

TOWN OF BERLIN, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2012

TOWN OF BERLIN, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2012

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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 Members of the Town Council
Town of Berlin, Connecticut

Compliance

We have audited the Town of Berlin, 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 Town of Berlin, Connecticut's major state programs for the year ended June 30, 2012. The Town of Berlin, 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 Town of Berlin, Connecticut's management. Our responsibility is to express an opinion on the Town of Berlin, 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 Town of Berlin, 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 Town of Berlin, Connecticut's compliance with those requirements.

In our opinion, the Town of Berlin, 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with the State Single Audit Act and that is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control over Compliance

Management of the Town of Berlin, 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 Town of Berlin, 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 Town of Berlin, 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 Town of Berlin, Connecticut, as of and for the year ended June 30, 2012 and have issued our report thereon dated November 14, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Berlin, Connecticut's 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 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 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 financial statements or to the 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 financial statements as a whole.

The Town of Berlin, Connecticut's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Berlin, Connecticut's response, and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the members of the Town Council, the Board of Education, others within the entity and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

November 14, 2012

**TOWN OF BERLIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Department of Economic and Community Development		
Small Town Economic Assistance Program (STEAP)	12052-ECD46350-42411	\$ 40,659
Small Town Economic Assistance Program (STEAP)	12052-ECD46350-42411	<u>41,188</u>
Total Department of Economic and Community Development		<u>81,847</u>
Department of Education		
Sheff Settlement	11000-SDE64370-12457	85,707
Youth Services Bureau - Enhancement	11000-SDE64000-16201	6,250
Child Nutrition State Matching Grant	11000-SDE64000-16211	9,568
Adult Education	11000-SDE64000-17030	15,957
Health Services	11000-SDE64000-17034	28,296
Youth Services Bureau	11000-SDE64000-17052	14,000
Open Choice	11000-SDE64000-17053	<u>190,671</u>
Total Department of Education		<u>350,449</u>
Department of Energy and Environmental Protection		
Protected Open Space Watershed Land Acquisition Grant Program	12060-DEP43152-35328	199,250
DEP Special Fund	12052-DEP43153-42816	14,392
Performance Partnership Grant	12060-DEP43540-21010	<u>10</u>
Total Department of Energy and Environmental Protection		<u>213,652</u>

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TOWN OF BERLIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	\$ 1,262
ConnectiCard Payments	11000-CSL66051-17010	3,792
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>3,500</u>
Total Connecticut State Library		<u>8,554</u>
Office of Policy and Management		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	25,505
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	2,516
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	130,325
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	3,903
Property Tax Relief for Veterans	11000-OPM20600-17024	14,610
Local Capital Improvement Program	12050-OPM20600-40254	68,784
Housing Zone Program	12060-OPM20600-90526	<u>20,000</u>
Total Office of Policy and Management		<u>265,643</u>
Department of Emergency Services and Public Protection		
Telecommunications Fund	12060-DPS32740-35190	538
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	<u>80</u>
Total Department of Emergency Services and Public Protection		<u>618</u>

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TOWN OF BERLIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Department of Social Services		
Community Conservation and Development	13019-DSS60783-41237	\$ 23,983
Department of Transportation		
Town Aid Road Grants Transportation Fund	12001-DOT57000-17036	167,967
Bus Operations	12001-DOT57000-12175	21,867
Transit District Grants and Loan Transportation Fund	13033-DOT57141-43115	10
Total Department of Transportation		189,844
Total State Financial Assistance Before Exempt Programs		1,134,590
Exempt Programs		
Office of Policy and Management		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	57,254
Municipal Revenue Sharing	12060-OPM20600-35458	462,566
Municipal Video Competition	12060-OPM20600-35362	764
Total Office of Policy and Management		520,584
Department of Education		
Public School Transportation	11000-SDE64000-17027	115,847
Educational Cost Sharing	11000-SDE64000-17041	6,143,835
Excess Costs Student Based and Equity	11000-SDE64000-17047	781,383
Nonpublic School Transportation	11000-SDE64000-17049	10,289
Total Department of Education		7,051,354

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TOWN OF BERLIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Public Works		
School Construction Grants	13010-DPW27000-40901	\$ 555,560
School Construction Grants	13010-DPW27610-40901	<u>61,889</u>
Total Department of Public Works		<u>617,449</u>
Total Exempt Programs		<u>8,189,387</u>
Total State Financial Assistance		\$ <u><u>9,323,977</u></u>

The accompanying notes are an integral part of this schedule

TOWN OF BERLIN, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of state financial assistance (the Schedule) includes the state grant activity of the Town of Berlin, Connecticut, under programs of the State of Connecticut for the year ended June 30, 2012. 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 Town of Berlin, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net assets or cash flows of the Town of Berlin, Connecticut.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Berlin, 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.



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

To the Members of the Town Council
Town of Berlin, 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 Town of Berlin, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town of Berlin, Connecticut's basic financial statements, and have issued our report thereon dated November 14, 2012. 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

Management of the Town of Berlin, Connecticut, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Berlin, 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 Town of Berlin, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Berlin, 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 Town of Berlin, 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 Town of Berlin, Connecticut, in a separate letter dated November 14, 2012.

This report is intended solely for the information and use of management, the members of the Town Council, the Board of Education, others within the entity and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

November 14, 2012

**TOWN OF BERLIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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? X yes _____ no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education:		
Open Choice	11000-SDE64000-17053	\$ 190,671
Department of Energy and Environmental Protection:		
Protected Open Space Watershed Land Acquisition Grant	12060-DEP43152-35328	199,250
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	68,784
Department of Transportation:		
Town Aid Road Grants Transportation Fund	12001-DOT57000-17036	167,967

- Dollar threshold used to distinguish between type A and type B programs: \$200,000

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

2012-1

Grantor	Department of Energy and Environmental Protection
Program	Protected Open Space Watershed Land Acquisition Grant
Core-CT Number	12060-DEP43152-35328
Criteria	The State of Connecticut Department of Energy and Environmental Protection requires that within six months after the recording of a permanent conservation easement in the land records, a permanent plaque or sign be erected identifying the project area and funding source (program), and that the project is a preserved open space accessible to the public for passive recreation.
Condition	The required sign or plaque has not been erected within six months of the recording of the conservation easement.
Questioned Costs	None reported.
Context	The required sign or plaque has not been erected within the six-month period.
Effect	No effect can be determined.
Cause	The Town of Berlin has been getting the specific required sign approved through Town rules and this has delayed installation of the sign.
Recommendation	The Town should erect the required sign as soon as the sign is delivered from the third-party vendor.
Management Response and Planned Corrective Action	A purchase order has been issued for the sign, the sign location has been marked in the field, and it is currently being fabricated. The sign is expected to be installed by November 30, 2012.