

TOWN OF BERLIN, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2010

TOWN OF BERLIN, CONNECTICUT

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 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 the Town of Berlin, Connecticut's major state program for the year ended June 30, 2010. The Town of Berlin, Connecticut's major state program is 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 its major state program 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 its major state program for the year ended June 30, 2010.

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, 2010 and have issued our report thereon dated December 1, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berlin, 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 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.

December 1, 2010

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

| State Grantor/Pass-Through Grantor/ Program Title | State Grant Program Core-CT Number | Expenditures |
|--|---|---------------------|
| State Comptroller | | |
| Payment in Lieu of Taxes (PILOT) on State-Owned Property | 11000-OSC15910-17004 | \$ <u>26,999</u> |
| Department of Education | | |
| Sheff Settlement | 11000-SDE84000-12457 | 24,200 |
| Child Nutrition Program - (School Lunch State Match) | 11000-SDE64000-16072-82051 | 10,697 |
| Youth Services Bureau - Enhancement | 11000-SDE84000-16201 | 5,550 |
| Adult Education | 11000-SDE64000-17030 | 14,018 |
| Health Services | 11000-SDE64000-17034 | 28,013 |
| Youth Services Bureau | 11000-SDE64000-17052 | 14,000 |
| Open Choice | 11000-SDE64000-17053 | 108,499 |
| Investing & Personal Finance Education | 12060-SDE64000-35351 | <u>13,000</u> |
| Total Department of Education | | <u>217,977</u> |
| Department of Environmental Protection | | |
| Boating Account | 12060-DEP44434-35403 | <u>12,941</u> |
| Connecticut State Library | | |
| Grants to Public Libraries | 11000-CSL66051-17003 | 2,113 |
| ConnectiCard Payments | 11000-CSL66051-17010 | 4,900 |
| Historic Documents Preservation Grants | 12060-CSL66094-35150 | <u>5,000</u> |
| Total Connecticut State Library | | <u>12,013</u> |

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

| State Grantor/Pass-Through Grantor/ Program Title | State Grant Program Core-CT Number | Expenditures |
|---|---|---------------------|
| Office of Policy and Management | | |
| Reimbursement of Property Taxes - Disability Exemption | 11000-OPM20600-17011 | \$ 2,201 |
| Property Tax Relief for Elderly and Totally Disabled Homeowners | 11000-OPM20600-17018 | 128,373 |
| Property Tax Relief for Elderly Homeowners - Freeze Program | 11000-OPM20600-17021 | 5,247 |
| Property Tax Relief for Veterans | 11000-OPM20600-17024 | 12,819 |
| Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles | 11000-OPM20600-17031 | 755,422 |
| Local Capital Improvement Program | 12050-OPM20600-40254 | 5,407 |
| Municipal Video Competition Trust | 12060-OPM20600-35362 | 2,013 |
| Total Office of Policy and Management | | <u>911,482</u> |
| Department of Public Safety | | |
| Telecommunications Fund | 12060-DPS32740-35190 | 1,358 |
| State Assets Forfeiture Revolving Fund | 12060-DPS32155-35142 | 282 |
| Total Department of Public Safety | | <u>1,640</u> |
| Department of Transportation | | |
| Town Aid Road Grants - Municipal | 12052-DOT57000-43455 | 44,618 |
| Town Aid Road - STO | 13033-DOT57000-43459 | 122,699 |
| Intrastate Highway Projects | 13033-DOT57141-41404 | 17 |
| Highway & Bridge Renewal-2004 | 12001-DOT57124-12293 | 10 |
| Bus Operations | 12001-DOT57342-12175 | 14,964 |
| Total Department of Transportation | | <u>182,308</u> |

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

| State Grantor/Pass-Through Grantor/ Program Title | State Grant Program Core-CT Number | Expenditures |
|--|---|----------------------------|
| Total State Financial Assistance Before Exempt Programs | | \$ <u>1,365,360</u> |
| Exempt Programs | | |
| State Comptroller | | |
| Mashantucket Pequot/Mohegan Fund | 12009-OSC15910-17005 | <u>52,551</u> |
| Department of Education | | |
| Public School Transportation | 11000-SDE64000-17027 | 119,293 |
| Educational Cost Sharing | 11000-SDE64000-17041 | 5,223,255 |
| Excess Costs Student Based and Equity | 11000-SDE64000-17047 | 661,965 |
| Nonpublic School Transportation | 11000-SDE64000-17049 | 10,190 |
| School Construction Grants | 13010-SDE64000-40901 | <u>356,829</u> |
| Total Department of Education | | <u>6,371,532</u> |
| Total Exempt Programs | | <u>6,424,083</u> |
| Total State Financial Assistance | | \$ <u><u>7,789,443</u></u> |

TOWN OF BERLIN, CONNECTICUT
NOTE 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 Town of Berlin, 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 public safety, education and general government activities.

NOTE - 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 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 Town of Berlin, 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.



Accounting | Tax | Business Consulting

**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, 2010, which collectively comprise the Town of Berlin, Connecticut's basic financial statements, and have issued our report thereon dated December 1, 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 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 December 1, 2010.

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.

December 1, 2010

**TOWN OF BERLIN, 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 | <u> X </u> | No |
| • Significant deficiency(ies) identified? | _____ yes | <u> X </u> | none reported |
| Noncompliance material to financial statements noted? | _____ yes | <u> X </u> | no |

State Financial Assistance

Internal control over major programs:

- | | | | |
|---|-----------|--------------|---------------|
| • Material weakness(es) identified? | _____ yes | <u> X </u> | no |
| • Significant deficiency(ies) identified? | _____ yes | <u> X </u> | 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 Policy and Management: | | |
| Property Tax Relief for Manufacturing Machinery and Equipment and Commercial Vehicles | 11000-OPM20600-17031 | \$ 755,422 |

- 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

No matters were reported.