

# BlumShapiro

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To the Board of Finance  
Town of Ridgefield, Connecticut

In planning and performing our audit of the financial statements of the Town of Ridgefield, Connecticut (the Town) as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

We noted the following matters involving the internal control over financial reporting and its operation that we offer as constructive suggestions for your consideration as part of the ongoing process of modifying and improving accounting controls and administrative practices.

## ACCOUNTING MATTERS

### Capital Projects Funds

The Town continues to account for both capital nonrecurring projects and bonded projects in one fund in their financial system. During the year end closing process, the activity is then divided into two funds, the Capital Nonrecurring Fund and the Bonded Project Fund based on an analysis of revenues and expenditures in each category. As this process is a manual process, it is subject to human error. As the expenditures for bonded projects are subject to legal restrictions, it is extremely important that the accounting be accurate.

**Recommendation** - We recommend that the Town formally set up two different funds for each project in their financial system to facilitate accounting for these projects separately. The analysis can then be used as support for the activity within the funds.

### Overpayments of Property Taxes

The Town has approximately \$200,000 of overpayments on property taxes recorded net of property taxes receivable. The Town should separately report these overpayments as a liability. According to State Statute Section 12-129, Refund of Excess Payments, taxpayers have three years from the date the tax was due to request a refund. The Town has no policy as to what happens to these overpayments after three years.

**Recommendation** - We recommend that the Town record overpayments in a separate liability account and review the outstanding overpayments for amounts over three years and develop a policy as to what happens to these overpayments after the allotted time has expired.

**Property Tax Allowance for Doubtful Accounts**

The property tax allowance for doubtful accounts was adjusted by a significant amount in the current year due to the analysis including only the current year grand list receivable, rather than an accumulation of all grand list years.

**Recommendation** - We recommend that the tax collector ensure that this analysis includes all years receivable balances. In addition, the Finance Director should review the analysis to ensure it is reasonable.

This letter should be read in conjunction with our 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 dated November 27, 2011.

This communication is intended solely for the information and use of management, the Board of Finance, the Board of Selectmen, others within the organization, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Blum, Shapiro & Company, P.C.*

November 27, 2011