

CITY OF WATERBURY, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2010

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STATE SINGLE AUDIT REPORT

JUNE 30, 2010

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

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

Compliance

We have audited the City of Waterbury, 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 Waterbury, Connecticut's major state programs for the year ended June 30, 2010. The City of Waterbury, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City of 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 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 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 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, 2010.

Internal Control over Compliance

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

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

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of and for the year ended June 30, 2010 and have issued our report thereon dated December 13, 2010. 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 state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, The Board of Aldermen, the Board of Education, management, the Office of Policy and Management, state 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 13, 2010

**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Board of Education and Services for the Blind		
Education Aid Blind/Visually Impaired Children	11000-ESB65020-12060	\$ <u>150,197</u>
Office of the State Comptroller		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	4,269,724
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	<u>7,409,672</u>
Total Office of the State Comptroller		<u>11,679,396</u>
Department of Economic and Community Development		
Tax Abatement Program	11000-ECD46400-17008-038	<u>213,858</u>
Department of Education		
Primary Mental Health	11000-SDE64000-12198	25,000
School Readiness and Child Care in Priority School Districts	11000-SDE64000-17043-82056	8,579,172
Healthy Food Certification	11000-SDE64000-16072-82010	230,709
Child Nutrition Program - (School Lunch State Match)	11000-SDE64000-16072-82051	106,028
Family Resource Centers	11000-SDE64000-16110	184,650
Adult Education	11000-SDE64000-17030-84002	3,543,649
Health Services	11000-SDE64000-17034	624,112

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Bilingual Education	11000-SDE64000-17042	\$ 193,527
Priority School Districts	11000-SDE64000-17043-82052	2,677,520
Adult Education - Cooperating	11000-SDE64000-17030-84004	52,962
Extended School Hours Program Grant	11000-SDE64000-17043-82054	332,426
Summer School Accountability Grant	11000-SDE64000-17043-82055	373,751
School Breakfast	11000-SDE64000-17046	99,656
Magnet Schools	11000-SDE64000-17057	8,453,930
After School Program	11000-SDE64000-17084	355,250
School Readiness Quality Enhancement	12060-SDE64000-90242	127,274
ECS - Accountability Priorities	11000-SDE64000-17041-82079	204,724
<i>Passed Through ACES:</i>		
School Readiness and Child Day Care Grant Program	11000-SDE64370-17043-82056	<u>5,315</u>
Total Department of Education		<u>26,169,655</u>
Department of Environmental Protection		
Open Space Agreements	12052-DEP43153-40519	37,517
Urban Act	13019-DEP43153-41239	410,802
Community Conservation and Development	13019-DEP43740-41239	304,470
Boating Account	12060-DEP44434-35403	<u>7,238</u>
Total Department of Environmental Protection		<u>760,027</u>

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	\$ 1,194
ConnectiCard Payments	11000-CSL66051-17010	2,093
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>15,000</u>
Total Connecticut State Library		<u>18,287</u>
Office of Policy and Management		
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	26,224
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	225,918
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	819,970
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	8,000
Property Tax Relief for Veterans	11000-OPM20600-17024	136,394
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	2,697,015
Local Capital Improvement Program	12050-OPM20600-40254	1,161,606
Municipal Video Competition	12060-OPM20600-35362	<u>91,057</u>
Total Office of Policy and Management		<u>5,166,184</u>

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Public Health		
Children's Health Initiatives	11000-DPH48500-12126	\$ 179,867
Lead Poisoning Prevention Program	11000-DPH48500-12227	50,833
"AIDS" Services	11000-DPH48852-12236	384,711
Local and District Departments of Health	11000-DPH48500-17009	92,361
Sexually Transmitted Disease Control	11000-DPH48500-17013	21,048
Childhood Lead Poisoning Prevention	11000-DPH48766-10020	2,888
Aids Services	11000-DPH48854-12236	98,999
Immunization	11000-DPH48664-10020	<u>7,573</u>
Total Department of Public Health		<u>838,280</u>
Department of Public Safety		
Telecommunications Fund	12060-DPS32740-35190	5,631
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	183,083
Enhanced 911 Telecomm Fund	12060-DPS32740-35190	<u>90,610</u>
Total Department of Public Safety		<u>279,324</u>
Department of Revenue Services, Division of Special Revenue		
Payments to Municipalities	34004-DSR18307-40001	199,066
Payments to Municipalities - Bingo Payments	34004-DRS18309-42350	<u>852</u>
Total Department of Revenue Services, Division of Special Revenue		<u>199,918</u>

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	\$ 1,305,763
Community Services	11000-DSS60782-16160	474
Community Services	11000-DSS60783-17083	1,919
Community Services	11000-DSS60798-16160	<u>829</u>
Total Department of Social Services		<u>1,308,985</u>
Department of Transportation		
Town Aid Road-STO	13033-DOT57131-43459	<u>149,365</u>
Department of Agriculture		
Agricultural Viability PA05228	12060-DAG42710-90456	<u>32,437</u>
Office of the State Treasurer		
Clean Water Fund	21016-OTT14230-42407	<u>329,100</u>
Total State Financial Assistance Before Exempt Programs		<u>47,295,013</u>

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Exempt Programs		
Office of the State Comptroller		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	\$ 3,001,234
Department of Education		
Public School Transportation	11000-SDE64000-17027	1,416,505
Educational Cost Sharing	11000-SDE64000-17041	97,143,312
Excess Costs Student Based and Equity	11000-SDE64000-17047	3,380,947
Nonpublic School Transportation	11000-SDE64000-17049	495,199
School Construction Grants	13010-SDE64000-40901	<u>26,025,493</u>
Total Department of Education		<u>128,461,456</u>
Total Exempt Programs		<u>131,462,690</u>
Total State Financial Assistance		\$ <u><u>178,757,703</u></u>

**CITY OF WATERBURY, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010**

Various departments and agencies of the State of Connecticut have provided financial assistance to the City of Waterbury, Connecticut, through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs including education, environmental protection, public safety, human services and transportation.

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

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

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

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

**CITY OF WATERBURY, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010 (dollars presented in thousands):

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>
CWF Note (201-P)	08/30/95	2.0 %	\$ 4,008	\$ 921	\$	\$ 178	\$ 743
CWF Note (201-D)	07/31/97	2.0	6,448	2,229		296	1,933
CWF Note (201-C1)	12/31/00	2.0	69,647	42,587		3,497	39,090
CWF Note (344-C)	10/30/02	2.0	11,547	7,855		543	7,312
CWF Note (351-C)	11/30/03	2.0	2,424	1,814		115	1,699
CWF Note (351-C1)	05/30/04	2.0	2,953	2,258		144	2,114
CWF Note (201-CD1)	06/30/04	2.0	1,138	823		67	756
CWF Note (351-CD1)	11/30/05	2.0	544	447		28	419
CWF Note (201-CD2)	06/29/07	2.0	226	195		16	179
			<u>\$ 98,975</u>	<u>\$ 59,129</u>	<u>\$ -</u>	<u>\$ 4,884</u>	<u>\$ 54,245</u>



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

To the Honorable Mayor and
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, 2010, which collectively comprise the City of Waterbury, Connecticut's basic financial statements, and have issued our report thereon dated December 13, 2010. 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.

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

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

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*.

This report is intended solely for the information and use of the Honorable Mayor, the Board of Aldermen, the Board of Education, management, the Office of Policy and Management, state 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 13, 2010

**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

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? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

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

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

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

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

State Grantor and Program	State Core-CT Number	Expenditures
Office of the State Comptroller:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	\$ 4,269,724
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	7,409,672
Department of Education:		
School Readiness and Child Care in Priority School Districts	11000-SDE64000-17043-82056	8,579,172
Adult Education	11000-SDE64000-17030-84002	3,543,649
Priority School Districts	11000-SDE64000-17043-82052	2,677,520
Magnet Schools	11000-SDE64000-17057	8,453,930
Office of Policy and Management:		
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	2,697,015
Local Capital Improvement Program	12050-OPM20600-40254	1,161,606
Department of Social Services:		
Medicaid	11000-DSS60000-16020	1,305,763

- Dollar threshold used to distinguish between type A and type B programs: \$ 945,900

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.