

CITY OF NEW BRITAIN, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2011

CITY OF NEW BRITAIN, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2011

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, on Internal Control over Compliance in Accordance with the State Single Audit Act and on the Schedule of Expenditures of State Financial Assistance

To the Honorable Mayor and Member of the
Common Council of the City of New Britain
City of New Britain, Connecticut

Compliance

We have audited the City of New Britain, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City of New Britain, Connecticut's major state programs for the year ended June 30, 2011. The City of New Britain, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City of New Britain, Connecticut's management. Our responsibility is to express an opinion on the City of New Britain, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of New Britain, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of New Britain, Connecticut's compliance with those requirements.

In our opinion, the City of New Britain, Connecticut, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the City of New Britain, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the City of New Britain, Connecticut's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of New Britain, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Britain, Connecticut, as of and for the year ended June 30, 2011 and have issued our report thereon dated December 27, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of New Britain, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Mayor, members of the Common Council, the Board of Education, others within the entity and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 27, 2011

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Board of Education and Services for the Blind		
Education Aid Blind/Visually Impaired Children	11000-ESB65020-12060	\$ <u>76,734</u>
Office of the State Comptroller		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	3,180,263
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	<u>2,565,148</u>
Total Office of the State Comptroller		<u>5,745,411</u>
Department of Economic and Community Development		
Tax Abatement Program	11000-ECD46400-17008-038	32,200
Payment In Lieu of Taxes (PILOT)	11000-ECD46400-17012-039	<u>148,316</u>
Total Department of Economic and Community Development		<u>180,516</u>
Department of Education		
Sheff Settlement	11000-SDE64337-12457	6,395
School Readiness and Child Care in Priority School Districts	11000-SDE64370-17043	4,001,515
Family Resource Centers	11000-SDE64000-16110	194,000
Youth Services Bureau - Enhancement	11000-SDE84000-16201	7,550
Adult Education	11000-SDE64000-17030	1,091,280
Health Services	11000-SDE64000-17034	69,861
Bilingual Education	11000-SDE64000-17042	137,090
Priority School Districts	11000-SDE64370-17043	2,307,294
Extended School Hours Program Grant	11000-SDE64370-17043	204,730
Summer School Accountability Grant	11000-SDE64370-17043	229,087
Interdistrict Cooperative Grant	11000-SDE64000-17045	14,179

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**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
School Breakfast	11000-SDE64000-17046	\$ 72,940
Youth Services Bureau	11000-SDE64000-17052	72,873
Magnet Schools	11000-SDE64000-17057	77,596
After School Program	11000-SDE64000-17084	133,500
School Readiness Quality Enhancement	12060-SDE64000-90242	63,825
Healthy Foods Initiative	11000-SDE64370-16212	129,082
Child Nutrition State Match	11000-SDE64370-16211	<u>59,228</u>
Total Department of Education		<u>8,872,025</u>
Department of Environmental Protection		
Boating Account	12060-DEP44434-34907	<u>10,871</u>
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	5,117
ConnectiCard Payments	11000-CSL66051-17010	6,518
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>6,000</u>
Total Connecticut State Library		<u>17,635</u>
Office of Policy and Management		
Justice Assistance State Match Program	11000-OPM20350-12251	18,750
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	14,111
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	212,243
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	440,829
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	12,000

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**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Property Tax Relief for Veterans	11000-OPM20600-17024	\$ 28,489
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	1,182,061
Local Capital Improvement Program	12050-OPM20600-40254	1,128,910
Municipal Video Competition	12060-OPM20600-35362	<u>18,230</u>
Total Office of Policy and Management		<u>3,055,623</u>
Department of Public Health		
Tuberculosis Control and Prevention	11000-DPH48500-16112	3,495
Local and District Departments of Health	11000-DPH48500-17009	59,583
Sexually Transmitted Disease Control	11000-DPH48500-17013	<u>13,092</u>
Total Department of Public Health		<u>76,170</u>
Department of Public Safety		
Telecommunications Fund	12060-DPS32741-35190	27,866
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	135,550
Securing the Cities Program	12060-DPS32934-34906	<u>1,952</u>
Total Department of Public Safety		<u>165,368</u>
Department of Revenue Services, Division of Special Revenue		
Payments to Municipalities	34004-DSR18307-40001	<u>179,273</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	<u>463,251</u>

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**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation		
Town Aid Road Grants - Municipal	12052-DOT57000-43455	\$ 101,726
Town Aid Road - STO	13033-DOT57000-43459	279,746
Bus Operations	12001-DOT57931-12175	<u>62,826</u>
Total Department of Transportation		<u>444,298</u>
Department of Fire Prevention and Control		
Fire School Auxiliary Services	12060-FPC36531-35192	<u>10,500</u>
Board of State Academic Awards		
Board for State Academy Award	12060-BAA77142-35186	<u>1,077</u>
Department of Public Works		
Rents & Moving	11000-DPW27350-12179	<u>150,150</u>
Total State Financial Assistance Before Exempt Programs		<u>19,448,902</u>
Exempt Programs		
Office of the State Comptroller		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	<u>2,271,582</u>
Department of Education		
Public School Transportation	11000-SDE64000-17027	1,615,046
Educational Cost Sharing	11000-SDE64000-17041	63,608,555
Excess Costs Student Based and Equity	11000-SDE64000-17047	3,594,973
Nonpublic School Transportation	11000-SDE64000-17049	177,053
School Construction Grants	13009-SDE64000-40896	306,242

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**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE
 FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
School Construction Grants	13010-SDE64000-40901	\$ <u>4,068,073</u>
Total Department of Education		<u>73,369,942</u>
Total Exempt Programs		<u>75,641,524</u>
Total State Financial Assistance		\$ <u><u>95,090,426</u></u>

**CITY OF NEW BRITAIN, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

Various departments and agencies of the State of Connecticut have provided financial assistance to the City of New Britain, Connecticut, through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs including housing, education, human services, transportation and general government activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of New Britain, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting - The financial statements contained in the City of New Britain, Connecticut's annual audit report are prepared on the modified accrual basis of accounting. The following is a summary of such basis:

Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, if measurable.

The schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

NOTE 2 - LOAN PROGRAMS

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2011:

Department of Environmental Protection:

Clean Water Funds:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Ending</u>
11/30/01	2.43%	\$ 12,682,987	\$ 7,239,872	\$ -	\$ 634,149	\$ 6,605,723
01/31/04	2.00	2,317,896	1,458,344	-	115,894	1,342,450
10/01/04	2.77	24,000,000	16,000,000	-	1,200,000	14,800,000
05/30/05	2.00	2,695,516	1,875,629	-	134,776	1,740,853
01/31/08	2.00	1,173,344	972,898	-	58,667	914,231



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and Members of the
Common Council of the City of New Britain
City of New Britain, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Britain, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the City of New Britain, Connecticut's basic financial statements, and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of New Britain, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Britain, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of New Britain, Connecticut's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-01, that we consider to be significant

deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Britain, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of New Britain, Connecticut, in a separate letter dated December 27, 2011.

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

This report is intended solely for the information and use of management, the Mayor, members of the Common Council, the Board of Education, others within the entity and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 27, 2011

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported
- Noncompliance material to financial statements noted? yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes X no

- The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Office of the State Comptroller:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15190-17004	\$ 3,180,263
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15190-17006	2,565,148
Department of Education:		
School Readiness and Child Care in Priority School Districts	11000-SDE64370-17043	4,001,515
Priority School Districts	11000-SDE64370-17043	2,307,294

- Dollar threshold used to distinguish between type A and type B programs: \$388,978

II. FINANCIAL STATEMENT FINDINGS

Finding No. 2011-01 General Ledger Maintenance

Criteria	Management is responsible for establishing and maintaining internal controls to ensure the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).
Condition	<p>We noted year-end closing procedures that were not timely completed to record transactions in a manner consistent with GAAP. All accounting transactions of a significant nature were adjusted in the audited financial statements. The following listing includes the results of our analysis of various City accounts and funds:</p> <ul style="list-style-type: none">• Bank reconciliations were not completed in a timely manner, and adjustments were posted six months subsequent to year end on the City's financial statements.• Certain balance sheet accounts were consolidated inappropriately when converted to the City's new financial management system. Significant audit adjustments were required to reallocate and adjust these accounts.• The reconciliation between the City and Board of Education for the Education Grants fund was not completed timely and significant audit adjustments were required to balance this activity.• Significant audit adjustments in the Water Fund were required to correctly state assets and liabilities and record current year activity.• Activity for the long-term loan receivables and deferrals were not posted, and adjustments were required to correctly state the accounts at year end.
Context	The City's Water Fund, General Fund, State and Federal Grants Fund, Pension Funds and Internal Service Funds were misstated.
Effect	Significant adjustments were posted to present the financial statements in accordance with GAAP.
Cause	The implementation of the City's new financial management system coupled with the decrease of finance staff impeded the ability of the department to adequately and timely review the balance sheet accounts at year end.
Recommendation	We recommend that the Town develop written procedures to document duties performed and ensure financial statements are presented in accordance with GAAP.

**Management
Response and
Planned Corrective
Action**

Written procedures regarding reconciliations are being developed and implemented by City Management. This will ensure that future reconciliations are completed in a timely manner. In FY 2011, the implementation of the City's new general ledger and payroll financial management systems paired with decreased staff caused delays in completing reports in accordance with GAAP. Going forward this will not be an issue.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.