

CITY OF WATERBURY, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2011

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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, 2011. 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, 2011.

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, 2011 and have issued our report thereon dated December 23, 2011. 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 23, 2011

**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

<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>99,919</u>
Office of the State Comptroller		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	4,154,116
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	<u>6,925,975</u>
Total Office of the State Comptroller		<u>11,080,091</u>
Department of Economic and Community Development		
Tax Abatement Program	11000-ECD46400-17008-038	221,569
DECD - Brownfield Municipal Pilot Program	12052-ECD46000-43236	<u>600,000</u>
Total Department of Economic and Community Development		<u>821,569</u>
Department of Education		
Primary Mental Health	11000-SDE64000-12198	24,500
School Readiness and Child Care in Priority School Districts	11000-SDE64000-17043-82056	8,937,721
Family Resource Centers	11000-SDE64000-16110	194,000
Adult Education	11000-SDE64000-17030	2,391,075
Health Services	11000-SDE64000-17034	555,119
Bilingual Education	11000-SDE64000-17042	156,406
Priority School Districts	11000-SDE64000-17043-82052	2,641,464
Extended School Hours Program Grant	11000-SDE64000-17043-82054	335,751
Summer School Accountability Grant	11000-SDE64000-17043-82055	371,001
School Breakfast	11000-SDE64000-17046	107,128

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Magnet Schools	11000-SDE64000-17057	\$ 8,486,040
After School Program	11000-SDE64000-17084	317,714
School Readiness Quality Enhancement	12060-SDE64000-90242	120,910
Health Foods Initiative	11000-SDE64000-16212	226,876
Child Nutrition Program - (School Lunch State Match)	11000-SDE64000-16211	<u>104,099</u>
Total Department of Education		<u>24,969,804</u>
Department of Environmental Protection		
Clean Water Fund	21016-OTT14230-42407	352,829
Boat Grant	12060-DEP44434-34907	11,433
Protected Open Space Watershed Land Acquisition Grant Program	12052-DEP43153-var	<u>221,015</u>
Total Department of Environmental Protection		<u>585,277</u>
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	9,950
ConnectiCard Payments	11000-CSL66051-17010	1,946
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>9,000</u>
Total Connecticut State Library		<u>20,896</u>
Office of Policy and Management		
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	27,411
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	156,942
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	763,828

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

<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	137,111
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	2,076,795
Local Capital Improvement Program	12050-OPM20600-40254	405,423
Municipal Video Competition	12060-OPM20600-35362	<u>43,922</u>
Total Office of Policy and Management		<u>3,615,432</u>
Department of Public Health		
Children's Health Initiatives	11000-DPH48500-12126	164,326
Tuberculosis Control and Prevention	11000-DPH48500-16112	219
Local and District Departments of Health	11000-DPH48500-17009	86,359
Sexually Transmitted Disease Control	11000-DPH48500-17013	21,048
AIDS Prevention and Education Services	11000-DPH48852-12236	529,722
<i>Passed Through the Connecticut Association of Directors of Health:</i>		
Childhood Lead Poisoning Prevention and Control	11000-DPH48500-12227	<u>62,398</u>
Total Department of Public Health		<u>864,072</u>
Department of Public Safety		
Telecommunications Fund	12060-DPS32740-35190	329,643
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	<u>171,595</u>
Total Department of Public Safety		<u>501,238</u>

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Revenue Services, Division of Special Revenue		
Payments to Municipalities	34004-DSR18307-40001	\$ 190,204
Payments to Municipalities - Bingo Payments	34003-DSR18309-42350	<u>892</u>
Total Department of Revenue Services, Division of Special Revenue		<u>191,096</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	980,485
Community Services	11000-DSS60783-17083	<u>9,334</u>
Total Department of Social Services		<u>989,819</u>
Department of Transportation		
Town Aid Road - STO	13033-DOT57000-43459	279,875
Local Bridge Program	21010-DOT57191-42311	<u>76,307</u>
Total Department of Transportation		<u>356,182</u>
Department of Agriculture		
Agricultural Viability	12060-DAG42710-90456	<u>14,841</u>
Total State Financial Assistance Before Exempt Programs		<u>44,110,236</u>
Exempt Programs		
Office of the State Comptroller		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	<u>3,017,912</u>
Department of Education		
Public School Transportation	11000-SDE64000-17027	1,251,019
Educational Cost Sharing	11000-SDE64000-17041	97,313,033

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**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Excess Costs Student Based and Equity	11000-SDE64000-17047	\$ 2,849,122
Nonpublic School Transportation	11000-SDE64000-17049	393,275
School Construction Grants	13010-SDE64000-40901	<u>34,037,332</u>
Total Department of Education		<u>135,843,781</u>
Total Exempt Programs		<u>138,861,693</u>
Total State Financial Assistance		\$ <u>182,971,929</u>

**CITY OF WATERBURY, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

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.

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, 2011 (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	\$ 743	\$	\$ 179	\$ 564
CWF Note (201-D)	07/31/97	2.0	6,448	1,933		302	1,631
CWF Note (201-C1)	12/31/00	2.0	69,647	39,090		3,567	35,523
CWF Note (344-C)	10/30/02	2.0	11,547	7,312		553	6,759
CWF Note (351-C)	11/30/03	2.0	2,424	1,699		117	1,582
CWF Note (351-C1)	05/30/04	2.0	2,953	2,114		145	1,969
CWF Note (201-CD1)	06/30/04	2.0	1,138	756		69	687
CWF Note (351-CD1)	11/30/05	2.0	544	419		29	390
CWF Note (201-CD2)	06/29/07	2.0	226	179		16	163
			<u>\$ 98,935</u>	<u>\$ 54,245</u>	<u>\$ -</u>	<u>\$ 4,977</u>	<u>\$ 49,268</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, 2011, which collectively comprise the City of Waterbury, Connecticut's basic financial statements, and have issued our report thereon dated December 23, 2011. 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 23, 2011

**CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

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:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Office of the State Comptroller:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	\$ 4,154,116
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	6,925,975
Department of Education:		
Priority School Districts	11000-SDE64000-17043-82052	2,641,464
Magnet Schools	11000-SDE64000-17057	8,486,040
Office of Policy and Management:		
Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	2,076,795

- Dollar threshold used to distinguish between type A and type B programs: \$882,205

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.