

CITY OF NEW BRITAIN, CONNECTICUT

STATE SINGLE AUDIT REPORT
JUNE 30, 2019

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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, 2019. 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, 2019.

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 a 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, 2019, 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, 2019, 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, 2019

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Department of Education			
Technical High Schools OE	11000-SDE64337-12602		\$ 19,983
Commissioner's Network	11000-SDE64370-12547		901,101
Talent Development	11000-SDE64370-12552		25,000
School-Based Diversion Initiative	11000-SDE64370-12587		40,000
Family Resource Centers	11000-SDE64370-16110		300,000
Youth Service Bureau Enhancement	11000-SDE64370-16201		6,949
Child Nutrition State Match	11000-SDE64370-16211		72,881
Health Foods Initiative	11000-SDE64370-16212		137,215
Adult Education	11000-SDE64370-17030	\$ 44,122	\$ 44,122
Adult Education	11000-SDE64370-17030		<u>551,643</u>
			595,765
Health & Welfare - Private School Pupil	11000-SDE64370-17034		36,305
Alliance District	11000-SDE64370-17041-82164		13,831,312
Bilingual Education	11000-SDE64370-17042		165,315
Extended School Hours Program Grant	11000-SDE64370-17043-82054		194,675
Summer School Accountability Grant	11000-SDE64370-17043-82055		229,536
Priority School Districts	11000-SDE64370-17043-82052		1,623,168
Young Parents Program	11000-SDE64370-17044		13,277
Interdistrict Cooperation	11000-SDE64370-17045		70,000
School Breakfast Program	11000-SDE64370-17046		43,468
Youth Service Bureaus	11000-SDE64370-17052		60,235
After School Programs	11000-SDE64370-17084		337,620
Low Performing Schools SB1502	12052-SDE64370-43728		130,000
Troops to Teachers	12060-SDE64515-22905		<u>66,000</u>
Total Department of Education		<u>44,122</u>	<u>18,899,805</u>
Connecticut State Library			
Historic Document Preservation	12060-CSL66094-35150		<u>9,500</u>
Department of Administrative Services			
Alliance District General Improvements	12052-DAS27635-43651		<u>538,565</u>

The accompanying notes are an integral part of this schedule

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Department of Energy and Environmental Protection			
Connecticut Bikeway	12052-DEP44321-43314		\$ 30,234
Community Conservation & Development	13019-DEP43153-41239		1,979
Total Department of Energy and Environmental Protection			<u>32,213</u>
Department of Transportation			
Bus Operations	12001-DOT57931-12175		82,817
Town Aid Road Grants-Municipal	12052-DOT57131-43455		383,686
Town Aid Road-STO	13033-DOT57131-43459		383,686
Fix It First - Repair Bridges	13033-DOT57186-43123		431,388
Transit Oriented Development	17161-DOT57186-43550		1,593,412
Total Department of Transportation			<u>2,874,989</u>
Department of Public Health			
Local and District Departments of Health	11000-DPH48558-17009		76,329
Sexual Transmitted Disease Control	12004-DPH48665-17013		15,859
X-Ray Screen & Tuberculosis Care	12004-DPH48666-16112		8,269
Drinking Water Revenue Bonds	21018-DPH48770-42319		368,743
Connecticut Vaccine Program	12004-DPH48500-12563		3,830
Total Department of Public Health			<u>473,030</u>
Department of Emergency Services and Public Protection			
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142		44,783
Enhanced 911 Telecomm Fund	12060-DPS32741-35190		62,359
Total Department of Emergency Services and Public Protection			<u>107,142</u>
Economic and Community Development			
Brownfield Remediation and Development	12060-ECD46260-35533	\$ 724,000	1,246,187
New Britain Arts Council	12069-ECD46820-12413		39,380
Arts Commission	12069-ECD46820-16258		9,522
Urban Action Bonds	13019-ECD46210-41240		\$ 244,594
Urban Action Bonds	13019-ECD46260-41240		1,796,272
Total Economic and Community Development		<u>724,000</u>	<u>2,040,866</u>
			<u>3,335,955</u>
Office of Early Childhood			
Child Care Quality Enhancement	11000-OEC64845-16158		39,928

The accompanying notes are an integral part of this schedule

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Early Care and Education	11000-OEC64845-16274	\$ 3,568,427	\$ 5,192,326
Total Office of Early Childhood		<u>3,568,427</u>	<u>5,232,254</u>
Office of Policy and Management			
Payment in Lieu of Taxes - State Owned Property	11000-OPM20600-17004		2,996,392
Payment in Lieu of Taxes - Exempt Property	11000-OPM20600-17006		2,066,516
Reimbursement Property Tax - Disability Exemption	11000-OPM20600-17011		7,103
Property Tax Relief for Veterans	11000-OPM20600-17024		23,613
Local Capital Improvement	12050-OPM20600-40254		1,692,866
Municipal Grants-In-Aid	12052-OPM20600-43587		1,383,881
Grant in Lieu of Property Tax	12052-OPM20600-43740		266,372
Medicaid	11000-DSS60000-16020		<u>477,361</u>
Total Office of Policy and Management			<u>8,914,104</u>
Total State Financial Assistance Before Exempt Programs		<u>4,336,549</u>	<u>40,417,557</u>
Exempt Programs			
Department of Education			
Education Cost Sharing	11000-SDE64370-17041-82010		73,026,651
Two Percent Education Cost Share Program	11000-SDE64370-17041-82002		1,478,586
Excess Cost - Student Based	11000-SDE64370-17047	\$ 661,422	
Excess Cost - Student Based	11000-SDE64370-17047	<u>3,070,491</u>	
			<u>3,731,913</u>
Total Department of Education			<u>78,237,150</u>
Department of Administrative Services			
School Construction - Principal SDE	13010-DAS27635-40901		<u>10,723,861</u>
Office of Policy and Management			
Municipal Transition	11000-OPM20600-17103		1,809,120
Municipal Stabilization Grant	11000-OPM20600-17104		2,176,332
Grants To Towns	12009-OPM20600-17005		<u>1,980,822</u>
Total Office of Policy and Management			<u>5,966,274</u>
Total Exempt Programs			<u>94,927,285</u>
Total State Financial Assistance		<u>\$ 4,336,549</u>	<u>\$ 135,344,842</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, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures 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, 2019. 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.

Basis of Accounting

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 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, 2019:

Department of Energy and 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	\$ 2,165,577	- \$	\$ 634,149	\$ 1,532,528
01/31/04	2.00%	2,317,986	531,184	-	115,895	415,290
10/01/04	2.77%	24,000,000	6,400,000	-	1,200,000	5,200,000
05/30/05	2.00%	2,695,516	797,423	-	134,776	662,647
01/31/08	2.00%	1,173,344	543,578	-	63,329	480,249
05/31/13	2.00%	686,179	508,819	-	37,797	471,021
10/27/16	2.00%	3,022,188	2,694,785	-	151,109	2,543,675

**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, 2019, 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, 2019.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of finding and questioned costs as item 2019-001.

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 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, 2019

**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019**

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? X yes _____ 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? X yes _____ no

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

State Grantor and Program	State Core-CT Number	Expenditures
Department of Economic and Community Development:		
Brownfield Remediation and Development	12060-ECD46260-35533	\$ 1,246,187
Department of Transportation:		
Transit Oriented Development	17161-DOT57186-43550	1,593,412
Office of Policy and Management:		
Local Capital Improvement	12050-OPM20600-40254	1,692,866
Municipal Grants-In-Aid	12052-OPM20600-43587	1,383,881
Department of Education:		
Priority School Districts	11000-SDE64370-17043-82052	1,623,168
Alliance District	11000-SDE64370-17041-82164	13,831,312
Dollar threshold used to distinguish between type A and type B programs:		\$ 808,351

II. FINANCIAL STATEMENT FINDINGS

2019-001 General Fund Budgetary Controls

Criteria Special appropriations made during the fiscal year are required by the City Charter to be presented to the Mayor for submission to the Common Council for formal approval.

Condition	The City over-expended its total budget for the fiscal year ended June 30, 2019 without receiving proper approvals per the City Charter.
Context	The total City budget was over-expended by \$8,033,000.
Effect	No effect can be determined.
Cause	Due to a significant amount of unbudgeted revenue received during the fiscal year, the finance department chose to fund the actuarial determined contributions at the recommended levels and to fund the deficit within the medical self-insurance fund.
Recommendation	We recommend that internal controls are strengthened to review the budgeted transfers periodically and seek additional appropriations when necessary in accordance with City Charter.
Views of Responsible Officials	The City agrees with this finding.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.