

CITY OF NEW BRITAIN, CONNECTICUT

FEDERAL AND STATE FINANCIAL
AND COMPLIANCE REPORTS
Fiscal Year Ended June 30, 2013

CITY OF NEW BRITAIN, CONNECTICUT

FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORTS

TABLE OF CONTENTS

**REPORT REQUIRED BY THE FEDERAL SINGLE AUDIT ACT AND
OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	1-2
Schedule of Expenditures of Federal Awards	3-6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-13
Summary of Prior Year's Audit Findings	14

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16
---	-------

REPORT REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT

Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act	17-18
Schedule of Expenditures of State Financial Assistance.....	19-21
Notes to Schedule of Expenditures on State Financial Assistance	22
Schedule of State Single Audit Compliance Findings and Questioned Costs.....	23-24
Summary of Prior Year Audit Findings	25



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the City of New Britain, Connecticut's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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'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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the City of New Britain, Connecticut's basic financial statements. We issued our report thereon dated January 29, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

McGladrey LLP

New Haven, Connecticut
January 29, 2014

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed through the State of Connecticut			
Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 1,486,678
National School Lunch Program	10.555	12060-SDE64370-20560	3,621,057
Total Child Nutrition Cluster			<u>5,107,735</u>
Child and Adult Care Food Program	10.558	12060-SDE64370-20518	12,657
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051	198,511
Total U.S. Department of Agriculture			<u>5,318,903</u>
U.S. Department of Education/ Direct Program			
Project Play	84.215F	N/A	<u>535,350</u>
Passed through the State of Connecticut			
Department of Education			
Title I, Part A Cluster:			
Title I - Part A, School Improvement- 1003(a) -2011	84.010A	12060-SDE64370-20679	120,001
Title I- Improving Basic Programs- 2012	84.010A	12060-SDE64370-20679	892,929
Title I - Part A, School Improvement- 1003(a) -2012	84.010A	12060-SDE64370-20679	390,000
Title I- Improving Basic Programs- 2013	84.010A	12060-SDE64370-20679	4,138,333
Total Title I Cluster			<u>5,541,263</u>
Special Education Cluster:			
IDEA - Part B, Section 611- 2012	84.027A	12060-SDE64370-20977	1,326,005
IDEA - Part B, Section 611- 2013	84.027A	12060-SDE64370-20977	2,602,504
Special Education - Preschool Grants- 2012	84.173A	12060-SDE64370-20983	20,177
Special Education - Preschool Grants- 2013	84.173A	12060-SDE64370-20983	82,776
Total Special Education Cluster			<u>4,031,462</u>
Carl D Perkins Career & Tech Educ Act-2011	84.048A	12060-SDE64370-20742	40,000
Carl D Perkins Career & Tech Educ Act-2012	84.048A	12060-SDE64370-20742	15,444
Carl D Perkins Career & Tech Educ Act-2013	84.048A	12060-SDE64370-20742	229,168
Total			<u>284,612</u>
Twenty-First Century Community Learning Centers- 12	84.287C	12060-SDE64370-20863	8,388
Twenty-First Century Community Learning Centers- 12	84.287C	12060-SDE64370-20863	1,792
Twenty-First Century Community Learning Centers- 13	84.287C	12060-SDE64370-20863	38,474
			<u>48,654</u>

(Continued)

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Identifying Number	Federal Expenditures
U.S. Department of Education/ Passed through the State of Connecticut Department of Education, Continued			
English Language Acquisition Grants	84.365A	12060-SDE64370-20868	168,886
English Language Acquisition Grants	84.365A	12060-SDE64370-20868	190,166
			<u>359,052</u>
Improving Teacher Quality State Grants-2012	84.367A	12060-SDE64370-20858	259,218
Improving Teacher Quality State Grants-2013	84.367A	12060-SDE64370-20858	585,522
Total			<u>844,740</u>
School Improvement Grants Cluster:			
School Improvement Grants	84.377A	12060-SDE64370-22223	677,316
Total U.S. Department of Education			<u>12,322,449</u>
U.S. Department of Health and Human Services/ Passed through the State of Connecticut Department of Public Health Immunization Cooperative Agreements			
Vaccines	93.268	Non-Cash	53,134
Immunization Grants	93.268	12060-DPH48664-20911	57,707
Total Immunization Cooperative Agreements			<u>110,841</u>
Preventive Health and Health Services Block Grant	93.991	12060-DPH48558-21530	13,754
Pregnancy Assistance Fund Program	93.500	12060-SDE64370-22439	272,835
Public Health Emergency Preparedness	93.069	12060-DPH48557-22333	56,954
Total U.S. Department of Health and Human Services			<u>454,384</u>
U.S. Department of Homeland Security/ Direct Program			
Assistance to Firefighters Grant	97.044	N/A	6,927
Passed through the State of Connecticut Department of Public Safety			
FEMA Public Assistance	97.036	12060-DPS32985-21891	536,985
Emergency Management Performance Grants	97.042	12060-DPS32960-21881	70,517
			<u>607,502</u>
Total U.S. Department of Homeland Security			<u>614,429</u>

(Continued)

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Direct Programs			
CDBG-Entitlement Grants Cluster:			
Community Development Block Grant/Entitlement	14.218	N/A	2,181,438
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) - (Recovery Act Funded)	14.253	N/A	7,536
Total CDBG-Entitlement Grants Cluster			<u>2,188,974</u>
Emergency Shelter Grants Program	14.231	N/A	<u>87,002</u>
Home Investment Partnership Program	14.239	N/A	<u>521,883</u>
Passed through the State of Connecticut Department of Economic and Community Development			
Neighborhood Stabilization Program	14.228	12060-ECD46400-22324	29,854
Neighborhood Stabilization Program-ARRA	14.256	12060-ECD46350-22466	964
			<u>30,818</u>
Total U.S. Department of Housing and Urban Development			<u>2,828,677</u>
U.S. Department of Justice/ Passed through State of Connecticut Office of Policy and Management			
Edward Byrne Memorial Justice Assistance Grant	16.738	12060-OPM20350-21921	57,714
ARRA- Justice Assistance Grant	16.803	12060-OPM20350-29002	18,750
Total U.S. Department of Justice			<u>76,464</u>
U.S. Department of Transportation/ Passed through the State of Connecticut Department of Transportation			
Highway Planning and Construction Cluster:			
Highway Planning and Construction Cluster	20.205	N/A	<u>379,841</u>
Total Highway Planning and Construction Cluster			<u>379,841</u>

(Continued)

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Identifying Number	Federal Expenditures
U.S. Department of Transportation/ Passed through the State of Connecticut Department of Transportation			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	12062-DOT57343-20559	5,427
Alcohol Open Container Requirements	20.607	12062-DOT57313-22091	120,888
Occupant Protection	20.602	12062-DOT57513-22087	5,913
Total Highway Safety Cluster			<u>132,228</u>
Total U.S. Department of Transportation			<u>512,069</u>
Total Federal Awards Expended			<u>\$ 22,127,375</u>

See Note to Schedule.

N/A - Not Available

CITY OF NEW BRITAIN, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of New Britain, Connecticut (the "City") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Principles

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of New Britain, Connecticut and is presented on the modified accrual basis of accounting for grants which are accounted for in the governmental funds and on the accrual basis of accounting for grants which are accounted for in the proprietary fund types. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Noncash Awards

Donated commodities in the amount of \$330,475 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

Note 4. Immunization Grants – Non-Cash Benefits

The City also reports noncash awards under the Immunization Grants, CFDA #93.268. The amount of \$110,841 included in the schedule of federal awards includes \$52,638 of noncash benefit payments made directly to suppliers by the State of Connecticut and are included in the schedule of federal awards, as reported by the State Department of Public Health for eligible participants of the program.

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
84.010	Title I Cluster
84.048	Career and Tech Education
84.365	English Language
93.268	Immunization Cooperative Agreements
97.036	FEMA Public Assistance

Dollar threshold used to distinguish between
type A and type B programs \$663,821

Auditee qualified as low-risk auditee? _____ Yes X No

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS

A. Deficiencies in Internal Control

Significant Deficiencies in Internal Control

SDIC13-01. Year-end Closing Procedures

Criteria:

Management is responsible for establishing and maintaining internal controls so that the financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition:

During the performance of our audit procedures it became apparent that year-end account reconciliations and general ledger closing process were not completed in a timely manner to enable preparation of financial statements in accordance with GAAP. The following listing includes the results of our analysis of various City and Board of Education accounts and funds:

- The reconciliation between the City and Board of Education for the Education Grants fund was not completed timely and 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 certain receivables and deferrals were not posted, and adjustments were required to correctly state the accounts at year end.
- Analysis regarding the collectability of certain receivables was completed timely and audit adjustments were required to adjust the allowance for doubtful accounts.
- Cutoff procedures currently in place did not ensure expenditures were posted to the proper period.
- Year-end closing procedures should be formalized with assigned responsibilities that incorporate a review of final trial balances to ensure they are reported with GAAP. The engagement team noted the client's opening fund balances did not tie to the PY audited financial statements and the client did not make several audit entries.

Context:

Systemic

Effect:

Management may make decisions based on inaccurate financial information. Financial statements may be materially misstated.

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

Cause:

Policies did not exist for the department to adequately and timely review the balance sheet accounts at year end.

Recommendation:

We recommend that the City and Board of Education develop written procedures to document duties performed and ascertain that financial statements are presented in accordance with GAAP.

Management Response and Planned Corrective Action Plan:

Written procedures regarding reconciliations and closing procedures are being developed and implemented by City and Board of Education management. The City and Board of Education will perform reconciliations and closing procedures in a timely manner.

SDIC13-02. Accounting System

Criteria:

All funds should be maintained on the general ledger accounting software system.

Condition:

The Board of Education does not maintain its Adult Education Fund and Student Activity Funds on their accounting software system.

Context:

Systemic

Cause:

The City has not required all funds to be maintained on the general ledger accounting system.

Effect:

If all funds are not recorded on the accounting software system, the amounts can be misappropriated, clerically incorrect, missing and there can be errors in financial reporting.

Recommendation:

All funds should be maintained on the general ledger software system.

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

Management Response and Planned Corrective Action Plan:

The Board of Education is planning to add all funds to the accounting software system with the implementation of the new system in fiscal year 2014.

SDIC13-03. Capital Assets Maintenance

Criteria:

There should be review procedures in place for capital asset maintenance.

Condition:

During our audit, it was noted that certain controls governing capital asset maintenance do not exist. There were assets held by the Governmental Activities and Water fund that were not being depreciated.

Context:

Not applicable.

Effect:

Management may make decisions based on inaccurate financial information.

Cause:

Policies did not exist for the department to adequately and timely review the balance sheet accounts at year end.

Recommendation:

It is recommended that someone review and reconcile capital assets throughout the year in order to ensure that fixed assets are being properly depreciated consistent with City policy.

Management Response and Planned Corrective Action Plan:

Written procedures regarding reconciliations and closing procedures are being developed and implemented by City Management. The City will perform reconciliations and closing procedures in a timely manner.

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

SDIC13-04. Journal Entry Review

Criteria:

In order to maintain the proper internal controls, the City should have proper segregation of duties for all material financial activities.

Condition:

During our audit, it was noted that certain controls governing journal entry posting do not exist. There are journal entries made to the general ledger system that are not reviewed for appropriateness and accuracy.

Context:

Systemic in nature

Effect:

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause:

Controls should be established to ensure the proper segregation of duties within these departments.

Recommendation:

To improve segregation of duties and adequacy of internal controls, significant responsibilities must be segregated between two unrelated individuals. The City's policies should be reviewed to evaluate whether the responsibilities can be restructured to provide improved controls with the existing staffing. In addition, a more timely review process should be instituted to ensure accurate monthly reporting.

Management Response and Planned Corrective Action Plan:

Management intends to take appropriate action in an attempt to remedy this deficiency in the future.

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013

III. FEDERAL AWARD FINDINGS AND QUESTIONSED COSTS

A. Internal Control Over Compliance

None reported.

B. Compliance Findings

None reported.

**CITY OF NEW BRITAIN, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013**

- | | |
|------------------------|---|
| Finding IC12-01 | Corrected in the current year; not repeated. |
| Finding IC12-02 | Repeated in current year. See significant deficiency SDIC13-01 Year-end Closing Procedures. |
| Finding IC12-03 | Repeated in current year. See significant deficiency SDIC13-02 Accounting System. |



**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**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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, 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 (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost that we consider to be significant deficiencies as items SDIC13-01, SDIC13-02, SDIC13-03 and SDIC13-04.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City of New Britain, Connecticut's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. The City of New Britain, Connecticut's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP".

New Haven, Connecticut
January 29, 2014



REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the City of New Britain, Connecticut's (the "City") 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's major state programs for the year ended June 30, 2013. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

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, 2013, and the related notes to the financial statements, which collectively comprise the City of New Britain, Connecticut's basic financial statements. We issued our report thereon dated January 29, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



New Haven, Connecticut
January 29, 2014

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
BOARD OF EDUCATION AND SERVICES FOR THE BLIND		
Education Aid Blind/Visually Impaired Children	11000-ESB65020-12060	\$ 66,220
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		
Tax Abatement Program	11000-ECD46400-17008-038	32,945
New Britain Arts Alliance	11000-ECD46820-12413	71,956
Payment in Lieu of Taxes (PILOT)	11000-ECD46400-17012-039	127,827
Total Department of Economic and Community Development		232,728
DEPARTMENT OF EDUCATION		
School Readiness and Child Care in Priority School Districts	11000-SDE64370-17043-82056	4,210,810
Family Resource Centers	11000-SDE64000-16110	315,630
Youth Services Bureau - Enhancement	11000-SDE84000-16201	7,382
Adult Education	11000-SDE64000-17030	627,044
Health Services	11000-SDE64000-17034	70,343
Bilingual Education	11000-SDE64000-17042	138,458
Priority School Districts	11000-SDE64370-17043-82052	2,258,896
Extended School Hours Program Grant	11000-SDE64370-17043-82054	208,933
Summer School Accountability Grant	11000-SDE64370-17043-82055	242,512
School Readiness Quality Enhancement	11000-SDE64370-17097	53,271
Interdistrict Cooperative Grant	11000-SDE64000-17045	11,197
School Breakfast	11000-SDE64000-17046	72,124
Youth Services Bureau - Enhancement	11000-SDE64000-17052	72,840
Magnet Schools	11000-SDE64000-17057	2,000
After School Program	11000-SDE64000-17084	111,689
Parent Academy	11000-SDE64370-12545	79,167
Health Foods Initiative	11000-SDE64370-16212	128,888
Child Nutrition State Match	11000-SDE64370-16211	59,331
ECS- Alliance District Funding	11000-SDE64000-17041-82164	2,011,231
Total Department of Education		10,681,746
CONNECTICUT STATE LIBRARY		
Grants to Public Libraries	11000-CSL66051-17003	1,298
ConnectiCard Payments	11000-CSL66051-17010	5,148
Historic Documents Preservation Grants	12060-CSL66094-35150	6,500
Total Connecticut State Library		12,946
OFFICE OF POLICY AND MANAGEMENT		
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	8,959
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	157,967
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	413,275

(Continued)

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
 For the Year Ended June 30, 2013

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
OFFICE OF POLICY AND MANAGEMENT, Continued		
Property Tax Relief for Elderly Homeowners-Freeze Program	11000-OPM20600-17021	6,000
Property Tax Relief for Veterans	11000-OPM20600-17024	24,265
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	3,067,040
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OPM20600-17006	2,321,622
Local Capital Improvement Program	12050-OPM20600-40254	1,442,900
Total Office of Policy and Management		<u>7,442,028</u>
DEPARTMENT OF PUBLIC HEALTH		
Tuberculosis Controls and Prevention	11000-DPH48500-16112	14,637
Lead Poisoning Prevention	11000-DPH48500-12126	52,280
Local and District Departments of Health	11000-DPH48500-17009	86,439
Sexually Transmitted Disease Control	11000-DPH48500-17013	13,157
School Based Health Center	11000-DPH48500-17019	268,906
Total Department of Public Health		<u>435,419</u>
DEPARTMENT OF PUBLIC SAFETY		
Telecommunications Fund	12060-DPS32741-35190	163,180
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	21,866
Total Department of Public Safety		<u>185,046</u>
DEPARTMENT OF REVENUE SERVICES, DIVISION OF SPECIAL REVENUE		
Payments to Municipalities	34004-DSR18307-40001	<u>224,764</u>
DEPARTMENT OF TRANSPORTATION		
Town Aid Road Grants	12001-DOT57000-17036	386,549
Bus Operations	12001-DOT57931-12175	36,650
Total Department of Transportation		<u>423,199</u>
DEPARTMENT OF PUBLIC WORKS		
Rents and Moving	11000-DPW27350-12179	<u>140,123</u>
DEPARTMENT OF ENERGY & ENVIRONMENTAL PROTECTION		
Clean Water Fund	21015-DEP43000-42318	<u>686,179</u>
Total State Financial Assistance Before Exempt Programs		<u>20,530,398</u>

(Continued)

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
 For the Year Ended June 30, 2013

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<u>EXEMPT PRGRAMS</u>		
OFFICE OF POLICY AND MANAGEMENT		
Municipal Revenue Sharing	12060-OPM20600-35458	2,729,000
Municipal Video Competition	12060-OPM20600-35362	31,585
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	2,288,372
Total Office of the State Comptroller		<u>5,048,957</u>
DEPARTMENT OF EDUCATION		
Public School Transportation	11000-SDE64000-17027	1,270,139
Educational Cost Sharing	11000-SDE64000-17041	72,457,614
Excess Costs Student Based and Equity	11000-SDE64000-17047	4,532,211
Nonpublic School Transportation	11000-SDE64000-17049	174,848
Total Department of Education		<u>78,434,812</u>
DEPARTMENT OF PUBLIC WORKS		
School Construction Grants	13009-DPW64000-40896	96,893
School Construction Grants	13010-DPW64000-40901	4,676,222
Total Department of Public Works		<u>4,773,115</u>
Total Exempt Programs		<u>88,256,884</u>
Total State Financial Assistance		<u>\$ 108,787,282</u>

See Notes to Schedule.

CITY OF NEW BRITAIN, CONNECTICUT

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the City of New Britain, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2013. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs including education, public works, social services, property tax relief and public safety.

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.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, 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, 2013:

Department of Environmental Protection:

Clean Water Funds:

Issue Date	Interest Rate	Original Amount	Beginning Balance	Issued	Retired	Balance Ending
11/30/01	2.43%	\$ 12,682,987	\$ 5,971,573	\$ -	\$ 634,149	\$ 5,337,424
01/31/04	2.00%	2,317,896	1,226,553	-	115,895	1,110,658
10/01/04	2.77%	24,000,000	13,600,000	-	1,100,000	12,500,000
05/30/05	2.00%	2,695,516	1,606,078	-	134,776	1,471,302
01/31/08	2.00%	1,173,344	914,231	-	58,667	855,564

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS
AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

I. SUMMARY OF INDEPENDENT AUDITOR'S AUDIT RESULTS

Financial Statements

Type of auditor's report issued: unmodified.

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 auditor's report issued on compliance for major programs: unmodified.

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 State Single Audit.

State Grantor and Program	State Core - CT Number	Expenditures
Office of Policy Management:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM15190-17004	\$ 3,067,040
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OPM15190-17006	2,321,622
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	157,967
Department of Public Safety:		
Telecommunications Fund	12060-DPS32741-35190	163,180
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	21,866
Department of Education:		
Priority School Districts	11000-SDE64370-17043-82052	2,258,896
ECS- Alliance District Funding	11000-SDE64000-17041-82164	2,011,231
Bilingual Education	11000-SDE64000-17042	138,458
Family Resource Centers	11000-SDE64000-16110	315,630
Summer School Accountability Grant	11000-SDE64370-17043-82055	242,512
Extended School Hours Program Grant	11000-SDE64370-17043-82054	208,933
Health Foods Initiative	11000-SDE64370-16212	128,888
• Dollar threshold used to distinguish between Type A and Type B Programs		<u>\$410,608</u>

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS
AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2013**

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated January 29, 2014, on internal control over financial reporting and compliance and other matters based on an audit of the basic financial statements performed in accordance with the standards applicable to financial audits contained in "Government Auditing Standards."
- Our report on compliance indicated no reportable instances of non-compliance.
- Our report on internal control over financial reporting disclosed four matters that we consider to be significant deficiencies.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

No matters were reported.

**CITY OF NEW BRITAIN, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013**

- | | |
|------------------------|---|
| Finding IC12-01 | Corrected in the current year; not repeated. |
| Finding IC12-02 | Repeated in current year. See significant deficiency SDIC13-01 Year-end Closing Procedures. |
| Finding IC12-03 | Repeated in current year. See significant deficiency SDIC13-02 Accounting System. |