

CITY OF NEW BRITAIN, CONNECTICUT
STATE SINGLE AUDIT REPORT

JUNE 30, 2014

CITY OF NEW BRITAIN, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2014

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Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

To the Members of the Common Council
City of New Britain, Connecticut

Report on Compliance for Each Major State Program

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, 2014. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of New Britain, Connecticut'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 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 on compliance for each major state program. However, our audit does not provide a legal determination of the City of New Britain, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the City of New Britain, Connecticut, 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, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of New Britain, Connecticut'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 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. A significant deficiency in internal control over compliance is a deficiency, or 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, 2014, 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 December 23, 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2014

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Economic and Community Development		
New Britain Arts Alliance	11000-ECD46000-12413	\$ <u>71,956</u>
Department of Housing		
Tax Abatement	11000-DOH46000-17008	<u>31,725</u>
Department of Education		
Magnet Schools	11000-SDE64370-17057	4,000
School Readiness and Child Care in Priority School Districts	11000-SDE64370-17043-82056	4,295,861
Family Resource Centers	11000-SDE64370-16110	313,500
Youth Services Bureau - Enhancement	11000-SDE64370-16201	7,455
Child Nutrition State Matching Grant	11000-SDE64370-16211	76,411
Health Foods Initiative	11000-SDE64370-16212	156,394
Adult Education	11000-SDE64370-17030	636,417
Health Services	11000-SDE64370-17034	73,600
Educational Cost Sharing - Alliance District Funding	11000-SDE64370-17041-82164	7,741,488
Educational Cost Sharing - Two Percent Education Cost Share Program	11000-SDE64370-17041-82002	1,478,586
Bilingual Education	11000-SDE64370-17042	137,117
Priority School Districts	11000-SDE64370-17043-82052	2,137,920
Extended School Hours Program Grant	11000-SDE64370-17043-82054	210,951
Summer School Accountability Grant	11000-SDE64370-17043-82055	245,072
School Breakfast	11000-SDE64370-17046	78,917
Youth Services Bureau	11000-SDE64370-17052	73,863
After School Program	11000-SDE64370-17084	188,252
Low Performing Schools Start Up	12052-SDE64370-35359	81,004

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**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
High Quality Schools Start Up	12052-SDE64370-35358	\$ 234,629
Commissioner's Network	11000-SDE64370-12547	1,074,132
Parent Academy	11000-SDE64370-12545	66,166
Regional Vocational - Tech School	11000-SDE64370-12519	16,528
Science Program for Ed Reform	11000-SDE64370-12543	<u>42,297</u>
Total Department of Education		<u>19,370,560</u>
Office of Early Childhood		
School Readiness Quality Enhancement	11000-OEC64000-17097	<u>53,271</u>
Department of Energy and Environmental Protection		
Clean Water Fund	CWF 650-PG	<u>226,935</u>
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	1,297
ConnectiCard Payments	11000-CSL66051-17010	5,430
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>7,713</u>
Total Connecticut State Library		<u>14,440</u>
Office of Policy and Management		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	2,904,607
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OPM20600-17006	2,095,011
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	9,338
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	168,399
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	400,535

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**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	\$ 4,000
Property Tax Relief for Veterans	11000-OPM20600-17024	28,340
Local Capital Improvement Program	12050-OPM20600-40254	400,504
Municipal Grants-In-Aid	12052-OPM20600-43587	<u>1,301,538</u>
Total Office of Policy and Management		<u>7,312,272</u>
Department of Public Health		
Children's Health Initiatives	11000-DPH48500-12126	34,611
Tuberculosis Control and Prevention	11000-DPH48500-16112	12,686
Local and District Departments of Health	11000-DPH48500-17009	111,910
Sexually Transmitted Disease Control	11000-DPH48500-17013	12,565
School-Based Health Clinics	11000-DPH48500-17019	<u>279,545</u>
Total Department of Public Health		<u>451,317</u>
Department of Emergency Services and Public Protection		
Telecommunications Fund	12060-DPS32740-35190	102,038
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	<u>87,521</u>
Total Department of Emergency Services and Public Protection		<u>189,559</u>
Department of Consumer Protection		
Payments to Municipalities - Off Track Betting	34004-DCP39930-40001	<u>188,601</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	<u>429,851</u>

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**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2014**

<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 - STO	13033-DOT57000-43459	\$ 772,658
Bus Operations	12001-DOT57000-12175	<u>48,866</u>
Total Department of Transportation		<u>821,524</u>
Board for State Academy		
Board for State Academy Award	12060-BAA77142-35186	<u>1,264</u>
Department of Public Works		
Rents & Moving	11000-DPW27350-12179	<u>138,600</u>
Total State Financial Assistance Before Exempt Programs		<u>29,301,875</u>
Exempt Programs		
Office of Policy and Management		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	2,282,315
Municipal Revenue Sharing	12060-OPM20600-35458	1,407,424
Municipal Video Competition	12060-OPM20600-35362	<u>10,394</u>
Total Office of Policy and Management		<u>3,700,133</u>
Department of Education		
Public School Transportation	11000-SDE64370-17027	1,319,739
Educational Cost Sharing	11000-SDE64370-17041-82010	72,431,943
Excess Costs Student Based and Equity	11000-SDE64370-17047	3,840,195
Nonpublic School Transportation	11000-SDE64370-17049	<u>199,192</u>
Total Department of Education		<u>77,791,069</u>

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**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Administrative Services		
School Construction Grants	13009-DAS27636-40896	\$ 30,615
School Construction Grants	13010-DAS27636-40901	<u>3,771,555</u>
Total Department of Administrative Services		<u>3,802,170</u>
Total Exempt Programs		<u>85,293,372</u>
Total State Financial Assistance		\$ <u><u>114,595,247</u></u>

The accompanying notes are an integral part of this schedule

**CITY OF NEW BRITAIN, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of state financial assistance (the Schedule) includes the state grant activity of the City of New Britain, Connecticut, under programs of the State of Connecticut for the year ended June 30, 2014. 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. Because the Schedule presents only a selected portion of the operations of the City of New Britain, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the City of New Britain, Connecticut.

NOTE 2 - 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 governmental organizations. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Expenditures reported on the Schedule are presented on the modified accrual basis of accounting. 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.

NOTE 3 - 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, 2014:

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	\$ 5,337,424	\$	\$ 634,179	\$ 4,703,275
01/31/04	2.00%	2,317,896	1,110,658		115,895	994,763
10/01/04	2.77%	24,000,000	12,500,000		1,300,000	11,200,000
05/30/05	2.00%	2,695,516	1,471,302		134,776	1,336,526
01/31/08	2.00%	1,173,344	855,564		58,667	796,897
05/31/13	2.00%	686,179	680,364		34,890	645,474



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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 Members of the Common Council
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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of New Britain, Connecticut's basic financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of New Britain, Connecticut'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 of New Britain, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of New Britain, Connecticut'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 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 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 costs as items 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Britain, Connecticut'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*.

The City of New Britain, Connecticut's Response to Findings

The City of New Britain, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of New Britain, Connecticut's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the City of New Britain, Connecticut'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 of New Britain, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2014

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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 auditors' 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 audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education:		
School Readiness and Child Care in Priority School Districts	11000-SDE64370-17043-82056	\$ 4,295,861
Educational Cost Sharing - Alliance District Funding	11000-SDE64370-17041-82164	7,741,488
Educational Cost Sharing - Two Percent Education Cost Share Program	11000-SDE64370-17041-82002	1,478,586
Commissioner's Network	11000-SDE64370-12547	1,074,132
Department of Energy and Environmental Protection:		
Clean Water Fund	CWF 650-PG	226,935
Office of Policy and Management:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	2,904,607
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OPM20600-17006	2,095,011
Municipal Grants-In-Aid	12052-OPM20600-43587	1,301,538

Dollar threshold used to distinguish between type A and type B programs: \$586,038

II. FINANCIAL STATEMENT FINDINGS

Finding No.	Financial Reporting Requirements
2014-001	
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	Significant adjustments were necessary to record accounts receivable and deferred revenue within several funds. In addition, several expenditures were not posted in the proper period.
Context	Adjustments were noted in the General Fund, Water Enterprise Fund and Capital Projects Fund.
Effect	Client-prepared statements were not properly presented in accordance with GAAP.
Cause	Weakness in internal control procedures in place to ensure that transactions occurring subsequent to year end are reported in the proper period.
Recommendation	We recommend that all balance sheet items be reviewed at year end and adjustments properly recorded in the financial management system prior to the audit.
Management Response and Planned Corrective Action	Written procedures regarding reconciliations and closing procedures are being developed and implemented by City and Board of Education management. They City and Board of Education will perform reconciliations and closing procedures in a timely manner.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

IV. STATUS OF PRIOR YEAR FINDINGS

Prior Audit Findings Unresolved:

<u>Finding Number</u>	<u>Description</u>
SDIC13-01	Finding has not been resolved and has been updated. See finding 2014-001.

Prior Audit Findings Resolved:

<u>Finding Number</u>	<u>Description</u>
SDIC13-02	All funds for the BOE are maintained on a general ledger software system.
SDIC13-03	Capital assets for the Water Enterprise Fund were appropriately depreciated.
SDIC13-04	Journal Entries are being properly reviewed by the Finance Department.