

CITY OF NEW HAVEN, CONNECTICUT

**FEDERAL AND STATE
SINGLE AUDIT REPORTS**

JUNE 30, 2005

CITY OF NEW HAVEN, CONNECTICUT

FEDERAL AND STATE
SINGLE AUDIT REPORTS

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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

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

We have audited the financial statements of the City of New Haven, Connecticut as of and for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. We did not audit the financial statements of the New Haven Parking Authority or the New Haven Coliseum Authority, component units of the City, or the Water Pollution Control Authority, an enterprise fund, which statements reflect total net assets of \$112,209,888 and total changes in net assets of (\$2,195,456) for the year then ended. Except as discussed in the preceding sentence, 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 and the Water Pollution Control Authority were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. The financial statements of the New Haven Coliseum Authority were audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

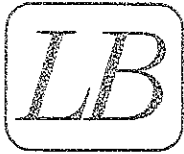
Compliance and Other Matters

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*.

This report is intended solely for the information and use of the Board of Aldermen and its Finance Committee, as well as the management of the City of New Haven, Connecticut, 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.


LEVITSKY & BERNEY, P.C.
Certified Public Accountants

November 18, 2005



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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

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 U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of New Haven, Connecticut's major federal 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 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.

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, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial statements of the New Haven Parking Authority and the Water Pollution Control Authority were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. The financial statements of the New Haven Coliseum Authority were audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. 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 the 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 of 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 are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

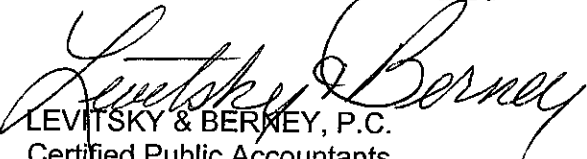
The management of the City of New Haven, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Haven, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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 OMB Circular A-133. 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* or OMB Circular A-133. The financial statements of the New Haven Coliseum Authority were audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* but were not audited in accordance with OMB Circular A-133. Accordingly, this report does not extend to the New Haven Parking Authority or the New Haven Coliseum Authority.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented components 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, 2005, and have issued our report thereon dated November 18, 2005. 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 of the Board of Aldermen and its Finance Committee, as well as the management of the City of New Haven, Connecticut, 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.


LEVITSKY & BERNEY, P.C.
Certified Public Accountants

November 18, 2005

CITY OF NEW HAVEN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Catalog of Domestic Assistance Number	Expenditures
Department of Agriculture			
Passed Through the State Department of Education:			
USDA Commodities		10.550	\$ 447,809
Child and Adult Care - Cash in Lieu		10.550	18,564
School Breakfast Program	12060-170005	10.553	2,170,523
Child Care Food Program	12060-170005	10.558	164,877
Child Care Food Program	12060-170005	10.558	164,877
National School Lunch Program	12060-170005	10.555	4,957,051
Total Department of Agriculture			\$ 7,923,701
Department of Housing and Urban Development			
Directly Funded:			
Community Development Block Grant		14.218	\$ 5,031,471
CDBG Outstanding Loans		14.218	707,872
CDBG Program Income		14.218	287,862
Section 108 Grant - LCI		14.219	20,861
Section 108 Income		14.219	125,138
Section 108 Outstanding Loans		14.219	954,359
Section 108 Grant Economic Development		14.219	535,671
Section 108 Income		14.219	115,053
Section 108 Outstanding Loans		14.219	118,606
UDAG Program Income		14.221	626,778
UDAG Outstanding Loans		14.221	1,120,669
Emergency Shelter Program		14.231	164,663
HOME Investment Program		14.239	3,391,538
HOME Program Income		14.239	643,552
HOME Outstanding Loans		14.239	5,575,924
Housing Opportunities for People with Aides		14.241	1,257,834
Lead Paint Abatement Program		14.900	815,062
Lead Paint Outstanding Loans		14.900	1,046,421
Empowerment Zone		14.244	5,363,059
Passed Through the State Department of Economic and Community Development:			
State Home Investment Program		14.228	12,903
Total Department of Housing and Urban Development			\$ 27,915,296

See Notes to Schedule of Expenditures of Federal Awards

CITY OF NEW HAVEN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Catalog of Domestic Assistance Number</u>	<u>Expenditures</u>
Department of Justice			
Directly Funded:			
Domestic Violence Initiative		16.524	\$ 193,916
Federal Surplus Property Program		16.578	172,970
Law Enforcement Block Grant 2001		16.592	118,736
Law Enforcement Block Grant 2002		16.592	159,356
Law Enforcement Block Grant 2003		16.592	16,836
Weed and Seed		16.595	135,163
Cops More		16.710	43,553
Drug Free Communities		16.710	99,514
Passed Through the State Office of Policy and Management:			
Under Age Drinking		16.710	80,000
Total Department of Justice			\$ 1,020,044
Department of Transportation			
Directly Funded:			
Taxiway/Runway Safety		20.106	\$ 1,043,602
Passed Through the State Department of Transportation:			
Local Bridges - Hillhouse Avenue	92-559	20.600	57,717
Local Bridges - Blake Street	92-460	20.600	60,688
Total Department of Transportation			\$ 1,162,007
National Foundation of Arts and the Humanities			
Passed Through the State Library:			
Grants to States	093-POA-05	45.310	\$ 8,350
Total National Foundation of Arts and the Humanities			\$ 8,350
Department of Environmental Protection			
Directly Funded:			
Healthy Communities		66.001	\$ 7,844
Federal Emergency Management Agency			
Passed Through the State Office of Policy and Management:			
Federal Emergency Management		83.000	\$ 34,482

See Notes to Schedule of Expenditures of Federal Awards

CITY OF NEW HAVEN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Catalog of Domestic Assistance Number	Expenditures
Department of Education			
Directly Funded:			
Magnet School Assistance		84.165	\$ 1,700,671
Volunteer School Choices		84.361	2,342,519
Bilingual Education		84.293	251,367
Bilingual Dual Language		84.215	215,838
Impact Aid Title I		84.040	115,882
Federal Community Schools		84.215	367,174
Violence Prevention NHPS		84.184	153,941
Smaller Learning		84.310	286,426
Title VII, Career Ladder		84.000	35,529
New Magnet Schools		84.165	958,634
Partnerships in Character Education		84.000	414,388
Emergency Response Crisis		84.040	31,694
Community Arts Partnerships		84.351	124,595
Carol White Physical Fitness		84.000	30,326
Teaching American History		84.000	329,375
Nutrition and Physical Education		84.000	155,556
Passed Through the State Department of Education:			
Title I - ESEA Part A	12060-20679	84.010	1,795,826
Title I - ESEA Part A	12060-20679	84.010	326,708
Title I - ESEA Part A	12060-20679	84.010	12,649,730
Title I - ESEA Part A	12060-20679	84.010	90,000
Carl Perkins - Vocational Education	12060-20742	84.048	664,008
Reading Excellence	12060-20749	84.338	28,885
Reading Excellence	12060-20749	84.338	22,360
Reading Excellence	12060-20749	84.338	22,224
Reading Excellence	12060-20749	84.338	22,000
Reading Excellence	12060-20749	84.338	26,183
Reading Excellence	12060-20749	84.338	30,037
Adult Education	12060-20784	84.002	34,931
Adult Education	12060-20784	84.002	48,672

See Notes to Schedule of Expenditures of Federal Awards

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Catalog of Domestic Assistance Number	Expenditures
Department of Education (Continued)			
Passed Through the State Department of Education: (Continued)			
Adult Education	12060-20784	84.002	\$ 34,567
Comprehensive School Reform	12060-20790	84.334	65,847
Comprehensive School Reform	12060-20790	84.334	66,001
Comprehensive School Reform	12060-20790	84.334	61,407
Comprehensive School Reform	12060-20790	84.334	66,655
Enhancement Education Through Technology	12060-20826	84.318	4,404
Enhancement Education Through Technology	12060-20826	84.318	126,889
Enhancement Education Through Technology	12060-20826	84.318	203,208
Enhancement Education Through Technology	12060-20826	84.318	50,000
Enhancement Education Through Technology	12060-20826	84.318	5,429
Title I, Part B, Reading First	12060-20826	84.357	282,561
Title I, Part B, Reading First	12060-20826	84.357	282,128
Title I, Part B, Reading First	12060-20826	84.357	276,465
Title I, Part B, Reading First	12060-20826	84.357	267,795
Title I, Part B, Reading First	12060-20826	84.357	253,384
Title I, Part B, Reading First	12060-20826	84.357	245,270
Title II Part A, Teachers	12060-20858	84.281	571,803
Title II Part A, Teachers	12060-20858	84.281	1,946,460
21 Century Community Learning Centers	12060-20863	84.287	77,862
21 Century Community Learning Centers	12060-20863	84.287	355,062
21 Century Community Learning Centers	12060-20863	84.287	384,670
Title III Part A English Lang Acquisitions	12060-20868	84.144	85,324
Title III Part A English Lang Acquisitions	12060-20868	84.144	165,890
Title III - Immigrant and Youth Education	12060-22947	84.144	22,947
Title III - Immigrant and Youth Education	12060-22947	84.144	53,868
Title IV - Safe and Drug Free Schools	12060-20873	84.186	87,108
Title IV - Safe and Drug Free Schools	12060-20873	84.186	257,906
Title VI - Innovative Education Strategies	12060-20909	84.298	38,400
Title VI - Innovative Education Strategies	12060-20909	84.298	189,072
State Improvement Grant	12060-20949	84.323	13,418
State Improvement Grant	12060-20949	84.323	32,676
Title I - Children of Migrant Workers	12060-20972	84.011	76,160
IDEA Silver Grant	12060-20977	84.027	13,857
IDEA Silver Grant	12060-20977	84.027	42,619
IDEA Part B, Section 619	12060-20983	84.027	78,990
IDEA Part B, Section 619	12060-20983	84.027	51,150
IDEA Part B, Section 611	12060-20977	84.027	816,464
IDEA Part B, Section 611	12060-20977	84.027	3,965,758
Mathematics and Science Partnership	12060-21592	84.366	8,500
Mathematics and Science Partnership	12060-21592	84.366	8,500
Refugee Children School Impact	12060-21044	84.040	234,133
Total Department of Education			\$ 35,146,086

CITY OF NEW HAVEN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Catalog of Domestic Assistance Number</u>	<u>Expenditures</u>
Department of Health and Human Services			
Directly Funded:			
Ryan White Formula and Supplement		93.915	\$ 6,412,744
Head Start Program		93.600	6,408,264
Passed Through the State Department of Social Services:			
Social Services Block Grant (SAGA)	093-SBG-49	93.667	74,673
Social Services Block Grant (SAGA)	093-SBG-51	93.667	117,835
Passed Through the State Department of Public Health:			
School Based Health Clinics	2003-041	93.994	137,500
School Based Health Clinics	2005-206	93.994	137,500
Bioterrorism	2002-424	93.283	66,115
Bioterrorism	2004-1085	93.283	28,805
Vaccines	--	93.268	46,476
Immunization	2003-152	93.268	53,343
Immunization	2005-161	93.268	37,901
Venereal Disease Control	2003-166	93.977	12,881
Diabetes Unintentional Injury	2004-026	93.991	27,949
Aids - Prevention	2005-38	93.940	88,620
Total Department of Health and Human Services			\$ <u>13,650,606</u>
Department of Homeland Security			
Directly Funded:			
Public Assistance		97.039	\$ 74,382
Total Department of Homeland Security			\$ <u>74,382</u>
Total Expenditures of Federal Awards			\$ <u>86,942,798</u>

See Notes to Schedule of Expenditures of Federal Awards

CITY OF NEW HAVEN, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Haven and is presented on the modified 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-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 – Reporting Entity

The City of New Haven, Connecticut for the purposes of the Schedule of Expenditures of Federal Awards includes all the funds of the primary government. It does not include the following:

- New Haven Coliseum Authority
- New Haven Parking Authority

Note 3 – Non-Cash Award

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 value of these commodities issued and included in the accompanying schedule is \$447,809.

The City also receives noncash federal awards through the U.S. Department of Health and Human Services in the form of vaccines. The market value of these commodities issued and included in the accompanying schedule is \$46,476

CITY OF NEW HAVEN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Section I – Summary of Auditors’ Results

We have audited the financial statements of the City of New Haven, Connecticut as of and for the year ended June 30, 2005, and have issued our reports thereon dated November 18, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133. The results of our audit are as follows:

Type of Report issued on the Financial Statements: Unqualified

Material Weaknesses In Internal Control Over Financial Reporting Disclosed By An Audit Of The Financial Statements: None

Reportable Conditions In Internal Control Over Financial Reporting Disclosed By An Audit Of The Financial Statements: None

Noncompliance Material To The Financial Statements: None

Material Weaknesses In Internal Control Over Major Programs: None

Reportable Condition In Internal Control Over Major Programs: None

Type of Report Issued on Compliance for Major Programs: Unqualified Opinion

Audit Findings Required to be Reported Under Sec. 510(a) of OMB Circular A-133: None

Major Programs:

<u>Funding Source</u>	<u>Program</u>	<u>C.F.D.A. No</u>
U.S. Department of Housing and Urban Development	Community Development Block Grant	14.218
U.S. Department of Housing and Urban Development	HOME Program	14.239

CITY OF NEW HAVEN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Section I – Summary of Auditors’ Results (Continued)

Major Programs: (Continued)

<u>Funding Source</u>	<u>Program</u>	<u>C.F.D.A. No</u>
U.S. Department of Health & Human Services	Head Start	93.600
U.S. Department of Agriculture	National School Lunch Cluster:	
	National School Lunch	10.555
	National School Breakfast	10.553
	Child Care Food Program	10.558
U.S. Department of Education	Title I	84.010

Dollar Threshold Used to Distinguish Type A and Type B Programs: \$ 1,770,825.

Qualification of Auditee as a Low-Risk Auditee: Yes

Section II – Federal Award Findings and Questioned Costs

No findings or questioned costs in accordance with OMB Circular A-133 were reported relating to major federal awards.

Section III – Financial Statement Findings

No findings or questioned costs in accordance with *Governmental Auditing Standards* were reported relating to the financial statements.

CITY OF NEW HAVEN, CONNECTICUT

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

Finding – 04-1 Delinquent Loans and Improper Monitoring

Condition

The City of New Haven has over 1.4 million dollars worth of loans receivable recorded in its general ledger, while approximately \$817,070 is considered uncollectible. In addition the City performed limited monitoring procedures on these outstanding loans.

Current Status

The City of New Haven's Corporation Counsel, in conjunction with the Finance Department is reviewing all available documentation and interviewing personnel to determine the status of all loans outstanding under the program.

Finding – 04-2 Payroll Disbursements Discrepancies

Condition

During the fiscal year ended June 30, 2004 the Department of Finance of the City discovered a payroll discrepancy. A vice-principal within the Education Department has since been accused of cashing payroll checks issued to another education department employee. The accusation includes checks being authorized and printed based on possible false information then forwarded to the vice-principal for issuance to the employee, with such checks not ultimately received by that employee. If this is the case, the other employee would normally be unaware of the activity as it occurred. However, at the end of the calendar year the employee noticed that higher wages were reported to the IRS, on her Form W-2, than she actually received. The City has turned this matter over to the proper criminal authorities and an investigation is being conducted.

The City's monitoring procedures have led to the discovery and investigation of the possible employee theft. In addition, the Internal Audit Department improved their W-2 Form issuance procedures to circumvent such falsification of payroll disbursements and reporting, which uncovered the discrepancy.

Current Status-Corrected

The issuance of the incorrect Form W-2 had triggered the reporting of possible fraud and the ensuing investigation. As part of the City's monitoring and internal control improvement procedures, the Form W-2 is now sent directly to the employee in an effort to provide assurance that each employee receives and has reported the correct amount of wages. This internal control procedure was implemented because of the discovery of the employee fraud and the method of committing the alleged fraud.

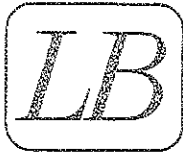
CITY OF NEW HAVEN, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

Finding – 04-2 Payroll Disbursements Discrepancies (Continued)

Current Status-Corrected (Continued)

The following internal controls have been implemented at the department level:

- a) Only original employee timesheets will be accepted for submission. Photocopies and facsimiles are not acceptable.
- b) Timesheets must contain employee's complete name, address and social security number.
- c) Timesheets must be signed by employee, principal and department head.
- d) Payroll pre-run reports must be signed by preparer, principal and department head.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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

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 Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2005. The 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. We did not audit the compliance of the New Haven Coliseum Authority, a component unit, which had expenditures of State financial assistance of \$630,000. Those compliance requirements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the information included for the New Haven Coliseum Authority, is based on the report of the other auditors. Our responsibility is to express an opinion on 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). The financial statements of the New Haven Parking Authority and the Water Pollution Control Authority were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. The financial statements of the New Haven Coliseum Authority were audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. 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 are applicable to each of its major state programs for the year ended June 30, 2005.

Internal Control Over Compliance

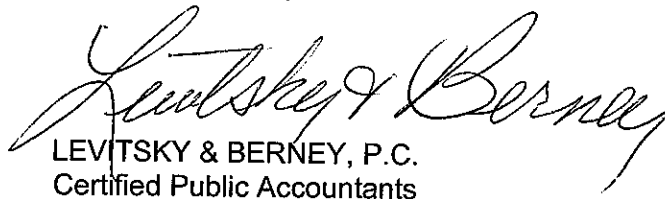
The management of the City of New Haven, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, 2005, and have issued our report thereon dated November 18, 2005. Our audit was performed for the purpose of forming an opinion 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 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 of the Board of Aldermen and its Finance Committee, as well as the management of the City of New Haven, Connecticut, 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.


LEVITSKY & BERNEY, P.C.
Certified Public Accountants

November 18, 2005

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

State Grantor/ Pass-Through Grantor/ Program Title	State Grant Program Identification Number	Expenditures
Department of Policy and Management		
Local Capital Improvement Program - Receivable	11000-OPM20600-40254	\$ 464,945
Payment in Lieu of Taxes on Colleges and General Hospitals	11000-OPM20600-17012	33,558,075
Payment in Lieu of Taxes on State Owned Property	11000-OPM20600-17004	4,087,765
Payment in Lieu of Taxes for Manufacturing Machinery and Equipment	11000-OPM20600-17031	1,181,612
Payment in Lieu of Taxes for Elderly Homeowners, Freeze Program	11000-OPM20600-17021	75,314
Property Tax Relief for Totally Disabled	11000-OPM20600-17011	6,785
Property Tax Relief for Veterans	11000-OPM20600-17024	70,415
Property Tax Relief for Elderly	11000-OPM20600-17018	434,104
State Distressed Municipalities	11000-OPM20600-17016	369,002
Mashantucket Pequot Grant	11000-OPM20100-18010	11,296,532
Total Department of Policy and Management		\$ 51,544,549
Department of Public Safety and Police		
Telecommunications Fund (Priority Dispatch)	012060-DPS32740-35190	\$ 4,320
Telecommunications Fund (CMED)	012060-DPS32740-35190	95,878
State Forfeiture Revolving Fund	013019-DPS32110-41238	45,271
Local Officer Incentive	013019-DPS32740-00000	88,160
Yale Bombing	013019-DPS32740-00000	124,506
Telecommunications Fund (E-911 Cities)	012060-DPS32740-35190	13,819
Total Department of Public Safety and Police		\$ 371,954
Department of Environmental Protection		
Clean Water Fund New Loans(463-DC)	21015-OTT14230-42318	\$ 305,073
Clean Water Fund Grant (463-DC)	21015-OTT14230-42318	265,753
Clean Water Fund New Loans (463-C)	21015-OTT14230-42318	1,392,639
Clean Water Fund Grant (463-C)	21015-OTT14230-42318	408,107
Clean Water Fund New Loans (563-DC)	21015-OTT14230-42318	4,204,735
Clean Water Fund Grant (563-DC)	21015-OTT14230-42318	4,360,845
Farmington Canal Linear Park	12052-DEP43000-0000	39,110
Edgewood Duck Pond	12052-DEP43000-0000	41,204
Amistad Docks PSA-2004-4139	12052-DEP43000-0000	14,712
Total Department of Environmental Protection		\$ 11,032,178

See Notes to Schedule of Expenditures of State Financial Assistance.

CITY OF NEW HAVEN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005**

State Grantor/ Pass-Through Grantor/ Program Title	State Grant Program Identification Number	Expenditures
Department of Economic and Community Development		
Urban Action Bonds:		
Macy's	13019-ECD46000-41236-093	\$ 472,327
Livable Cities	13019-ECD46000-41236-093	505,056
Tax Abatement Program	11000-ECD46400-17008-038	442,635
Total Department of Economic and Community Development		\$ 1,420,018
Department of Public Health		
Per Capita Funding	11000-DPH-48500-17009	\$ 116,725
Needle and Syringe Exchange (2005-38)	11000-DPH-48500-12100	79,915
Tuberculosis Control (2005-142)	11000-DPH-48500-16112	68,763
Venereal Transmitted Diseases (2005-142)	11000-DPH-48500-17013	17,787
Diabetes/Fall Prevention/Local Health (2005-69)	11000-DPH-48500-10020	3,811
Immunization (2003-152)	11000-DPH-48500-10020	19,508
Immunization (2003-161)	11000-DPH-48500-10020	12,910
Aids - Prevention (2005-38)	11000-DPH-48500-12236	96,407
Lead Poisoning Prevention (2003-84)	11000-DPH-48500-12227	11,573
Lead Poisoning Prevention (2005-95)	11000-DPH-48500-12227	46,294
School Based Health Centers (2005-206)	11000-DPH-48500-17019	1,006,947
Asthma Education (2005-101)	11000-DPH-48500-12126	25,000
Total Department of Public Health		\$ 1,505,640
Department of Transportation		
Closed Loop Traffic System (92-562)	21010-DOT57000-00000	\$ 160,780
Local Bridges - Blake Street (92-460)	21010-DOT57000-42310	15,167
Local Bridges - Ferry Street Design (92-582)	21010-DOT57000-42310	740,642
Farmington Canal	21010-DOT57000-00000	31,543
Town Aid Road Grant	12001-DOT57000-17036	443,213
Station Rehabilitation	21010-DOT57000-00000	122,570
Total Department of Transportation		\$ 1,513,915
Department of Social Services		
Child Daycare	11000-DSS60000-16152	\$ 904,699
Teenage Pregnancy Prevention	11000-DSS60000-17032	126,546
Teenage Pregnancy Prevention	11000-DSS60000-17032	74,881
Food Stamp Education (093-FSE-02)	11000-DSS60000-12127	173,398
Healthy Start (093-HUO-05)	11000-DSS60000-12127	378,263
Total Department of Social Services		\$ 1,657,787

See Notes to Schedule of Expenditures of State Financial Assistance.

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

State Grantor/ Pass-Through Grantor/ Program Title	State Grant Program Identification Number	Expenditures
Department of Education		
Child Nutrition Program	11000-SDE64000-16072	\$ 121,898
Head Start Expansion	11000-SDE64000-16101	207,253
Head Start Enhancement	11000-SDE64000-16106	114,769
Family Resource Centers Program	11000-SDE64000-16110	99,806
Family Resource Centers Program	11000-SDE64000-16110	100,477
Family Resource Centers Program	11000-SDE64000-16110	100,811
Vocational Education	11000-SDE64000-17017	300,280
Adult Education Cooperating Eligibility Entity	11000-SDE64000-17030	108,096
Adult Education Provider	11000-SDE64000-17030	3,403,867
Nonpublic Health Services	11000-SDE64000-17034	73,493
Bilingual Education	11000-SDE64000-17042	224,735
Priority School Districts	11000-SDE64000-17043-82052	3,064,749
School Reading Program	11000-SDE64000-17043-82052	2,647,900
Extended School Hours	11000-SDE64000-17043-82052	326,256
School Accountability - Summer School	11000-SDE64000-17043-82052	388,888
School Readiness	11000-SDE64000-17043-82052	5,755,313
Young Parents Program	11000-SDE64000-17044	15,268
Interdistrict Cooperation	11000-SDE64000-17045	200,000
Interdistrict Cooperation	11000-SDE64000-17045	125,957
Interdistrict Cooperation	11000-SDE64000-17045	113,753
Youth Service Bureau	11000-SDE64000-17052	120,627
School Breakfast Program (703-000000034)	11000-SDE64000-17046	231,011
Open Choice Program - Receiving District	11000-SDE64000-17053	173,231
Magnet School Operating (SDE000079)	11000-SDE64000-17057	1,102,630
Magnet School Operating (SDE000080)	11000-SDE64000-17057	1,187,955
Magnet School Operating (SDE000081)	11000-SDE64000-17057	1,306,930
Magnet School Operating (SDE000082)	11000-SDE64000-17057	2,504,522
Magnet School Operating (SDE000083)	11000-SDE64000-17057	723,474
Magnet School Operating (SDE000088)	11000-SDE64000-17057	1,641,977
Magnet School Operating (SDE000093)	11000-SDE64000-17057	890,719
Magnet School Operating (SDE000094)	11000-SDE64000-17057	987,354
Magnet School Operating (SDE000106)	11000-SDE64000-17057	376,435
Magnet School Operating (SDE000107)	11000-SDE64000-17057	755,097
Magnet School Operating (SDE000111)	11000-SDE64000-17057	261,146
Magnet School Operating (SDE000114)	11000-SDE64000-17057	355,811
Magnet School Operating (SDE000127)	11000-SDE64000-17057	131,139
Magnet School Operating (SDE000128)	11000-SDE64000-17057	280,859
Magnet School Transportation	11000-SDE64000-17057	1,446,000
General Improvements to School Buildings	12052-SDE64000-40316	451,262
Quality Enhancement Grant	12060-SDE64000-90242	138,060
Total Department of Education		\$ 32,559,808

See Notes to Schedule of Expenditures of State Financial Assistance.

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

State Grantor/ Pass-Through Grantor/ Program Title	State Grant Program Identification Number	Expenditures
Division of Special Revenues		
Bingo Payments	34004-DSR18307-29109	\$ 83
Payment to Towns	34004-DSR18307-29109	1,288,077
Total Division of Special Revenues		\$ 1,288,160
Department of Children and Family Services		
Therapeutic Child Care	11000-DCF91110-16064	\$ 86,249
Commission On Arts, Tourism, Culture, History and Film		
Nathen Hale Restoration	12060-CAT-0000	\$ 20,000
Arts in Education Grants	12060-CAT-16005-23	4,218
Total Commission on Arts, Tourism, Culture, History and Film		\$ 24,218
State Comptrollers		
Boat Grant	12027-OSC15910-40211	\$ 33,783
Judicial Branch		
Distribution to Towns	34001-JUD95162-40001	\$ 7,061
State Library		
Connecticard	11000-CSL66051-17010	\$ 1,813
Outreach Program for Children	11000-CSL66051-17003	15,000
Historical Documents Preservation	12060-CSL66094-35150	17,000
Total State Library		\$ 33,813
Department of Education and Services for the Blind		
Services for the Blind	ESB65000-0000	\$ 310,014
Department of Agriculture		
Connecticut Aquaculture Bureau	DAG42500-0000	\$ 47,804
Department of Mental Health and Addiction Services		
Crisis Intervention Training	11000-MHA-53000-16053	\$ 20,000
Department of Higher Education		
Gear - Up Project	11000-DHE66500-12188	\$ 139,857
Total Expenditures of State Financial Assistance Before Exempt Programs		\$ 103,596,808

See Notes to Schedule of Expenditures of State Financial Assistance.

CITY OF NEW HAVEN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

State Grantor/ Pass-Through Grantor/ Program Title	State Grant Program Identification Number	Expenditures
Exempt Programs		
School Construction Magnet Schools	13009-SDE64000-40901	\$ 5,598,430
School Construction Progress Payments	13009-SDE64000-40901	56,230,854
School Construction Projects - Interest	11000-SDE64000-40896	3,736,129
School Construction Projects - Principle	11000-SDE64000-17002	4,936,840
Transportation for School Children - Public	11000-SDE64000-17027	3,707,480
Education Equalization	11000-SDE64000-17041	124,190,833
Special ED-AG. Placements and Excess Costs	11000-SDE64000-17047	2,271,272
Transportation for School Children - Nonpublic	11000-SDE64000-17049	245,614
Total Exempt Programs		\$ 200,917,452
Total Expenditures of State Financial Assistance		\$ 304,514,260

See Notes to Schedule of Expenditures of State Financial Assistance.

CITY OF NEW HAVEN, CONNECTICUT
STATE FINANCIAL ASSISTANCE PROGRAMS

NOTES TO SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

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. These financial assistance programs fund several programs including Education, Public Safety and General Government, Public Works, Health and Social Services and Property Tax Relief for certain individuals.

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of New Haven, Connecticut conform to generally accepted accounting principles 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 contained in the City of New Haven, Connecticut's annual audit report are prepared in conformity with the requirements of the Governmental Accounting Standards Board and conform to generally accepted accounting principals as applicable to municipalities. The following is a summary of such basis:

Revenues are recorded in the accounting period in which they become available and measurable. Those revenues which are susceptible to accrual are property taxes, intergovernmental revenue and interest revenue. Certain special revenue fund grants are measurable at the time all eligibility requirements are met.

Expenditures are recorded when the related liability is incurred except for the following items, which are recorded when payments are made: interest on general long-term debt, vacation pay and sick pay.

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.

CITY OF NEW HAVEN, CONNECTICUT
STATE FINANCIAL ASSISTANCE PROGRAMS

NOTES TO SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Note 2 – Reporting Entity

The City of New Haven, Connecticut, for the purposes of the Schedule of Expenditures of State Financial Assistance, includes all the funds of the primary government. It does not include the New Haven Coliseum Authority and the New Haven Parking Authority.

Note 3 – Clean Water Fund Obligations

At June 30, 2005, the City of New Haven had obligations to the State of Connecticut, through the Department of Environmental Protection's Clean Water Fund Program, totaling \$31,097,170 as follows:

	<u>Date</u> <u>Issued</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Amount</u>	<u>Balance,</u> <u>June 30, 2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance,</u> <u>June 30, 2005</u>
107-C	12/14/90	2%	\$ 1,293,171	387,951		64,659	323,292
108-D	11/26/91	2%	919,997	298,999		46,000	252,999
108-C	6/30/93	2%	7,935,645	3,188,243		398,531	2,789,712
272-D	1/31/94	2%	432,387	185,567		21,620	163,947
108-CD1	10/31/94	2%	529,473	242,043		30,255	211,788
243-C	3/1/95	2%	1,054,378	514,009		52,718	461,291
243-CD1	6/29/95	2%	666,191	367,662		37,708	329,954
272-C	3/31/97	2%	3,314,300	2,085,698		159,066	1,926,632
272-CD2	4/30/99	2%	2,225,629	1,617,089		123,327	1,493,762
350-D	7/31/98	2%	1,141,173	789,487		53,329	736,158
333-C	4/30/97	2%	2,474,972	1,567,299		118,585	1,448,714
350-C	6/30/03	2%	3,364,745	3,091,990		141,816	2,950,174
463-C	1/31/2005	2%	11,236,716		11,236,716	755,102	10,481,614
			<u>\$ 36,588,777</u>	<u>14,336,037</u>	<u>11,236,716</u>	<u>2,002,716</u>	<u>23,570,037</u>
<u>Interim</u>							
<u>Funding</u>							
<u>Obligation</u>							
463-C				9,844,077	1,392,639	11,236,716	
463-CD1					305,073		305,073
563-DC				2,879,074	4,342,986		7,222,060
				<u>\$ 36,588,777</u>	<u>27,059,188</u>	<u>17,277,414</u>	<u>13,239,432</u>
							<u>31,097,170</u>

CITY OF NEW HAVEN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ 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
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X No

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 X No

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
Department of Education:		
Adult Education	11000-SDE64000-17030	\$ 3,511,963
Priority School Districts	11000SDE64000-17043-82052	12,183,106
Magnet School	11000-SDE64000-17057	<u>13,952,048</u>
Total Department of Education Major Programs		\$ <u>29,647,117</u>
Department of Environmental Protection:		
Clean Water Fund	21015-OTT14230-42318	<u>\$ 10,937,152</u>

CITY OF NEW HAVEN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

I. Summary of Audit Results (Continued)

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
Office of Policy and Management:		
Payment In Lieu of Taxes (PILOT) On Private Colleges And General Hospitals	11000-OPM20600-17012	\$ 33,558,075
Payment In Lieu of Taxes (PILOT) On State Owned Property	11000-OPM20600-17004	3,974,710
Payment In Lieu of Taxes (PILOT) For Manufacturing Machinery and Equipment	11000-OPM20600-17031	1,231,939
Mashantucket Pequot Grant	11000-OPM20100-18010	<u>11,296,532</u>
Total Office of Policy And Management Major Programs		\$ <u>50,061,256</u>
Department of Special Revenue:		
Payments To Towns (OTB)	34004-DSR18307-29109	\$ <u>1,288,160</u>
Total Major Programs		\$ <u>91,933,685</u>

II. Summary of Findings Related To Financial Statements Required Under Generally Accepted Government Auditing Standards

- We issued reports, dated November 18, 2005, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no reportable conditions.

CITY OF NEW HAVEN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

III. Findings and Questioned Costs For State Financial Assistance

No findings or questioned costs were reported relating to State Financial Assistance Programs.

IV Findings and Questioned Costs In Accordance With *Government Auditing Standards*

No findings or questioned costs in accordance with *Government Auditing Standards* were reported relating to the financial statements.