completion of our work to present the audited financial statements and management letter. Meetings, as needed, throughout the year with respect to operational and accounting matters and industry developments.

### Commitment to Perform the Work

We are committed to performing the services required within the time schedule specified in your request for proposal and we guarantee 'on-time/on-budget' performance of all project deliverables. This proposal constitutes a firm and irrevocable offer for 90 days.

We have read the Request for Proposal and fully understand its intent and contents. We certify that we have adequate personnel, insurance, equipment, and facilities to fulfill the specified requirements.

We are enthusiastic about providing auditing services for the Town of Newtown. If you should have any questions or desire any additional information, please contact me at 860.541.2000, as I have full authorization to make representations for the firm.

Very truly yours,



Michael J. VanDeventer, CPA  
Partner

860-541-2000

BOF 4/10

LC 4/12

## General Requirements

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### Independence

MahoneySabol has had no professional relationships involving the Town of Newtown in the previous five years and is independent of the Town as defined by auditing standards generally accepted in the United States of America and the U.S. Comptroller General's *Government Auditing Standards*.

### Conflicts of Interest

MahoneySabol is not aware of any conflicts of interest arising from continued service to our existing clients and any engagements for the Town.

### License to Practice in Connecticut

MahoneySabol and the engagement partners are licensed to practice in the State of Connecticut.

### Affirmative Action

MahoneySabol is an equal opportunity/affirmative action employer.

## Firm Qualifications and Experience

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For over 25 years, clients have relied on MahoneySabol to help them achieve their business and personal financial goals. We earn our clients' trust by being truly useful to them—consistently delivering outstanding service based on deep industry experience, valuable insights, technical skills, personal attention, responsiveness, and significant partner involvement.

### Full-service Certified Public Accountants and Business Advisors

Our services go beyond traditional accounting and include comprehensive tax, assurance and advisory solutions. We develop long-term relationships in order to truly get to know our clients.

### Connecticut Presence

With offices in three locations throughout Connecticut and a total staff of more than 40, we are able to call upon all available resources in order to serve our clients effectively.

### Memberships

MahoneySabol is a member of the Center for Audit Quality and the Governmental Audit Quality Center at the American Institute of Certified Public Accountants (AICPA). We are also a registered member of the Public Company Accounting Oversight Board (PCAOB), which was created out of the Sarbanes-Oxley Act. While the PCAOB is focused only on our public company practice, our internal quality control policies and procedures throughout the firm reflect an adherence to this higher standard applicable to all business.

### Commitment to Quality Control

In December of 2013, our firm underwent an AICPA peer review, including a review of specific government engagements. The peer review team determined that the quality control system for our auditing and accounting practice met the stringent professional standards established by the AICPA. In addition, our 2013 report did not have an accompanying letter of comments which is an outstanding achievement (see Appendix A for our most recent issued Peer Review Report). In December of 2016, our firm underwent its most recent AICPA peer review. The review is substantially complete and the release of the final peer review report is pending AICPA approval.

MahoneySabol is also subject to periodic inspection by the PCAOB of our auditing practice applicable to SEC issuers. PCAOB inspections are designed to identify and address weaknesses and deficiencies related to audit conduct to determine if that portion of the firm's auditing practice is being conducted in accordance with PCAOB standards. Our most recent PCAOB inspection was conducted in 2016.

The firm has not had any federal or state desk audit reviews or disciplinary action taken against it by state regulatory bodies or professional organizations during the past three years or since its inception, nor is any such action pending against the firm. The firm has not defaulted on any contracts and there is currently no pending litigation involving the firm.



## **Firm Qualifications and Experience (continued)**

### **Mission Statement and Values**

The key to creating a truly great organization is an intense focus on a mission and a core set of values that guide peoples' actions.

#### **Mission**

Consolidation upstream into larger firms based outside of New England has become the Norm; Mahoney Sabol & Company, LLP has become the Exception.

We have made a commitment to remaining TRUE TO OUR ROOTS, growing locally while staying connected to the communities where we, and our CLIENTS, work, live and play.

#### **Values**

At Mahoney Sabol & Co., LLP, there is no bottom line where ethics are concerned. There are only the highest standards consistent throughout our Firm. You can count on INTEGRITY as our top priority.

Our commitment to the mission and values has helped earn us a reputation for excellence and the respect and trust of individuals and businesses throughout Connecticut. Many of our new clients come to us as the result of referrals from banks, law firms and existing clients who recommend us to their clients, friends and colleagues.

MahoneySabol is truly a full-service professional services firm. We are proud of our expertise in meeting the varied needs of our clients including auditing, accounting, tax, and management advisory services. As a Connecticut based firm, our dedication to the communities where we live and work is unparalleled.

#### **Commitment to Education and Technology**

All our partners and staff are provided with firm-paid continuing educational opportunities that exceed the minimum professional requirements. In this rapidly changing environment, you can be confident that your engagement team will be up-to-date on the latest changes in professional standards and accounting and financial reporting pronouncements.

Our significant investment in technology means that you enjoy better communication and efficiency. Our three offices enable us to staff engagements out of any office as special projects and requests arise, resulting in prompt, top quality service to our clients. Your engagement will be completed quickly and with minimum disruption to your operations.

## Firm Qualifications and Experience (continued)

### Public Sector Industry Practice

Our public sector industry team is made up of sixteen professionals as follows:

	Governmental Total
<b>Professional</b>	
Partners	2
Managers	3
Seniors	4
Staff	6
<b>Administrative</b>	1
	<u>16</u>

The team assigned to the engagement has a considerable amount of experience auditing and providing financial consulting in the governmental sector. Not only have they audited and compliance tested governmental entities and grant programs, they are also experienced in providing consulting services in the areas of financial reporting, grant compliance and controls, and in helping our clients implement paperwork-flow routines, internal controls and accounting systems adequate to support the reporting and compliance requirements of a local government.

### Audit Practice

Our audit practice is varied and handles some of the most sophisticated engagements of any firm our size.

Our municipal, quasi-government and nonprofit practice provides financial and compliance auditing services to a wide range of clientele in the state. A significant portion of our practice is devoted to serving clients in this sector.

Our practice also deals with private-sector clients in many industries, including manufacturing, distribution, healthcare, real estate, and service. In addition, we have clients which must comply with SEC reporting requirements.

## Firm Qualifications and Experience (continued)

### Experience in Auditing Municipalities

A complete listing of current Connecticut municipal clients are as follows, including clients gained and lost during the previous three years are as follows:

Name of Government	Years of Service*	Population
Town of New Milford	2013 - present	27,000
Town of Montville	2013 - present	20,000
Town of Monroe	2013 - 2014	20,000
Town of Killingly	2013 - present	17,000
Town of Wolcott	2014 - present	17,000
Town of Ellington	2013 - present	16,000
Town of Plainfield	2013 - present	15,000
Town of East Windsor	2011 - present	11,000
Town of Somers**	2013 - present	11,000
Town of Canton**	2015 - present	10,000
Town of Old Saybrook	2015 - present	10,000
Town of Putnam	2013 - present	10,000
Town of Hebron**	2013 - present	9,500
Town of Portland	2013 - present	9,000
Town of Woodstock	2014 - present	8,000
Town of Essex	2013 - present	7,000
Town of Willington**	2013 - present	6,000
Town of Beacon Falls	2013 - present	6,000
Town of Canterbury	2013 - present	5,000
Town of Ashford	2013 - present	4,000
Regional School District No. 10	2013 - present	N/A
Regional School District No. 5	2013 - present	N/A
Regional School District No. 4	2013 - present	N/A

\* The Public Sector Practice Group joined MahoneySabol in 2013. Years of Service does not include years served by the Public Sector Practice Group as members of Grant Thornton, LLP and CCR LLP.

\*\* Audit reports receiving Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

In addition to the above municipalities, our Public Sector Practice Group also performs the annual financial audits of the following quasi-governmental agencies of the State of Connecticut:

Name of Government	Years of Service*	Revenues (Expressed in Thousands)
Special Transportation Fund of the State of Connecticut	2013 - present	\$2,003,000
Capital Region Development Authority	2013 - present	\$46,000
Materials Innovation Recycling Authority	2015 - present	\$100,000

## Partner, Supervisory and Staff Qualifications and Experience

Our ability to serve the Town productively and efficiently resides in the skills and attitudes of our people. All of our professionals continuously seek ways to eliminate inefficiencies and efforts that do not add value to the Town. To succeed, our professionals are trained and work in a culture that stimulates and rewards efficient behavior. We operate by engaging our professionals in innovative and critical thinking that dramatically improves efficiency, quality, and client service. Our professionals find that their assignments are more interesting, challenging, and enjoyable than at other accounting firms. We believe this atmosphere is the reason our staff turnover is lower than the industry average. The results are outstanding people providing outstanding service to you, our client.

All personnel in our firm meet AICPA independence standards and those of the Comptroller General's *Government Auditing Standards*. In all matters relating to audit work, both our firm and the individual auditors are free from personal and external impairments to independence. All individuals are well aware of the need to maintain an independent attitude and appearance.

### The Team Approach

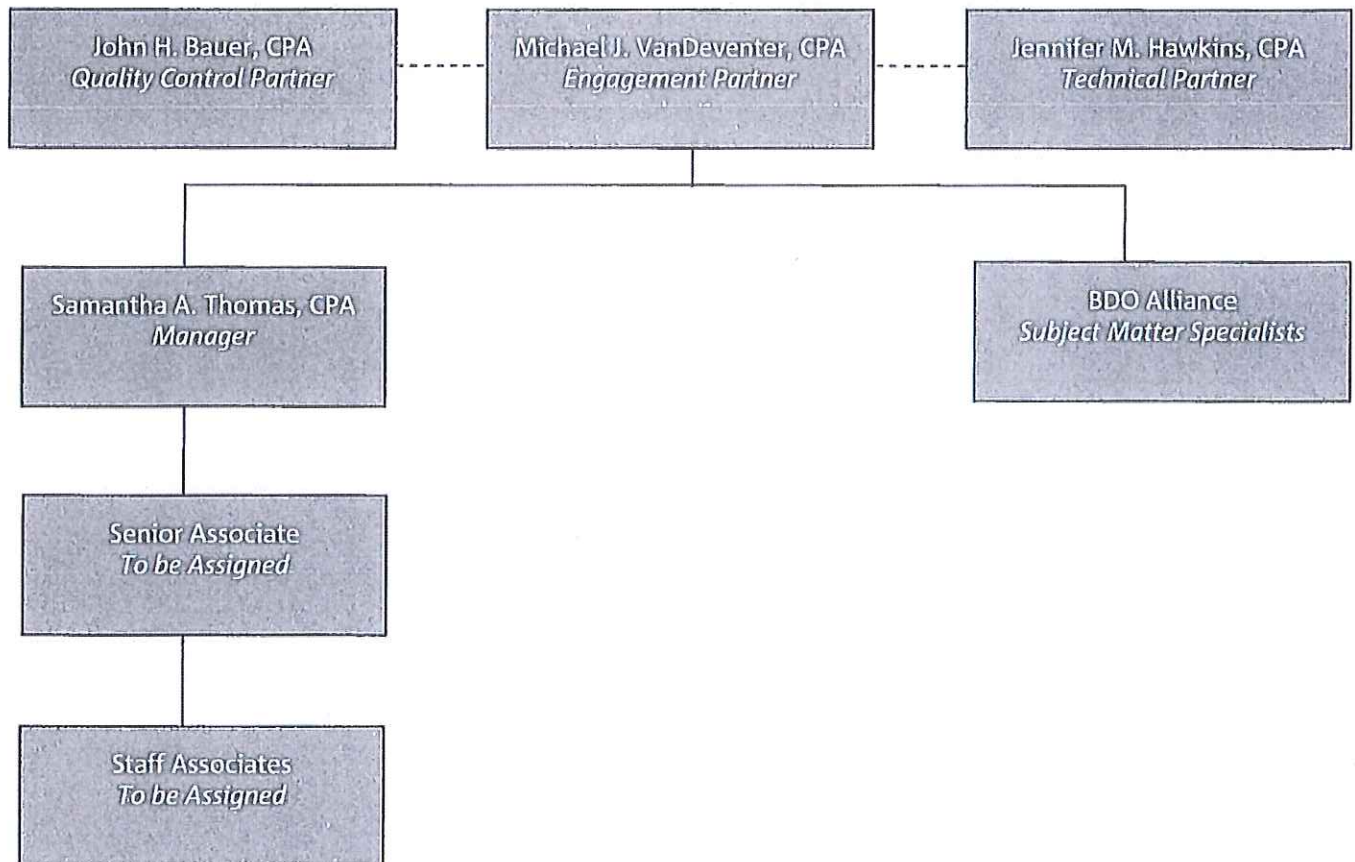
We strongly believe that engagement quality is enhanced by continuity of engagement personnel and look with pride on our ability to create an environment where professionals continue to grow and accept more responsibility on the same engagements from year to year. Our firm has created an environment of continuing growth and opportunity for our people, which leads to stability for our associates. We can assure the continuity of the Town engagement staff by continuing to maintain a firm environment based on the highest professional standards and a dynamic organization that challenges its people for continued growth and upward mobility. We will serve the Town through a "service team" made up of individuals with the special technical expertise and industry knowledge required to identify and properly address the Town's business, accounting and reporting needs.

Should the need arise to change any key personnel assigned to the Town, the firm's policy is to introduce another professional with the same or greater level of experience and technical ability, subject to the approval of the Town.



## Partner, Supervisory and Staff Qualifications and Experience (continued)

The following represent the key professional staff that will be assigned to the Town of Newtown:



## Partner, Supervisory and Staff Qualifications and Experience (continued)

Michael J. VanDeventer, CPA  
*Public Sector Practice Leader*  
*Engagement Partner*

Michael J. VanDeventer is a Partner in the Assurance Services Department of Mahoney Sabol & Company, LLP, as well as a co-leader of the Public Sector Practice group. He graduated from the University of Connecticut with a Bachelor of Science degree in Accounting as well as his Master of Science degree in Accounting.



### Engagement Role

As engagement partner, Michael has overall and ultimate responsibility for all audit work performed for the Town. He maintains continuing contact through the review of Town data, risk assessments, design of audit approach, review of engagement documentation, and discussions with Town and engagement personnel.

### Experience

Michael has over sixteen years of experience focused on auditing municipalities and quasi-governmental agencies. He has an in-depth understanding of municipal financial reporting and has been extensively involved in the development of comprehensive annual financial reports that have qualified for the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting Program. Michael also takes an active role in analyzing and developing implementation plans for new GASB standards and is also active in leading training seminars on governmental topics. He is also knowledgeable of reporting requirements of OMB Circular A-133, the Uniform Guidance, and the state single audit act. Michael serves as the engagement partner for several local governmental audit engagements.

### Memberships

Michael is a member of the American Institute of Certified Public Accountants (AICPA), the Connecticut Society of Certified Public Accountants (CTCPA), and the Governmental Accounting and Auditing Committee of the CTCPA.

## Partner, Supervisory and Staff Qualifications and Experience (continued)

Jennifer M. Hawkins, CPA  
*Public Sector Practice Leader*  
*Technical Partner*

Jennifer M. Hawkins is a Partner in the Assurance Services Department of Mahoney Sabol & Company, LLP, as well as a leader of the Public Sector Practice group. She graduated from Eastern Connecticut State University with a Bachelor of Science degree in Accounting and a Masters of Science degree in Accounting.



### Engagement Role

As technical partner, Jennifer will maintain continuing contact with the engagement team through the review of Town's data, risk assessments, design of audit approach, and review of engagement documentation. She will provide a "second opinion" on key issues encountered and will be thoroughly familiar with the engagement to ensure there is never any interruption in the superior level of service rendered to the Town.

### Experience

Jennifer has over sixteen years of auditing and consulting experience, concentrated primarily in federal and state single audits of governmental, quasi-governmental organizations and large not-for-profit organizations. She has performed several consulting projects relative to internal control assessments and in the development of policies and procedures manuals. She has an in-depth understanding of the governmental financial reporting model and is knowledgeable of reporting requirements of both the Uniform Guidance and state single audit acts. Mrs. Hawkins has served as the engagement partner for several governmental audit engagements and has developed industry specific knowledge and expertise in the preparation and auditing of Form ED001 completed by local boards of education.

### Memberships

Jennifer is a member of the American Institute of Certified Public Accountants (AICPA), the Connecticut Society of Certified Public Accountants (CTCPA), in which she serves on the Governmental Committee. Jennifer is also a member of the Government Finance Officers Association (GFOA), and the GFOA of Connecticut. She also serves as the Treasurer for a small non-for-profit organization.

## Partner, Supervisory and Staff Qualifications and Experience (continued)

John H. Bauer, CPA  
*Quality Control Partner*

John Bauer is a Partner of the Assurance Services Department of Mahoney Sabol & Company, LLP. He is a graduate of Bryant College with a Bachelor of Science degree in accounting.



### Engagement Role

John will work with the engagement partners to identify risk and develop the overall audit approach. Throughout the engagement, he will monitor the engagement team's progress and continually reassess risk and identify any revisions to our planned audit approach and related audit procedures.

### Experience

John has over twenty-five years of public accounting experience serving privately held and public companies, including several years at a national firm. He has directed numerous audits for public sector entities and not-for-profit organizations and served as Chairman of the Board of Finance for the Town of Deep River. In addition, he has experience with publicly held and private companies in the renewable energy, manufacturing, and financial services industries.

### Memberships

John is a member of the American Institute of Certified Public Accountants (AICPA) and the Connecticut Society of Certified Public Accountants (CTCPA). In addition, he previously served as Chairman of the Board of Finance for the Town of Deep River, Connecticut, and the Safety Officer for the Deep River Volunteer Fire Department.



## Partner, Supervisory and Staff Qualifications and Experience (continued)

Samantha A. Thomas, CPA  
*Manager*

Samantha Thomas is a Manager in the Assurance Services Department of Mahoney Sabol & Company, LLP. She graduated from the Central Connecticut State University with a Bachelor of Science degree in Accounting. In addition, she has obtained her Masters of Science degree from New England College.



### Engagement Role

Samantha will work closely with the engagement partners to identify risk and develop the overall audit approach. Samantha will be responsible for monitoring the progress and performance of the senior and staff associates assigned to the engagement, and on the basis of staff associates' experience and ability, she will delegate audit work to them. She will assist with the complex audit areas and provide guidance on key issues, as well as assist the team with the implementation of applicable new accounting guidance.

### Experience

Samantha has more than eight years of auditing and consulting experience concentrated primarily in federal and state single audits of large nonprofit and governmental organizations. Samantha's experience includes handling complex accounting and auditing issues of local governments, assisting clients with the implementation of recently adopted GASB pronouncements, auditing Federal and State major programs in accordance with applicable single audit guidelines, and assisting local governments with the preparation of financial statements. Samantha also takes an active role in analyzing and developing implementation plans for new GASB standards for the firm and is also active in leading training seminars on governmental topics.

### Memberships

Samantha is an associate member of the American Institute of Certified Public Accountants (AICPA) and the Connecticut Society of Certified Public Accountants (CTCPA).

## Partner, Supervisory and Staff Qualifications and Experience (continued)

### Commitment to Ongoing Technical Training and Assistance

Our firm is committed to technical competency in all industries in which we work. We provide our professionals a minimum of 40 hours of continuing technical training each year. A schedule is developed at the beginning of each year and is made available to our professionals so they may take advantage of the sessions they believe to be most beneficial.

We subscribe to all the publications issued by the GASB/FASB and respond to all discussion memorandums and exposure drafts that impact our practice or our audit clients. We generally solicit client comments in connection with our response and often organize seminars to explore emerging issues or the practical application of proposed pronouncements. Our clients are active participants in the standard setting process.

We are in the 'information business' and pride ourselves as to our leadership in keeping our clients current on financial and accounting issues that may impact them.

## Similar Engagements With Other Government Entities

### Experience in Auditing Municipalities

Our team has considerable experience in auditing municipalities. The following is a list of five municipal clients performed in the last five years that are similar to the Town of Newtown:

Name of Government	Chief Financial Officer	Years of Service*	Approximate Hours	Population
Town of New Milford	W. Lee Palmer 860.355.6060	2013 - present	750 - 850	27,000
Town of Wolcott	Susan Hale 203.879.8100	2014 - present	400 - 500	17,000
Town of Somers**	Mike Marinaccio 860.763.8204	2013 - present	300 - 400	11,000
Town of Canton**	Amy O'Toole 860.693.7892	2015 - present	300 - 400	10,000
Town of Portland	Tom Robinson 860.342.6726	2013 - present	300 - 400	8,000

\* The Public Sector Practice Group joined MahoneySabol in 2013. Years of Service does not include years served by the Public Sector Practice Group as members of Grant Thornton, LLP and CCR LLP.

\*\* Audit reports receiving Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

The scope of work for all clients listed above includes:

- An annual audit of the basic financial statements conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States;
- An annual federal single audit in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as applicable;
- An annual state single audit in accordance with Sections 4-230 through 4-236 of the Connecticut General Statutes and the provisions of the Connecticut Office of Policy and Management *Compliance Supplement to the State Single Audit Act*, as applicable;
- Annual reports in accordance with *Statements on Standards for Attestation Engagements*, issued by the American Institute of Certified Public Accountants, based on the results of procedures required by the State Department of Education's Review Package, as applicable;
- Annual management letters setting forth our observations and recommendations for constructive change, as applicable; and
- Preparation of a document setting forth those communications required by our professional standards.

## Similar Engagements With Other Government Entities (continued)

### Single Audit Experience

The MahoneySabol service team has substantial experience in performing Federal and State single audits of nonprofit and governmental organizations and in providing single audit related consulting services for various state agencies.

Most of our nonprofit and governmental organization clients must undergo Federal and State single audits. Our audits of several large Connecticut community action agencies represent some of the most complex single audits that exist, with each of these entities having up to twenty-four federal and state major programs.

### Special Consulting Projects

Auditors have the capability of performing a range of services for their clients. However, in some circumstances it is not appropriate for them to perform both audit and certain nonaudit services for the same client. In these circumstances, the auditor and/or their client will have to make a choice as to which of these services they will provide. Throughout the Town's audit engagement, we will carefully consider all nonaudit services we may be requested to perform and will ensure full compliance with AICPA independence standards and *Government Auditing Standards – Amendment No. 3, Independence*.

We have performed a myriad of accounting and consulting services for our public sector clients, including the following:

- Implementation of new GASB and FASB pronouncements
- Internal control risk assessments
- Development of policies and procedures manuals
- Agreed-upon procedures engagements/special audits
- Assistance with bond offerings, issuance of consents, issuance of verification reports
- Training
- Accounting system implementation and development of chart of accounts
- Compliance with IRS and other regulatory requirements
- ED001 preparation assistance
- DOE school construction grant closeouts
- Analysis of vendor contracts
- Analysis of school cafeteria operations
- GASB No. 42 impairment analysis

We have the experience, competency and capabilities to be a meaningful resource to the Town, not only as auditors but also as business consultants. We can help you achieve your objectives of excellence in the fiscal management of the Town.



## Audit Approach

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While accounting firms like MahoneySabol have significantly expanded the range of services provided, financial statement audits continue to be a dominant aspect of our practice. In the course of performing your engagement, our firm will provide you with more than just annual audited financial statements. We will generate information and develop insights that will result in improved controls and safeguards for the Town. We will present our recommendations, including general suggestions as well as accounting and internal control suggestions, in clear, concise, and understandable reports. Our professionals combine competence with judgment, maturity, and creativity—all prerequisites for quality auditing services.

The experience level and expertise of our staff allows MahoneySabol to perform “risk based” audits. Thus, we do not send in inexperienced auditors to “tick and tie.” Instead, we send in skilled business advisors to learn and understand your operations and direct their efforts to the areas that are critical to the fair presentation of your financial statements. Our technical excellence adds value because we are able to apply our overall business knowledge to meet your specific needs.

We always stress the critical importance of understanding the Town and its unique operations. This is necessary to effectively assess risk and to design new, innovative and efficient auditing procedures. This understanding increases our ability to add value to our clients. Our professionals are taken seriously as business advisors because we perform our tasks at maximum efficiency. We are continuously researching new ways to perform more efficient and effective engagements. We think ahead. We plan. We consider full service a responsibility to our clients, not an “extra.”

We believe we meet or exceed our clients’ expectations due to a number of factors. We are competent auditors and technically proficient. Not only is this important in order for clients to meet their regulatory-reporting requirements, but is also a significant resource to clients for continuing input throughout the year to assist them in making decisions with adequate technical facts. We generally work with governments that operate in an environment of unlimited demands for service, but with limited capacity and resources to serve. Allocation of scarce resources is a constant pressure and our people have developed special skills to work with client personnel to be the most efficient in getting results. Our people are experts in working with systems that are not perfect, with information that may not be complete, and doing “what must be done” to get to the final result or product with a minimal amount of effort and time.

Our professionals are trained in special analytical techniques which allow us to digest significant data and focus in on problem areas quickly. Our more experienced staff concentrate on the problem areas and “go lightly” on areas under tight control. Our approach is practical, efficient and fair when problems are uncovered. When a problem is identified, it is immediately reported to the person in charge of that area to verify the facts and our understanding. Depending on the severity of the matter and the staff’s response to resolving the matter, the problem is reported to the next highest level of authority along with the affected staff person’s response to resolution. This approach is fair and allows staff personnel to correct problems on their own. This method also ensures that matters of significance will be reported to the highest level of authority in the Town to ensure that corrective action is taken.

## Audit Approach (continued)

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Our partners take full and complete responsibility for the quality of our work. They meet with the client to identify the nature and scope of each engagement; they participate heavily in the design of our approach to the work; they identify the requirements and assemble a balanced team to accomplish the work; they perform a quality review of all work performed; and they play a key role in presenting and communicating the results of our work.

MahoneySabol also recognizes the value of computer technology to improve the productivity of our team members and to provide exceptional client service. We provide our employees with notebook computers, portable scanners, and remote access to our centralized files, which allows us to work in a paperless environment. This remote access allows all staff members to instantly access engagement files from any location, which in turn enables us respond to your questions in an efficient and timely manner. Our professionals will be networked with each other at your site in order to share files. We make a significant investment in computer technology to remain one of the technology leaders in our industry.

The approach to our work is divided into three stages as follows:

Stage I	Risk Assessment and Design
Stage II	Execution of Attest Procedures
Stage III	Communication and Reporting

## Audit Approach (continued)

### Stage I – Risk Assessment and Design

The initial stage of our work centers on assessing inherent risk, control risk, detection risk, and overall audit risk for the Town and the design of our audit, technology and documentation approach to be responsive to the risks identified.

The following summarizes the major tasks involved in this process:

1. Meetings with Town personnel are held to determine the source of information requirements, overall description of processes, understanding of the control environment, information flow and processing and conduct protocols unique to the Town.
2. A review of systems, procedures and internal control is performed, in order to obtain an understanding of the Town's operations. This review includes a review of prior auditor audit documentation, policy and programmatic reviews conducted by external funding sources, prior published financial and other reports issued by Town, regulations, charts of accounts, budgets, accounting manuals, flow charts, job descriptions, agreements, contracts, special laws, meeting minutes, regulatory agency audit findings and other materials, as applicable.
3. Our approach to documenting our understanding of internal control and assessing control risk is as follows:
  - Meetings and interviews with key Town personnel are held to obtain an understanding of internal control and the systems and procedures in operation.
  - We will obtain and review the Town's accounting policies and procedures manual and any other documentation deemed necessary.
  - We document our understanding with narratives, flow charts, and other electronic documentation tools as necessary.
  - We utilize internal control checklists as a way of identifying internal control best practices that may be beneficial to the Town.
  - In order to verify that our understanding is correct and that controls would be effective, walk-throughs of accounting transactions through each system are performed.
  - We then prepare a matrix that extracts and summarizes the key controls from our understanding narrative or flowchart. A determination is then made as to which financial statement assertion each key control covers.
  - Based on the results of our understanding and the results of walk-throughs, a preliminary assessment of control risk is made and a determination of which controls will be tested is made. This process is conducted by the engagement partner and manager.

## Audit Approach (continued)

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### Stage I – Risk Assessment and Design (continued)

- Tests of controls are performed and the results are analyzed to determine if our preliminary assessment was correct and whether or not controls that were tested can be relied upon to reduce substantive procedures.
  - We coordinate our control testing with any fraud testing that may be performed in response to identified fraud risk factors.
  - We may also utilize an information technology specialist to perform an assessment of information technology controls and to define the extent and manner in which data extraction software may be used during the engagement.
  - The results of our control risk assessment are carried forward to a master matrix that summarizes control risk, inherent risk, and detection risk.
4. In addition to control risk, risk assessments are made relating to inherent risk, detection risk, and overall audit risk and a matrix of risk exposure is developed. This matrix and the resulting risks contained therein is the driver of the substantive procedures that we perform.
  5. A materiality assessment is prepared in order to narrow the risks necessary to be addressed in our substantive testing procedures.
  6. Preliminary analytical procedures are performed using interim financial information primarily to confirm our initial assessment of material risk and to determine if the audit plan should be expanded for any unique or unusual risks not identified to date.
  7. Based upon the information obtained thus far, including our understanding of internal control, information technology systems, policies and procedures, our risk assessments and matters identified in our preliminary analytical review, we begin our fraud risk assessment process. This process is aimed at identifying those areas where there is a risk of material misstatement due to fraud. The result of this process is a detailed audit plan specifically tailored to be responsive to the fraud risks identified.
  8. It is at this point that the design of the detailed audit plan is developed, including a determination of the extent that electronic profiling and sample selection will be used and the mix of automated and hard-copy documentation to be used. Further, the source of all disclosures and data to be included in the financial statements is identified and checked for inclusion in the audit sampling methodology.
  9. After the implementation plan has been developed, the tasks are assigned to team members, an estimated time for completion of each step is determined and an experience level required to perform the task is identified. Final staffing requirements are determined, and engagement timing is discussed with Town personnel and finalized.
  10. The final step during this stage of the engagement is the development of a thorough list of information we will need from the Town to perform our audit.

## Audit Approach (continued)

### Stage II – Execution of Attest Procedures

We will schedule our fieldwork in accordance with your needs. At the beginning of our fieldwork, you will be responsible for providing us with the required accounting records, schedules, reconciliations and account analyses previously identified in our planning phase. In most cases, these documents consist of information you already prepare for internal purposes. We always strive to eliminate unnecessary duplication of effort between our staff and yours.

During this stage, our audit plan is executed. The following summarizes the major tasks in this process:

1. Data profiling and selection of samples in accordance with the plan is the first step in this process. It is through this stage that positive confirmations are mailed and transactions and balances are selected for verification through examination of supporting documents, direct observation and other procedures. Substantive procedures are applied to selected transactions and balances for all significant areas of the Town.
2. A comparative analysis and ratio analysis of final balances are performed to ensure that all variations and unusual items are within predicted or expected ranges, and if not, are investigated and explained. The comparative analysis draws on both historical and expected data.
3. Other data and procedures such as updating our review of litigation, minutes of various meetings, reports issued by the Town, findings of any regulatory agencies about the Town and representations from key management personnel will be reviewed for any changes or unusual items.
4. As our fieldwork progresses, modifications are made to our planned procedures based on the results of testing performed and any other factors, including fraud risk factors, that come to our attention which indicate a risk of material misstatement.
5. A meeting with the Town's Finance Director will be held periodically to review the audit status and any issues encountered.
6. The findings, observations, and results of our work will be summarized and reviewed. At this time we will both agree on all adjusting journal entries and you will receive a "draft" of the financial statements. Also at this time we will discuss any recommendations that have come to our attention that would assist management in the Town's operations (both financial and managerial).

## Audit Approach (continued)

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### Stage III – Communication and Reporting

We believe that communication throughout the audit process is most important for a successful engagement and propose the following at a minimum:

1. Entrance conference with the Town's Finance Director and key management personnel to introduce the audit team, explain our approach, identify key personnel and information sources, establish protocols for the conduct of the engagement, and determine dates for key milestones.
2. A second meeting will be held with the Town's Finance Director and key management personnel at the conclusion of Stage I – Risk Assessment and Design. We will present the results of our risk assessments and the approach we will follow in response to our assessment of risks and review our overall audit plan.
3. A final meeting will be held with the Town's Finance Director to clear the final report and the management letter. Final modifications will be identified and changes made.
4. We propose meeting with the Board of Finance and/or the Legislative Council at least two times during the engagement as follows:
  - a. The first meeting should be prior to the commencement to Stage I – Risk Assessment and Design. We will discuss the scope of the audit, audit planning, including the proposed staffing, and timing of our work, as well as discuss any matters of concern to the Board of Finance and Legislative Council.
  - b. The next meeting should be scheduled at the conclusion of our engagement when we will present the findings from our work including our audit report, our management letter and a suggested service agenda for the coming year. In addition, we will make the required auditor communications as required by our professional standards.
5. An evaluation meeting will be held with the finance staff who were involved with the audit process.
6. We are available to meet with the management or members of the Board of Finance and Legislative Council at any time upon request. Telephone, fax, and e-mail inquiries are responded to immediately or in no case longer than ½ day.



## Audit Approach (continued)

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### Special Considerations – Transition to Mahoney Sabol & Company, LLP

During the first year of the audit engagement, a significant amount of time is invested in obtaining an understanding of the Town and its systems, procedures and internal control environment. In addition, a significant amount of time is incurred in performing risk assessments relating to control, inherent and audit risk and the development of the detailed audit plan. These activities are more fully described in Stage I Risk Assessment and Design. In subsequent years, the primary procedures performed in Stage I relate to the updating of our understanding of the Town's systems, procedures and internal control and the reassessment of control, inherent and audit risk. The results of these procedures, coupled with our experience from the prior year audit, allow us to refine and improve our audit process for the current audit period.

We recognize that transitioning to a new accounting firm may create a feeling of uncertainty and fear amongst management of the Town. We pride ourselves on our ability to minimize any internal apprehension or distraction to the Town. Specifically, we incorporate the following features into our first time through procedures:

- We perform our planning procedures as early as possible and commit a substantial number of additional hours in recognizing that the first year of our audit will take longer than subsequent years. This will provide management of the Town a greater period of time to accommodate our information and meeting requests and will provide our professionals with adequate time to execute the first time through procedures.
- Only senior level professionals will be involved in our first time through procedures. We do not expect you to train our staff and therefore, you will rarely deal directly with any of our junior level associates during the transition or any other period. By working with experienced professionals, issues are identified promptly and questions can be answered immediately.
- We perform a thorough review of the prior auditor's audit documentation and incorporate any unusual or other matters into our audit approach as necessary.

We believe that communication throughout the transition period is most important for a successful transition and therefore, we will work with management of the Town to define the extent and manner of status reports during the transition period.

## Audit Approach (continued)

Town of Newtown, Connecticut

### Summary Approach Timetable

Stage I	Partner	Manager	Senior/ Staff	May/ June	Sept/ Oct	Nov
Entrance Conference	2	2	-			
Document Understanding	2	4	16			
Systems Review	4	12	34			
Assess Risk	3	6	12			
Audit Plan	6	12	16			
Stage II	Partner	Manager	Senior/ Staff	May/ June	Sept/ Oct	Nov
Substantive Testing	26	54	240			
Compliance Testing	12	24	54			
Stage III	Partner	Manager	Senior/ Staff	May/ June	Sept/ Oct t	Nov
Concluding Procedures	2	6	16			
Financial Statements & Report	6	18	32			
Exit Conference	2	2	-			
TOTAL	65	140	420			

## Audit Approach (continued)

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### Sample Size and Statistical Sampling

Our audit testing will utilize a substantive test approach in those audit areas where this approach is generally more efficient and cost effective. Our approach typically will identify individually significant items; it will draw on our municipal auditing experience and it will use analytical procedures to efficiently identify elements comprising the basis for our audit judgments. There are certain areas, however, in which we generally find that audit sampling is the preferable method which most often includes:

- Testing of transactions such as:
  - Assessment, tax billings, collections
  - Non-payroll expenditures
  - Payroll expenditures
  - Journal Entries / cost allocations
- Testing of internal controls
- Testing of compliance with laws and regulations

Sample size is a function of the population, an estimate of tolerable misstatement and the assignment of a risk factor based on the risk of material misstatement.

### EDP Software

Our audit documentation approach is designed to be most efficient, productive and have the least disruptive impact on our clients.

We use an audit documentation package which allows us to transfer client trial balances electronically to our files where we can post audit adjustments efficiently and facilitate our analytical procedures. We use Excel workpapers to easily take advantage of digital interfacing with client records to minimize reentering data.

Other software tools include a data extraction package which allows us to sort data in any manner, compare data to benchmarking analysis and run audit routines for such items as duplicated transactions, "most likely error" routines and other audit assistance tools. We have digital random number tables, amortization tables and other tools which not only provide for an efficient, least disruptive audit, but also provide information that serves as a basis of positive and constructive input into your continuing operations.

### Analytical Procedures

We use analytical procedures throughout the audit process and as a special tool in our planning process. We compare actual data to budget, prior year, and to benchmarks from other similar entities in our planning process to effectively design a responsive audit approach. We focus on unexpected or large variations in comparative data to plan our procedures on a most productive basis.

Once our planning is done and our audit plan is executed, we again utilize analytical procedures compared to expected results to focus our efforts on most probable errors quickly.

## Audit Approach (continued)

### Approach to Laws and Regulations

Our approach to determining laws and regulations that will be subject to audit test work includes reviewing the Town Charter, minutes, ordinances, policies, regulations, prior audit and single audit reports and interviews with management.

Once identified, we develop a matrix of laws and regulations significant to the audit and utilize the federal and state compliance supplements to insure that we have considered the entire universe for testing.

### Approach to Drawing Audit Samples for Tests of Compliance

We use a haphazard approach to drawing audit samples based on the population within the specific requirements set forth in the laws and regulations of compliance testing. This approach is one of several permitted by our professional auditing standards.

### Approach to Identifying Anticipated Potential Audit Problems

Our approach to handling potential audit problems has been developed overtime through our extensive experiences auditing municipalities throughout the State of Connecticut. Our professionals are trained and experienced in identifying potential audit issues and proactively working with the Town to resolve those issues. In addition, our professionals know to immediately inform the engagement partner of any audit problems that are identified. This approach typically allows for an efficient and effective resolution of the problems. If the problem cannot be resolved through the ordinary course of performing the audit and working with management of the Town, we will request a formal meeting with the Board of Finance and Chairman of the Legislative Council to communicate the issues and to recommend appropriate remedies. We will not perform work that we consider to be outside the scope of the audit and look to additional bill the Town without the approval of the Board of Finance and the Legislative Council.

### Timing of Services

We are committed to completing our audit and delivering the required reports within the time frames established in the Request for Proposal, providing, the books and records are "audit ready", anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary as to the above matters, we will discuss it with you immediately and arrive at a new, mutually agreed upon estimate for completion. Firm dates for the commencement and completion of our work will be established with the Town once we are retained.

# Appendix A

## Peer Review Report



January 9, 2014

**System Review Report**

To the Partners of  
**Mahoney Sabol & Co., LLP**  
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of **Mahoney Sabol & Co., LLP** (the firm) applicable to non-SEC issuers in effect for the year ended June 30, 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 a 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](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of **Mahoney Sabol & Co., LLP** applicable to non-SEC issuers in effect for the year ended June 30, 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.

**Mahoney Sabol & Co., LLP** has received a peer review rating of pass.

*Marcum LLP*

Marcum LLP





## **Appendix B**

### **Proposer Guarantees and Proposer Warranties**

## Appendix B


### Proposer Guarantees and Proposer Warranties

#### Proposer Guarantees

The proposer certifies that it can and will provide and make available, at a minimum, all services set forth in Section IV, Nature of Services Required.

#### Proposer Warranties

1. Proposer warrants that it is willing and able to comply with the State of Connecticut laws with respect to foreign (non-state Connecticut) corporations.
2. Proposer warrants that it is willing and able to obtain errors and omissions insurance policy providing a prudent amount of coverage for the willful negligent acts, or omissions of any officers, employees or agents thereof (Minimum amount \$1,000,000)
3. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without express prior written permission of the Town of Newtown.
4. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: 

Name (typed): Michael J. VanDeventer, CPA

Title: Partner

Firm: Mahoney Sabol & Company, LLP

Date: February 28, 2017

# Appendix C

## Audit Services Fee Proposal

## Appendix C

### Audit Services Fee Proposal

#### NOT TO EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE

In accordance with the Request for Proposal for Audit Services issued by Town of Newtown, the firm referenced below hereby submits the following cost proposal:

	Year Ended June 30th:				
	2017	2018	2019	2020	2021
<b>Basic Reports to be Issued</b>					
- Town audit including CAFR and Report of Internal Controls	\$ 64,500	\$ 64,500	\$ 64,500	\$ 65,500	\$ 66,500
- Single Audit (State)	4,000	4,000	4,000	4,000	4,000
- Single Audit (Federal)	3,000	3,000	3,000	3,000	3,000
<b>Total</b>	<u>71,500</u>	<u>71,500</u>	<u>71,500</u>	<u>72,500</u>	<u>73,500</u>

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected authorized to sign a contract with the Town, for the services identified in the Request for Proposals.

Firm Name: Mahoney Sabol & Company, LLP

Signature of Official: 

Printed Name : Michael J. VanDeventer, CPA

Title: Partner

Date: February 28, 2017