

CITY OF WATERBURY, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT

JUNE 30, 2009

CITY OF WATERBURY, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT

JUNE 30, 2009

TABLE OF CONTENTS

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	1-3
Schedule of Expenditures of Federal Awards	4-8
Notes to Schedule	9
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10-11
Schedule of Findings and Questioned Costs	12-15

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

To the Honorable Mayor and
Board of Aldermen
City of Waterbury, Connecticut

Compliance

We have audited the compliance of the City of Waterbury, Connecticut, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Waterbury, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Waterbury, Connecticut's management. Our responsibility is to express an opinion on the City of Waterbury, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 of Waterbury, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Waterbury, Connecticut's compliance with those requirements.

In our opinion, the City of Waterbury, Connecticut, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Blum, Shapiro & Company, P.C.

WEST HARTFORD • SHELTON
Westport • Waterbury • New York

An Independent Member of Baker Tilly International

Internal Control over Compliance

The management of the City of Waterbury, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Waterbury, Connecticut's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Waterbury, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

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 Waterbury, Connecticut, as of and for the year ended June 30, 2009 and have issued our report thereon dated December 21, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterbury, Connecticut's 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. Except for the exclusion of the noncash portion of the Special Supplemental Nutrition Program for Women, Infant and Children program (CFDA #10.557) and the Immunization Vaccine program (CFDA #93.268) from the basic financial statements, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, the Board of Aldermen, the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 21, 2009

CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Agriculture			
<i>Passed Through the State of Connecticut</i>			
<i>Department of Administrative Services:</i>			
Food Donation	10.550		\$ 476,851
<i>Passed Through the State Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 824,328
National School Lunch Program	10.555	12060-SDE64370-20560	5,126,437
Summer Food Service Program for Children	10.559	12060-SDE64370-20508	<u>197,684</u>
			6,148,449
<i>Passed Through the State Department of Agriculture:</i>			
WIC Farmers' Market Nutrition Program	10.572	12060-DAG42710-20736	2,642
<i>Passed Through the State of Connecticut</i>			
<i>Department of Public Health:</i>			
Special Supplemental Nutrition Program for Women, Infants and Children Food Benefits	10.557	12060-DPH48872-20892	<u>5,891,910</u>
Total United States Department of Agriculture			<u>12,519,852</u>
United States Department of Commerce			
Economic Development Administration			
<i>Direct Programs:</i>			
<i>Public Works and Economic Development Cluster:</i>			
Economic Adjustment Assistance	11.307		<u>123,263</u>
United States Department of Education			
<i>Direct Programs:</i>			
Fund for the Improvement of Education - School Counseling	84.215E		405,044

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
Fund for the Improvement of Education - Small Learning Communities	84.215L		\$ 372,567
Early Reading First	84.359B		774,630
Literacy and School Libraries	84.364A		28,996
<i>Passed Through the State of Connecticut Department of Education:</i>			
Adult Education	84.002	12060-SDE64370-20784	90,000
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679	9,119,968
Special Education Cluster:			
Special Education - Grants to States	84.027	12060-SDE64370-20977	\$ 4,394,414
Special Education - Preschool Grants	84.173	12060-SDE64370-20983	<u>212,293</u>
			4,606,707
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742	467,410
Safe and Drug-Free Schools and Communities - State Grants	84.186	12060-SDE64370-20873	134,652
Education of Homeless Children and Youth	84.196	12060-SDE64370-20770	4,245
Twenty-First Century Community Learning Centers	84.287	12060-SDE64370-20863	354,989
State Grants for Innovative Programs	84.298	12060-SDE64370-20909	26,292
Education Technology State Grants	84.318	12060-SDE64370-20826	74,641
Reading First State Grants	84.357	12060-SDE64370-20854	492,059
English Language Acquisition Grants	84.365	12060-SDE64370-20868	303,669
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858	1,005,267
School Improvement	84.377	12060-SDE64370-22223	<u>59,330</u>
Total United States Department of Education			<u>18,320,466</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
Environmental Protection Agency			
<i>Passed Through the State of Connecticut Department of Public Health</i>			
Surveys, Studies Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	12060-DPH-48874-22232	\$ <u>13,086</u>
United States Department of Health and Human Services			
<i>Passed Through the Western Connecticut Area on Aging, Inc.</i>			
Aging Cluster:			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044		28,185
<i>Passed Through the State of Connecticut Department of Public Health:</i>			
Immunization Grants	93.268	12060-DPH48664-20911	120,003
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	12060-DPH48557-21096	75,250
HIV Care Formula Grants	93.917	12060-DPH48854-20985	331,423
HIV Prevention Activities - Health Department Based	93.940	12060-DPH48852-20920	286,425
Preventive Health and Health Services Block Grant	93.991	12060-DPH48571-21530	26,701
Case Management Services	93.994	12060-DPH48831-21531	127,207
<i>Passed Through the State of Connecticut Department of Social Services:</i>			
Social Services Block Grant	93.667	12060-DSS60803-20713	<u>57,305</u>
Total United States Department of Health and Human Services			<u>1,052,499</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Homeland Security			
<i>Passed Through the State of Connecticut Department of Emergency Management and Homeland Security:</i>			
Assistance to Firefighters Grant	97.044	11000-FPC36510-12442	\$ <u>96,800</u>
United States Department of Housing and Urban Development			
<i>Direct Programs:</i>			
Community Development Block Grant/Entitlement	14.218		2,767,428
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253		875
Emergency Shelter Grants Program	14.231		91,900
Home Investment Partnership Program	14.239		1,963,720
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		768,653
Economic Development Initiative - Special Project	14.251		124,329
Neighborhood Stabilization Program (Recovery Act Funded)	14.256		94,616
Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded)	14.257		<u>3,705</u>
Total United States Department of Housing and Urban Development			<u>5,815,226</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Justice			
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	16.607		\$ 878
Public Safety Partnership and Community Policing Grants COPS	16.710		285,517
Edward Byrne Memorial Justice Assistance Grant Program	16.738		56,637
<i>Passed Through the State of Connecticut Office of Policy and Management:</i>			
Edward Byrne Memorial Formula Grant Program	16.579	12060-OPM20350-21676	6,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-OPM20350-21921	<u>29,083</u>
Total United States Department of Justice			<u>378,115</u>
United States Department of Transportation			
<i>Passed Through the State of Connecticut Department of Transportation:</i>			
Highway Planning and Construction Cluster	20.205	12062-DOT57124-22108	8,211
Highway Safety Cluster:			
State and Community Highway Safety	20.600	12062-DOT57533-20559	\$ 97,400
Alcohol Traffic Safety and Drunk Driving	20.601	12062-DOT57343-22086	2,727
Occupant Protection	20.602	12062-DOT57533-22087	<u>9,990</u>
Total United States Department of Transportation			<u>110,117</u>
Total United States Department of Transportation			<u>118,328</u>
Election Assistance Commission			
<i>Passed Through the Connecticut Secretary of State</i>			
Help America Vote Act	90.401	12060-SOS12500-21465	<u>25,028</u>
Total Federal Awards Expended			\$ <u><u>38,462,663</u></u>

CITY OF WATERBURY, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

Various agencies of the Federal Government have made financial assistance available to the City of Waterbury, Connecticut. These grants fund several programs including housing, education, human services, transportation and general government activities.

Note 1 - **Summary of Significant Accounting Policies:**

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

Basis of Accounting - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Waterbury, Connecticut, and is presented on the modified accrual basis of accounting. 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*.

Note 2 - **Noncash Awards:**

Donated commodities in the amount of \$476,851 are included in the Department of Agriculture's Food Distribution Program, CFDA #10.550. The amount represents the market value of commodities received.

Note 3 - **WIC and Immunization Noncash Awards:**

The City also reports noncash awards under the Special Supplemental Nutrition Program for Women, Infants, and Children. The amount of \$5,891,910 included in the schedule of federal awards includes \$5,017,804 of noncash benefit payments made directly to suppliers by the State of Connecticut, as reported by the State Department of Public Health, for eligible participants of the program. In addition, the amount of \$120,003 included on the schedule of federal awards also includes \$65,897 of noncash benefit payments made for the Immunization program, as reported by the State Department of Public Health.



Accounting | Tax | Business Consulting

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

To the Honorable Mayor and
Board of Aldermen
City of Waterbury, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the City of Waterbury, Connecticut's basic financial statements, and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a

Blum, Shapiro & Company, P.C.

WEST HARTFORD • SHELTON
Westport • Waterbury • New York

An Independent Member of Baker Tilly International

remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Waterbury, Connecticut, in a separate letter dated December 21, 2009.

This report is intended solely for the information and use of the Honorable Mayor, the Board of Aldermen, the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 21, 2009

CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? 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 that are not considered to be material weaknesses? _____ yes X none reported

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

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster
84.048	Career and Technical Education - Basic Grants to States
84.367	Improving Teacher Quality State Grants
14.218	Community Development Block Grant/Entitlement
84.357	Reading First State Grants

Dollar threshold used to distinguish between type A and type B programs: \$1,153,742

Auditee qualified as low-risk auditee? X yes _____ no

II. Financial Statement Findings

- We issued reports, dated December 21, 2009, 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated the following two significant deficiencies related to the City's Compensated Absences and Aged Receivables. We do not consider the significant deficiencies to be material weaknesses.

2008-1

Significant Deficiency - Compensated Absences

Condition

City departments and the Board of Education, based on their interpretation of contract provisions, are independently responsible for the accounting and control of accrued used/unused absences and the calculation of payments to employees upon their retirement. This decentralized process limits the extent of controls over tracking and awarding accrued time and allows for varied interpretations of contract provisions. Departmental procedures for tracking accrued time are not consistent. Additionally, certain departments are unable to adequately provide the information used in the annual calculation of the City's accrued absences liability estimate for the comprehensive annual financial report.

Context

The risk of reporting an incorrect accrued obligation in amounts considered more than inconsequential exists and constitutes a significant deficiency in internal control over financial reporting.

Effect

The estimated accrued obligation for compensated absences recorded on the government-wide statement of net assets could be over/understated due to the deficiency in internal controls over the tracking of employee absences awarded and used.

Cause

Effective internal systems and processes are not in place to provide for the accumulation of data and reporting of compensated absences.

Recommendation

The HR/Payroll management system should be used to track time earned/used for all City employees and to provide the sole source reporting of accrued time. Controls associated with the recording, reporting and monitoring of balances would be significantly improved utilizing the HR/Payroll management system for this process. The process of calculating payments to retiring employees for unused absences, payable in accordance with contract provisions, should be centrally administered once all accrued absences are accounted for on the HR/Payroll management system.

Management Response The City has engaged the services of a certified LAWSON technology and implementation partner to assist the City the implementing the LAWSON absence management module and to perform a business process review of the benefits module. Key objectives of the project include centralizing and automating employee attendance recordkeeping and expanding the use of the HR suite to maintain employee and retiree benefits data. The implementation project began in November and is anticipated to be completed in May 2010 providing for a centralized accounting and reporting of the City's accrued compensated absences obligation at June 30, 2010.

2008-2 Significant Deficiency - Aged Receivables (Enterprise Funds)

Condition As of June 30, 2009, the Water Pollution Control Enterprise Fund delinquent receivables totaled \$12 million; an estimated amount of \$7.8 million, or 65%, of this amount has been reserved for doubtful accounts. The Water Enterprise Fund delinquent receivables totaled \$10 million; an estimated amount of \$6.5 million, or 65%, of this amount has been reserved for doubtful collections. In both enterprise funds, the majority of delinquent receivables are significantly aged. Establishing a more accurate estimate of the amounts deemed uncollectible is extremely difficult due to the aged receivable file reporting limitations, the number of significantly aged accounts and the failure to effectively analyze and identify uncollectible accounts for disposition, including the write-down of accounts deemed uncollectible.

Context The risk of reporting an unreasonable estimate of the allowance for doubtful collections in relation to the aged accounts receivable balance exists and constitutes a significant deficiency in internal control over financial reporting.

Effect The estimated allowance for doubtful collections that is applied against the gross aged receivable amount results in a net receivable reported in the Water and Water Pollution Control enterprise funds. The estimated allowance could be over/understated due to the deficiency in internal controls over the maintenance of the accounts in the aged receivable file.

Cause Effective internal systems and processes are not in place to provide for the current maintenance of the aged receivable file that provides for a process to formally recommend accounts deemed uncollectible for approval to remove the active aged receivable file.

Recommendation Accounts deemed uncollectible should be removed from the active receivable file in accordance with a documented collection policy. Internal procedures, and aged receivable reporting tools, should be improved and expanded to control the aged receivable file. Percentages and other factors used in the annual calculation of the estimated allowance for doubtful collections should be documented. Budgeting for an annual bad debt expense should be included in the budgetary and rate setting policies.

**Management
Response**

The City has established significant allowances for doubtful collections in both the Water and Water Pollution Control enterprise funds to reduce the risk of an overstatement in the net accrued receivable amounts at year end. The allowances are based on an assessment of the aged receivable trial balance report which summarizes delinquent account balances by duration of delinquency. The City anticipates moving forward with a project plan to examine the circumstances surrounding significant delinquent account balances and to submit a comprehensive listing of accounts warranting write-off for approval. Budgeting for bad debt expense and establishing an annual write-off process are procedures that will be developed after the current aged receivable file is fully evaluated and warranted write-offs have been approved and posted.

III. Federal Award Findings and Questioned Costs

- No findings or questioned costs are reported relating to federal awards.