

**CITY OF NEW HAVEN,
CONNECTICUT**

FEDERAL AND STATE
FINANCIAL AND COMPLIANCE REPORT
For the Year Ended June 30, 2011

CITY OF NEW HAVEN, CONNECTICUT

FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORT

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND 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 Members of
the Board of Aldermen
New Haven, Connecticut

Compliance: We have audited City of New Haven, Connecticut's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City of New Haven, Connecticut's major federal programs are identified in the summary of independent auditor's 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 New Haven, Connecticut's management. Our responsibility is to express an opinion on the City of New Haven, Connecticut's compliance based on our audit.

The City of New Haven, Connecticut's basic financial statements include the operations of the New Haven Parking Authority a component unit of the City. Our audit, described below, did not include this component unit because it was not required to have an OMB Circular A-133 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. 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 New Haven, 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 on the City of New Haven, Connecticut's compliance with those requirements.

In our opinion, the City of New Haven, 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 federal programs for the year ended June 30, 2011.

Internal Control Over Compliance: Management of the City of New Haven, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Haven, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal 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 OMB Circular A-133, 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 New Haven, Connecticut's internal control over compliance.

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of the 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 Federal Awards: We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Haven, Connecticut as of and for the year ended June 30, 2011, and have issued our report thereon dated February 14, 2012. We did not audit the financial statements of the New Haven Parking Authority, a discretely presented component unit of the City, our audit includes a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of New Haven, 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. 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 Board of Aldermen and its Finance Committee, others within the entity, and 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.

McGladrey & Pullen, LLP

New Haven, Connecticut
February 14, 2012

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture/ Passed through the State of Connecticut			
Department of Education:			
Child Nutrition Cluster			
National School Lunch Program - 2011	10.555	12060-SDE64370-20560	\$ 3,983,411
National School Lunch Program - 2010	10.555	12060-SDE64370-20560	2,104,321
USDA Commodities-Noncash	10.555	-	565,711
School Breakfast Program - 2011	10.553	12060-SDE64370-20508	1,929,537
School Breakfast Program - 2010	10.553	12060-SDE64370-20508	1,055,626
Total Child Nutrition Cluster			<u>9,638,606</u>
Child Care Food Program - 2011	10.558	12060-SDE64370-20518	153,776
Child Care Food Program - 2010	10.558	12060-SDE64370-20518	104,483
Total			<u>258,259</u>
Fresh Fruit and Vegetables 2010	10.582	12060-SDE64370-22051	4,547
Fresh Fruit and Vegetables 2011	10.582	12060-SDE64370-22051	97,680
Total			<u>102,227</u>
Child and Adult Care - Cash in Lieu-2011	10.550	12060-SDE64370-20544	7,811
Child and Adult Care - Cash in Lieu-2010	10.550	12060-SDE64370-20544	5,126
Total			<u>12,937</u>
Total U.S. Department of Agriculture			<u>10,012,029</u>
U.S. Department of Housing and Urban Development			
Directly Funded:			
Community Development Block Grant	14.218	-	3,763,492
CDBG Program Income	14.218	-	237,256
Total			<u>4,000,748</u>
Section 108 Income LCI	14.219	-	201
Section 108 Grant Economic Development	14.219	-	310,258
Section 108 Income Economic Development	14.219	-	4,699
Total			<u>315,158</u>
UDAG Program Income	14.221	-	27,804
Emergency Shelter Program	14.231	-	159,257
Total			<u>187,061</u>
HOME Investment Program	14.239	-	1,304,026
HOME Program Income	14.239	-	397,450
Total			<u>1,701,476</u>
Homeless Prev Rapid Re-Housing - ARRA	14.262	-	715,296

See Notes to Schedule of Expenditures of Federal Awards.
N/A-CFDA Number Not Available.

(Continued)

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Directly Funded, Continued:			
CDBG Recovery Program Section 8 Housing Assistance - ARRA	14.317	-	597,797
Housing Opportunities for People with AIDS	14.241	-	1,015,100
Lead Paint Abatement Program	14.900	-	885,400
Empowerment Zone	14.244	-	54,139
Neighborhood Stabilization - Program and Administration - ARRA	14.256	12060-ECD46400-22324	2,504,995
Total U.S. Department of Housing and Urban Development			11,977,170
U.S. Department of Justice			
Directly Funded:			
Federal Surplus Property Program	16.578	-	100,616
Enhancing Police Strategies	16.738	-	12,312
JAG10/Enhancing Police Strategies to Prevent Crime	16.738	-	257,355
Total			269,667
Law Enforcement Tech Grant FY10	16.710	-	647,175
Cops Hiring Recovery 2011 - ARRA	16.710	-	1,218,374
Total			1,865,549
N.H. Restart Program	16.580	-	15,660
Prison Re-entry	16.753	-	185,421
BJA Street Outreach 2010	16.753	-	177,000
Total			362,421
Local Law Enforcement Block Grant	16.592	-	31,007
ARRA Drug Task Force	16.XXX	12060-DPS32523-29078	36,000
Passed through the State of Connecticut			
Office of Policy and Management:			
New Housing Zone	N/A	12060-OPM20600-90526	20,000
Jag Recovery 2011 - ARRA	16.738	12060-OPM20350-29002	80,328
Total Pass Through			100,328
Total U.S. Department of Justice			2,781,248

See Notes to Schedule of Expenditures of Federal Awards.
N/A-CFDA Number Not Available.

(Continued)

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Transportation			
Passed through the State of Connecticut			
Department of Transportation:			
Expanded DUI Enforcement	20.607	12062-DOT57343-22091	84,952
Highway Planning and Construction Cluster:			
Local Bridges - Hillhouse Ave, East Rock Rd, Quinn Ave	20.205	12062-DOT57161-22108	29,555
Non DEUC CWIP Whitney Derby site	20.205	12062-DOT57161-22108	9,771
Boat house	20.205	12062-DOT57191-22108	1,126,173
East Rock Rd Bridge 04418	20.205	12062-DOT57191-22108	114,791
Long Wharf - 2010	20.205	12062-DOT57191-22108	46,051
Long Wharf - 2011	20.205	12062-DOT57191-22108	114,755
Quinnipiac Ave. Reconst. Phase I ARRA	20.205	12062-DOT57161-29105	3,833,511
Quinnipiac Ave. Reconst. Phase II ARRA	20.205	12062-DOT57161-29105	497,996
RT 34 Construction	20.205	12062-DOT57191-22108	434,742
Traffic Signal Equip ARRA	20.205	N/A	447,368
Congress Ave Pavement Rehab ARRA	20.205	12062-DOT57161-29015	722,323
Total Highway Planning and Construction Cluster			7,377,036
Airport Improvement Program	20.106	-	5,651,759
Total U.S. Department of Transportation			13,113,747
Institute of Museum & Library Services			
Passed through the State of Connecticut			
State Library:			
Grants to States	45.310	11000-CSL66051-17003	8,048
U.S. Department of Environmental Protection			
Directly Funded:			
Diesel Retrofit Project	66.034	-	198
Catch Basin Cleaning Program	66.202	-	38,930
Total Direct Funded			39,128
Passed through the State of Connecticut Department of Environmental Protection:			
Truck Stop Electrification - ARRA	66.400	DEPM1-0000027285	190,503
56 River Cleanup 2011	N/A	BF-97171901-2	11,153
34 Lloyd St. Cleanup 2011	N/A	BF-97171801-2	11,198
Total Passed through			212,854
Total U.S. Department of Environmental Protection			251,982
U.S. Department of Energy:			
Directly Funded:			
Energy Efficiency Block - ARRA	81.128	-	585,991

See Notes to Schedule of Expenditures of Federal Awards.
N/A-CFDA Number Not Available.

(Continued)

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U .S. Department of Education:			
Directly Funded:			
Magnet School Assistance	84.165	-	964,177
NH Magnet School Assistance 2011	84.165	-	1,411,665
Total			<u>2,375,842</u>
Volunteer School Choices	84.361	-	1,686,812
Volunteer School Choices	84.361	-	161,935
Total			<u>1,848,747</u>
Impact Aid Title I	84.040	-	37,701
Impact Aid Title I 2011	84.040	-	15,947
Total			<u>53,648</u>
Carol White Physical Education	84.215	-	413,408
Foreign Language Assistance 2011	84.293A	-	162,587
Total - Direct U.S. Dept. of Education			<u>4,854,232</u>
Passed through the State of Connecticut			
Department of Education:			
Title I Cluster			
Title I - Improving Basic Programs - 2011	84.010	12060-SDE64370-20679	9,371,816
Title I - Improving Basic Programs - 2010	84.010	12060-SDE64370-20679	1,531,054
Title I - School Improvements - 2011	84.010	12060-SDE64370-20679	224,000
Title I Improving Basic Program 11 - ARRA	84.389A	12060-SDE64370-29010	2,140,182
Total Title I Cluster			<u>13,267,052</u>
School Improvement Grant Cluster			
School Improvement - Central Office	84.388	12060-SDE64370-29064	73,452
ARRA - School Improvement - Brennan 11	84.388	12060-SDE64370-29064	390,380
ARRA - School Improvement - Hill Central 11	84.388	12060-SDE64370-29064	501,024
ARRA - School Improvement - Hill House 11	84.388	12060-SDE64370-29064	632,730
ARRA - School Improvement - W Cross 11	84.388	12060-SDE64370-29064	435,677
Total School Improvement Cluster			<u>2,033,263</u>
Education of Homeless Children and Youth C/O	84.196	12060-SDE64370-20770	50,310

See Notes to Schedule of Expenditures of Federal Awards.
 N/A-CFDA Number Not Available.

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CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U .S. Department of Education, Continued:			
Passed through the State of Connecticut			
Department of Education, Continued:			
Educational Technology State Grants Cluster			
Educational Technology - ARRA	84.386	12060-SDE64370-29063	128,959
Educational Technology - ARRA	84.386	12060-SDE64370-29063	90,093
Total Educational Technology Cluster			<u>219,052</u>
Adult Education - Improvement	84.002	12060-SDE64370-20784	170,720
Title II, Part A, Teachers Training 2011	84.367	12060-SDE64370-20858	2,130,415
Title II, Part A, Teachers Training 2010	84.367	12060-SDE64370-20858	396,579
Total			<u>2,526,994</u>
Special Education Cluster			
IDEA Part B, Section 619 Pre-school - ARRA	84.392	12060-SDE64370-29012	699
IDEA Part B, Section 611 - ARRA	84.391	12060-SDE64370-29011	4,059,314
IDEA Part B, Section 619 Preschool Incentive	84.173	12060-SDE64370-20983	94,084
IDEA Part B, Section 619 Preschool	84.173	12060-SDE64370-20983	25,606
IDEA Part B, Section 611 Handicapped Carryover	84.027	12060-SDE64370-20977	738,778
IDEA Part B, Section 611 Entitlement 2011	84.027	12060-SDE64370-20977	3,876,982
Total Special Education Cluster			<u>8,795,463</u>
21st Century Cohort V	84.287	12060-SDE64370-20863	235,132
21st Century Cohort VI sde 11	84.287	12060-SDE64370-20863	368,726
21st Century Cohort VIII sde 11	84.287	12060-SDE64370-20863	351,979
21st Century Cohort VIII sde 07	84.287	12060-SDE64370-20863	372,118
21st Century Cohort VIII 2010	84.287	12060-SDE64370-20863	29,963
21st Century Cohort VIII SDE07	84.287	12060-SDE64370-20863	11,002
21st Century Cohort VIII SDE08	84.287	12060-SDE64370-20863	8,316
21st Century Cohort VIII sde 08	84.287	12060-SDE64370-20863	349,035
21st Century Cohort VI sde 10	84.287	12060-SDE64370-20863	31,957
21st Century Cohort VII sde 11	84.287	12060-SDE64370-20863	172,692
21st Century Cohort VI sde 10	84.287	12060-SDE64370-20863	211,933
Total			<u>2,142,853</u>
Title III Part A English Language Acquisitions - 2011	84.365	12060-SDE64370-20868	262,939
Title III Part A English Language Acquisitions - 2010	84.365	12060-SDE64370-20868	69,892
Total			<u>332,831</u>

See Notes to Schedule of Expenditures of Federal Awards.
N/A-CFDA Number Not Available.

(Continued)

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education, Continued:			
Passed through the State of Connecticut			
Department of Education, Continued:			
Title IV - Safe and Drug Free Schools	84.186	12060-SDE64370-20873	16,215
Carl Perkins Career & Tech Act - Basic Grants to States	84.048	12060-SDE64370-20742	509,005
Education Jobs Fund	84.410	12060-SDE64370-22405	8,332,632
State Fiscal Stabilization Fund Cluster			
Stabilization - Government Services - ARRA	84.397	12060-SDE64370-29054	20,331,120
Immigrant and Youth Education Program	84.365A	12060-SDE64370-20868	102,049
Investing and Personal Finance Education	N/A	12060-SDE64370-35351	11,418
Passed through the State of Connecticut			
Department of Higher Education:			
Gear-Up Project	84.334	12060-DHE66550-20398	96,889
Gear-Up Project C/O	84.334	12060-DHE66550-20398	2,356
Total Department of Higher Education			99,245
Total U.S. Department of Education			63,794,454
U.S. Department of Health and Human Services			
Directly Funded:			
Ryan White Formula and Supplement	93.914	-	6,589,883
Ryan White Minority Aids	93.914	-	551,700
Total			7,141,583
Head Start Cluster			
Head Start Program	93.600	-	6,900,331
Head Start Program - Stimulus - ARRA	93.708	-	65,586
Total Head Start Cluster			6,965,917
Passed through the State of Connecticut			
Department of Social Services:			
Social Services Block Grant (SAGA) 09	93.667	12060-DSS60783-20701	33,665
Social Services Block Grant (SAGA) 10	93.667	12060-DSS60783-20701	72,124
Social Services Block Grant 2011	93.667	12060-DSS60783-20701	105,763
Total			211,552

See Notes to Schedule of Expenditures of Federal Awards.
 N/A-CFDA Number Not Available.

(Continued)

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
 For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services, Continued:			
Passed through the State of Connecticut			
Department of Public Health:			
School Based Health Clinics	93.994	12060-DPH48832-21531	137,500
PHP Emergency Preparedness (Bioterrorism)	93.069	12060-DPH48557-22350	26,534
PHP Emergency Preparedness (Bioterrorism)	93.069	12060-DPH48557-22333	32,470
PHP Emergency Preparedness (Bioterrorism)	93.069	12060-DPH48557-22333	64,940
Total			<u>123,944</u>
Vaccines - Noncash	93.268	-	25,564
Immunization Program 11	93.268	12060-DPH48664-20911	99,852
Total			<u>125,416</u>
Obesity Unintentional Injury	93.991	12060-DPH48558-21530	27,815
AIDS Prevention Education Services	93.940	12060-DPH48852-20920	93,000
Total U.S. Department of Health and Human Services			<u>14,826,727</u>
U.S. Department of Defense			
Directly Funded:			
Libby U.S. Reserve Center	12.607	-	18,808
U.S. Department of Homeland Security			
Directly Funded:			
Port Security - ARRA 2011	97.116	-	541,659
Passed through the State of Connecticut Department of Emergency Management and Homeland Security:			
Emergency Plan Disabled Individual 2011	97.067	12060-EHS99530-21881	10,262
Emergency Management Performance Grant 2011	97.042	12060-EHS99660-21881	56,888
Shelter Generator Grant	97.042	12060-EHS99530-21881	74,348
Total			<u>141,498</u>
Total U.S. Department of Homeland Security			<u>683,157</u>
Total Expenditures of Federal Awards			<u>\$ 118,053,361</u>

See Notes to Schedule of Expenditures of Federal Awards.
 N/A-CFDA Number Not Available.

CITY OF NEW HAVEN, CONNECTICUT

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of New Haven, Connecticut and is presented on the modified accrual/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-Profits Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Component Units

The schedule does not include any expenditures of federal awards of the City's discretely presented component units.

Note 2. Non-Cash Awards

The City of New Haven's National School Lunch Program receives noncash federal awards in the form of food commodities from the Department of Agriculture. The City also receives noncash federal awards through the U.S. Department of Health and Human Services in the form of vaccines.

Noncash awards are reported in the schedule at the fair market value of the items received and disbursed. The market value of the items issued is included in the Schedule of Expenditures of Federal Awards as follows:

Food Commodities	\$ 565,711
Vaccines	\$ 25,564

Note 3. Housing and Urban Development (HUD) Section 108 Loans

The City has entered into two Federal HUD Section 108 Loans.

	2010	Issued	Retired	2011
HUD 108 Loans	\$ 2,910,000	\$ -	\$ 230,000	\$ 2,680,000

Note 4. Subrecipients

Of the expenditures presented in the Schedule of Expenditures of Federal Awards and State Financial Assistance, the City provided the following federal awards to subrecipients:

Name of Program/Project	CFDA Number	Amount Provided to Subrecipient
Airport Improvement	20.106	\$5,651,759

CITY OF NEW HAVEN, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? 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? Yes X None reported

Type of auditor's 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 OMB Circular A-133? Yes X No

Identification of Major Programs

CFDA Numbers	Name of Federal Program of Cluster
84.394/84.397	State Fiscal Stabilization Fund Cluster
84.010/84.389	Title I, Part A Cluster
84.027/84.173/84.391/84.392	Special Education Cluster
20.205	Highway Planning and Construction Cluster
84.410	Education Jobs Fund
14.256	Neighborhood Stabilization Program and Administration – ARRA
16.710	COPS Hiring Recovery 2011 - ARRA
20.106	Airport Improvement

Dollar threshold used to distinguish between type A and type B programs \$3,000,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS

A. Significant deficiencies in Internal Control

IC11-01 Journal Entries

Criteria:

The review and approval of nonstandard journal entries should be adequately documented as evidence of proper internal control.

Condition:

It was noted that several individuals within the Controller's Office have been authorized to make non-routine entries, which are outside the normal scope of daily processing, to the MUNIS system. The entries are being regularly reviewed and approved; however, documentation evidencing this is not maintained.

Context:

Systemic

Cause:

Procedures have not been established to ensure that the review and approval of nonstandard journal entries is documented and maintained as evidence of this control.

Recommendation:

Management should formally document the review and approval process for nonstandard entries that are posted to the general ledger.

Management's Response:

We concur with the recommendation and are in the process of implementing suitable procedures.

IC11-02 Capital Assets

Criteria:

In order to record, reconcile and depreciate the City's capital assets, a system needs to be in place in which capital asset transactions are properly recorded and analyzed on a timely basis.

CITY OF NEW HAVEN, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2011**

Condition:

The City does not have an adequate process in place to recognize which expenditures should be recorded as capital assets and which capital assets should be retired.

In addition, in the past several years, a limited amount of capital asset disposals have been recorded. Although management performs an annual review of the detailed fixed asset listing, fixed asset disposals may be occurring that are not being reported to management.

Context:

Systemic

Cause:

Purchases are not flagged as capital assets during the purchasing phase.

Effect:

Capital asset transactions may not be reported in accordance with generally accepted accounting principles and the financial statements can be misstated.

Recommendation:

We recommend the City implement a process that will better track capital projects and recognize when long term projects are complete. The City should implement a process where each invoice is reviewed to identify which items should be recorded as a capital asset. The City should also implement a review process of old assets that may be disposed of.

Management's Response:

Use of capital asset financial information by management and the Board of Aldermen for decision making is limited, and as a result, development of comprehensive accounting policies and procedures in this area has historically been treated with a lower relative priority. Those facts notwithstanding, we concur with the recommendation, and will begin the process of reviewing the current capitalization policy, and designing procedures to ensure that capital assets are properly analyzed and recorded on a timely basis.

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2011

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Compliance

None Reported

B. Compliance Findings

None Reported

**CITY OF NEW HAVEN, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Finding No. IC10-1.

Criteria:

Auditing standards require internal control policies and procedures to enable the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition:

The City's internal control procedures did not prevent misapplication of GAAP, which resulted in a restatement of the prior year's financial statements.

Current Status:

Condition has been remediated.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

To the Honorable Mayor and Members of
the Board of Aldermen
New Haven, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Haven, Connecticut as of and for the year ended June 30, 2011, which collectively comprise the City of New Haven, Connecticut's basic financial statements, and have issued our report thereon dated February 14, 2012. Our report includes a reference to other auditors. In addition, our report includes a modification related to the adoption of a new accounting standard. 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. The financial statements of the New Haven Parking Authority were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Internal Control Over Financial Reporting: Management of the City of New Haven, Connecticut is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of New Haven, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Haven, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of New Haven, 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. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting as items IC11-01 and IC11-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters: As part of obtaining reasonable assurance about whether the City of New Haven, 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 New Haven, Connecticut in a separate letter dated February 14, 2012.

The City of New Haven, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Haven, 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 Board of Aldermen and its Finance Committee, others within the entity, the Office of Policy and Management and federal and 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.

McGladrey & Pullen, LLP

New Haven, Connecticut
February 14, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND 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 Members of
the Board of Aldermen
New Haven, Connecticut

Compliance: We have audited the compliance of the City of New Haven, Connecticut, 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 New Haven, Connecticut's major state programs for the year ended June 30, 2011. The City of New Haven, 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 New Haven, Connecticut's management. Our responsibility is to express an opinion on the City of New Haven, Connecticut's compliance based on our audit.

The City of New Haven, Connecticut's basic financial statements include the financial data of the New Haven Parking Authority a component unit of the City. Our audit, described below, did not include this component unit because it was not required to have an audit in accordance with the State Single Audit Act.

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 – 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 New Haven, 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 on the City of New Haven, Connecticut's compliance with those requirements.

In our opinion, the City of New Haven, Connecticut complied, in all material respects, with the 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 New Haven, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the City of New Haven, Connecticut's internal control over compliance with 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 New Haven, Connecticut's internal control over compliance.

A *deficiency in 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 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 a combination of deficiencies, 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 the 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Haven, Connecticut as of and for the year ended June 30, 2011 and have issued our report thereon dated February 14, 2012. We did not audit the financial statements of the New Haven Parking Authority, a discretely presented component unit of the City. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of New Haven, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required 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 management, Board of Aldermen and its Finance Committee, others within the entity, the Office of Policy and Management, and 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.

McGladrey & Pullen, LLP

New Haven, Connecticut
February 14, 2012

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2011

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 1,311,411
Payment in Lieu of Taxes for Manufacturing, Machinery and Equipment	11000-OPM20600-17031	1,087,471
Property Tax Relief for Totally Disabled	11000-OPM20600-17011	9,395
Property Tax Relief for Veterans	11000-OPM20600-17024	62,075
Property Tax Relief for Elderly	11000-OPM20600-17018	429,891
State Distressed Municipalities	11000-OPM20600-17016	81,464
Property Tax Elderly Homeowner's Freeze	11000-OPM20600-17021	10,000
Municipal Video Competition Trust Accounting Grant	12060-OPM20600-35362	28,330
Total Office of Policy and Management		<u>3,020,037</u>
Department of Public Safety:		
State Forfeiture Revolving Fund	12060-DPS32155-35142	40,494
Telecommunications Fund (E-911 Cities) 08/09	12060-DPS32741-35190	563,738
Telecommunications Fund (CMED) FY11	12060-DPS32741-35190	196,608
Total		<u>760,346</u>
Total Department of Public Safety		<u>800,840</u>
Department of Economic and Community Development:		
Tax Abatement Program	11000-ECD46400-17008	203,599
Gateway Project/Macy's	13019-ECD46440-41240	276,661
River ST MDP	13019-ECD46200-41240	6,194
Total		<u>282,855</u>
Total Department of Economic and Community Development		<u>486,454</u>
Department of Environmental Protection:		
Boat Grant	12060-DEP44434-34907	27,340
Total Department of Environmental Protection		<u>27,340</u>
Department of Public Health:		
Per Capita Funding	11000-DPH48500-17009	145,929
School Based Health Clinics 2011	11000-DPH48500-17019	1,345,754
Tuberculosis Control	11000-DPH48500-16112	22,959
Aids - Prevention Education Services	11000-DPH48852-12100	114,064
Aids - Prevention Education Services	11000-DPH48852-12236	111,527
Sexually Transmitted Diseases	11000-DPH48500-17013	63,425
Total Department of Public Health		<u>1,803,658</u>

See Notes to Schedule.

(Continued)

CITY OF NEW HAVEN, 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
Department of Transportation:		
Traffic System Modification	12062-DOT57191-22108	13,680
East Rock Rd Bridge	12062-DOT57191-22108	28,698
Long Wharf Parcels G&H 2010	12062-DOT57191-22108	11,513
Long Wharf Parcels G&H 2011	12062-DOT57191-22108	28,689
Boat House Long Wharf	12062-DOT57191-22108	281,543
Farmington Canal Phase 4	12062-DOT57191-22108	4,930
Closed Loop Traffic System	12062-DOT57115-22108	13,503
Closed Loop Traffic System	12062-DOT57115-22108	2,730
Farmington Canal Phase 3 Construction Inspection	12062-DOT57191-22108	19,492
NON DEUC CWIP Whitney, Derby, Contress	12062-DOT57161-22108	2,443
Total		<u>407,221</u>
Gateway Traffic Control	13033-DOT57191-42925	<u>69,069</u>
Prospect Street Bridge	21010-DOT57191-42311	<u>407,642</u>
Town Aid Road Grant-STO	13033-DOT57131-43459	446,936
Town Aid Road Grant-Municipal	12052-DOT57131-43455	162,522
Total		<u>609,458</u>
Ferry Terminal Site-Feasibility	12062-DOT57191-22108	<u>14,512</u>
Temple ST Bridge	21010-DOT57191-42311	<u>36,238</u>
Airport	1201-5000-026	<u>1,500,000</u>
Total Department of Transportation		<u>3,044,140</u>
Department of Social Services:		
Child Daycare - Infant and Toddler 10	12060-DSS60794-20699	513,908
Child Daycare - Infant and Toddler 11	12060-DSS60794-20699	569,837
Total		<u>1,083,745</u>
End Chronic Homeless	11000-DSS60783-16149	<u>158</u>
Food Stamp Education	12060-DSS60799-20735	<u>116,145</u>
Nuturing Families Network	11000-DSS60406-12042	<u>230,443</u>
Healthy Start	11000-DSS60521-16105	<u>357,688</u>
Total Department of Social Services		<u>1,788,179</u>

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2011

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Education:		
Child Nutrition Program Lunch State Match	11000-SDE64370-16211	131,948
Head Start Expansion	11000-SDE64370-16101	212,222
Head Start Enhancement	11000-SDE64370-16106	145,479
Head Start Early Childhood Link	11000-SDE64370-16202	121,125
Vocational Education Agriculture	11000-SDE64370-17017	534,479
Family Resource Centers Program - Wexler	11000-SDE64370-16110	96,031
Family Resource Centers Program -Brennan	11000-SDE64370-16110	89,136
Family Resource Centers Program - Hill	11000-SDE64370-16110	96,639
Total		281,806
Adult Education Cooperating Eligibility Entity	11000-SDE64370-17030	56,384
Adult Education Provider	11000-SDE64370-17030	4,592,212
Total		4,648,596
Nonpublic Health Services	11000-SDE64370-17034	63,982
Open Choice	11000-SDE64370-17053	154,986
School Accountability Summer School	11000-SDE64370-17043	373,843
Bilingual Education	11000-SDE64370-17042	210,665
Priority School Districts	11000-SDE64370-17043	6,298,095
Extended School Hours	11000-SDE64370-17043	333,091
School Readiness - Priority School District	11000-SDE64370-17043	6,847
School Readiness	11000-SDE64370-17043-82056	7,277,469
Young Parents Program	11000-SDE64370-17044	36,646
Interdistrict Cooperative - Sound Marine	11000-SDE64370-17045	197,038
Interdistrict Cooperative - Sound	11000-SDE64370-17045	128,319
Total		325,357

See Notes to Schedule.

(Continued)

CITY OF NEW HAVEN, 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
Department of Education, Continued:		
Youth Service Bureau	11000-SDE64370-17052	123,031
Youth Service Bureau Enhancement	11000-SDE64370-16201	10,000
School Breakfast Program	11000-SDE64370-17046	126,000
School Breakfast Program Public State Match	11000-SDE64370-17046	51,255
		<u>177,255</u>
Quality Enhancement	12060-SDE64370-90242	130,095
Magnet School Operating (SDE000079)	11000-SDE64370-17057	1,238,050
Magnet School Operating (SDE000080)	11000-SDE64370-17057	2,229,780
Magnet School Operating (SDE000081)	11000-SDE64370-17057	2,723,170
Magnet School Operating (SDE000082)	11000-SDE64370-17057	3,055,130
Magnet School Operating (SDE000083)	11000-SDE64370-17057	863,530
Magnet School Operating (SDE000088)	11000-SDE64370-17057	2,122,760
Magnet School Operating (SDE000093)	11000-SDE64370-17057	2,013,370
Magnet School Operating (SDE000106)	11000-SDE64370-17057	1,084,890
Magnet School Operating (SDE000107)	11000-SDE64370-17057	2,488,760
Magnet School Operating (SDE000111)	11000-SDE64370-17057	1,250,540
Magnet School Operating (SDE000114)	11000-SDE64370-17057	1,140,430
Magnet School Operating (SDE000127)	11000-SDE64370-17057	2,370,620
Magnet School Operating (SDE000128)	11000-SDE64370-17057	2,383,430
Magnet School Operating (SDE000143)	11000-SDE64370-17057	1,169,220
Magnet School Operating (SDE000144)	11000-SDE64370-17057	1,291,330
Magnet School Operating (SDE000146)	11000-SDE64370-17057	1,551,600
Magnet School Operating (SDE000147)	11000-SDE64370-17057	1,170,360
Magnet School Transportation	11000-SDE64370-17057	3,043,040
Total		<u>33,190,010</u>
Healthy Foods Initiative	11000-SDE64370-16212	287,569
After School Program-East Rock Nathan Hale	11000-SDE64370-17084	111,029
After School Robinson/Clem 2010 sde05	11000-SDE64370-17084	117,856
Total		<u>228,885</u>
Total Department of Education		<u>55,303,481</u>
Division of Special Revenue:		
Bingo Payments	34003-DSR18309-42350	337
Payment to Town OTB	34004-DSR18307-40001	854,953
Total Division of Special Revenue		<u>855,290</u>

See Notes to Schedule.

(Continued)

CITY OF NEW HAVEN, 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
Commission on Arts, Tourism, Culture, History and Film:		
Local Arts Agency Program	12060-CAT45220-17067	8,450
Arts Presentation Grant Program-NEA	12060-CAT45220-20328	<u>5,600</u>
Total Commission on Arts, Tourism, Culture, History and Film		<u>14,050</u>
Office of the State Comptroller:		
Payment in Lieu of Taxes on Colleges and General Hospitals	11000-OSC15910-17006	<u>34,363,776</u>
Total Office of the State Comptroller		<u>34,363,776</u>
Commission on Fire Prevention & Control:		
Fire Training School - New Haven	11000-FPC36510-16034	<u>45,341</u>
Judicial Branch:		
Distribution to Towns	34001-JUD95162-40001	<u>70,171</u>
Connecticut State Library:		
Connecticard	11000-CSL66051-17010	3,858
Historical Documents Preservation	12060-CSL66094-35150	<u>9,000</u>
Total Connecticut State Library		<u>12,858</u>
Department of Education and Services for the Blind:		
Services for the Blind	11000-ESB65020-12060	<u>134,535</u>
Department of Agriculture:		
Connecticut Aquaculture Bureau	34003-DAG42660-42337	<u>29,487</u>
Department of Labor:		
Construction Workforce Initiative	11000-OWC22000-12108	<u>67,536</u>
Total Expenditures of State Financial Assistance Before Exempt Programs		<u>101,867,173</u>

See Notes to Schedule.

(Continued)

CITY OF NEW HAVEN, 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
Exempt Programs:		
Office of the State Comptroller:		
Mashantucket Pequot Grant	12009-OSC15910-17005	7,199,281
Department of Education:		
School Construction Magnet Schools 11	13010-SDE64370-40901	13,375,021
School Construction Magnet 10	13010-SDE64370-40901	6,781,863
School Construction Progress Payments 10	13010-SDE64370-40901	14,117,357
School Construction Progress Payments 2011	13010-SDE64370-40901	21,225,122
School Construction - Principal 2010	13010-SDE64370-40901	2,256,968
School Construction - Principal 2011	13010-SDE64370-40901	174,208
School Construction Progress Interest 2010	13009-SDE64370-40896	91,554
School Construction - Interest 2011	13009-SDE64370-40896	690,266
Transportation for School Children - Non-Public	11000-SDE64370-17049	198,721
Transportation for School Children - Public	11000-SDE64370-17027	2,168,118
Education Cost Sharing	11000-SDE64370-17041	122,048,135
Special ED-AG. Placements and Excess Costs	11000-SDE64370-17047	2,880,233
Special ED-AG. Placements and Excess Costs	11000-SDE64370-17047	287,066
Special ED-AG. Placements and Excess Costs	11000-SDE64370-17047	230,936
Special ED-Excess Costs 2011	11000-SDE64370-17047	1,365,588
Total Department of Education		<u>187,891,156</u>
Total Exempt Programs		<u>195,090,437</u>
Total Expenditures of State Financial Assistance		<u>\$ 296,957,610</u>

See Notes to Schedule.

CITY OF NEW HAVEN, 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 New Haven, 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, economic and community development, environmental protection, library, health, public safety, social services, developmental services, emergency management and homeland security and transportation.

Note 1. Summary of Significant Accounting Policies

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

Basis of accounting

The financial statements for the governmental fund types contained in the City of New Haven's basic financial statements are prepared on the modified accrual basis of accounting. The financial statements for the business-type activities are prepared on the fund accrual basis of accounting.

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period.
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, pension obligations, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

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 (Section 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. Component Units

The schedule does not include any expenditures of State awards of the City's discretely presented component units.

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's 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 No

CITY OF NEW HAVEN, CONNECTICUT

**SCHEDULE OF STATE SINGLE AUDIT COMPLIANCE FINDINGS AND
QUESTIONED COSTS, Continued
For the Year Ended June 30, 2011**

The following schedule reflects the major programs included in the State Single Audit.

State Grantor and Program	State CORE-CT Number	Expenditures
Department of Education:		
Magnet School	11000-SDE64370-17057	33,190,010
Office of State Comptroller:		
Payment in Lieu of Taxes (PILOT) on Colleges and General Hospitals	11000-OSC15910-17006	<u>34,363,776</u>
Total Major Programs		<u>\$ 67,553,786</u>
Dollar threshold used to distinguish between Type A and Type B programs		<u>\$ 2,037,343</u>

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated February 14, 2012 on compliance and 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 indicates no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed two matters that we consider to be significant deficiencies, are reported on the schedule of findings and questioned costs.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS.

No matters were reported.