

CITY OF HARTFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL
AND COMPLIANCE REPORTS
Year Ended June 30, 2010

CITY OF HARTFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORTS

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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 Court of Common Council
City of Hartford, Connecticut

Compliance: We have audited the City of Hartford, 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 the City of Hartford, Connecticut's major federal programs for the year ended June 30, 2010. The City of Hartford, Connecticut's major federal programs are identified in the summary of 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 are the responsibility of the City of Hartford, Connecticut's management. Our responsibility is to express an opinion on the City of Hartford, 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. 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 Hartford, 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 Hartford, Connecticut's compliance with those requirements.

In our opinion, the City of Hartford, 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, 2010.

Internal Control Over Compliance: Management of the City of Hartford, 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 Hartford, 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 the 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 Hartford, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards: We have audited the financial statements of the governmental activities, the business-type activities, the discretely component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut as of and for the year ended June 30, 2010, and have issued our report thereon dated January 28, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford'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 the management, the Mayor and Members of the Court of Common Council, the Board of Education 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 those specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 28, 2011

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

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:			
Food Donation - Non-cash	10.555	N/A	\$ 483,495
School Breakfast Program	10.553	12060-SDE64370-20508	1,893,707
National School Lunch Program	10.555	12060-SDE64370-20560	7,568,411
Summer Food Service Program for Children	10.559	12060-SDE64370-20540	627,499
Total Child Nutrition Cluster			10,573,112
Child and Adult Care Food Program	10.558	12060-SDE64370-20518	147,907
WIC Farmers' Market Nutrition Program	10.572	12060-DAG42710-20736	3,928
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051	199,795
Passed through the State of Connecticut			
Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	12060-DPH48872-20892	1,188,483
WIC Food Benefits 2010-Non cash	10.557	12060-DPH48872-20892	5,927,933
			7,116,416
Total U.S. Department of Agriculture			18,041,158
U.S. Department of Education			
Direct Programs:			
Smaller Learning Communities	84.215L	N/A	543,702
Passed through the State of Connecticut			
Department of Education:			
Title I Cluster:			
Title I Programs - Local Educational Agencies	84.010	12060-SDE64370-20679	20,750,912
ARRA Title I Improving Basic Programs	84.389	12060-SDE64370-29010	6,216,570
Total Title I Cluster			26,967,482
ARRA Title I Part A, School Improvement, ARRA	84.388	12060-SDE64000-22223	1,265,533
Carl Perkins Vocational and Technical Education - Basic Grants to State	84.048	12060-SDE64370-20742	670,256
Special Education Cluster:			
IDEA, Part B Section 619	84.173	12060-SDE64370-20983	201,064
IDEA, Part B Section 611	84.027	12060-SDE64370-20977	5,506,433
ARRA IDEA, Part B Section 611	84.391	12060-SDE64370-29090	5,746,065
ARRA IDEA, Part B Section 619	84.392	12060-SDE64370-29012	166,960
Total Special Education Cluster			11,620,522

(Continued)

N/A = Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2010

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 - Drug-Free Schools and Communities - State Grants	84.186	12060-SDE64370-20873	290,915
Title II, Part D - Enhancing Education Through Technology	84.318	12060-SDE64370-20826	99,033
Title III, Part A - English Language	84.365	12060-SDE64370-20868	478,584
Education of Homeless Children and Youth	84.196	12060-SDE64370-20770	24,294
Title II, Improving Teacher Quality	84.367	12060-SDE64370-20858	3,820,414
Adult Education	84.002	12060-SDE64370-20784	197,916
Program Improvement Project-Adult Education	84.002A	12060-SDE64370-20784	34,320
Title I Part B, Reading First	84.357	12060-SDE64370-20854	235,487
Stabilization Cluster:			
ARRA Stabilization Gov. Services	84.397	12060-SDE64370-29053	9,530,973
ARRA Stabilization Ed. Grants	84.394	12060-SDE64370-29054	17,286,463
Total Stabilization Cluster			26,817,436
ARRA NSLP Equipment Assistance	10.555	N/A	32,970
Total U.S. Department of Education			73,098,864
U.S. Department of Health and Human Services			
Direct Programs:			
HIV Emergency Relief Project Grants	93.914	N/A	5,143,188
Women's Health Incentive Program	N/A	N/A	3,000
Maternal and Infant Outreach Program	93.110	N/A	3,284
Healthy Hartford Campaign Account	N/A	N/A	2,890
Metro-Hartford HIV Prevention Coalition	93.243	N/A	324,242
			5,476,604
Passed through the State of Connecticut			
Department of Public Health:			
Childhood Lead Poisoning Prevention Projects	93.139	12060-DPH48766-20995	90,206
Vaccines - H1N1 FY 2010	93.069	N/A	90,921
Federal Healthy Start	93.926	N/A	45,648
Vaccines - H1N1 FY 2010	93.268	N/A	25,064
Immunization	93.268	N/A	117,301
Sexually Transmitted Diseases	93.977	12060-DPH48660-20920	60,578
			429,718
Passed through the State of Connecticut			
Department of Social Services:			
Maternal/Child Health Block Grant	93.944	12060-DSS60521-20507	125,000

(Continued)

N/A = Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2010

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, Cont'd.			
Passed through the Massachusetts			
Department of Public Health:			
Center for Disease Control Grant	93.991	VC6000020253	21,998
Total U.S. Department of Health and Human Services			6,053,320
U.S. Department of Homeland Security			
Passed through the State of Connecticut Department of			
Emergency Management and Homeland Security:			
Emergency Management Performance Grants	97.042	12060-EHS99660-21881	33,121
State Homeland Security SHS	97.073	12060-EHS99530-21877	45,000
			78,121
Passed through the United Way:			
Emergency Shelter McKinney-Utility	97.114	N/A	42,278
Total U.S. Department of Homeland Security			120,399
U.S. Department of Housing and Urban Development			
Direct Programs:			
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	N/A	1,263,336
Lead Hazard Reduction Demonstration	14.905	N/A	983,881
Lower Income Housing Assistance Program-			
Section 8 Moderate Rehab	14.856	N/A	1,977,955
Emergency Shelter Grants Program	14.231	N/A	170,899
Home Investment Partnership Program	14.239	N/A	1,698,819
Housing Opportunities for Persons with AIDS	14.241	N/A	1,147,947
Section 8 Housing Choice Vouchers	14.871	N/A	42,686,461
ARRA CDBG Homeless Prevention & Rapid			
Re-housing Program	14.262	N/A	767,955
CDBG - Entitlement Cluster:			
Community Development Block Grant/Entitlement	14.218	N/A	3,926,500
HUD Section 108 Loan and Grant	14.218	N/A	5,518,160
ARRA CDBG Recovery Program (CDBG-R) B-09-MY-09-0006	14.253	N/A	293,114
Total CDBG - Entitlement Cluster			9,737,774
Total U.S. Department of Housing and Urban Development			60,435,027
U.S. Department of Energy			
Direct Programs:			
ARRA EECBG Single Stream Recycling	81.128	N/A	215,100

(Continued)

N/A = Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2010

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 Environmental Protection			
Direct Programs:			
2007 Targeted Grant to Reduce Childhood Lead Poison	66.716	EPA-R9-CED1-07-001	37,059
U.S. Department of Justice			
Direct Programs:			
Smart Sex Offender Management Grant	16.750	N/A	32,872
Project Safe Neighborhood	16.609	N/A	16,508
ARRA Cops Hiring Recovery Program	16.804	N/A	661,647
OJJDP Mentoring	16.541	N/A	29,890
ARRA JAG Grant	16.710	N/A	1,529,576
FBI Safe Streets	16.595	N/A	40,223
Hartford Resident Office DEA	16.595	N/A	16,218
Weed and Seed	16.595	N/A	273,758
Secure our Schools Grant	N/A	N/A	20,483
JAG Grant	16.738	N/A	228,946
Street Smart to Bus Smarts OJJDP	N/A	NA	181,040
Hartford Police Sports and Mentoring Program 2010	16.540	N/A	7,298
Passed through the State Department of Public Safety:			
ARRA- Drug Task Force	16.xxx	N/A	13,500
Total U.S. Department of Justice			3,051,959
U.S. Department of Transportation			
Passed through the State of Connecticut			
Department of Transportation:			
Highway Planning and Construction	20.205	12062-DOT57141-22108	1,562,994
Total Federal Awards Expended			\$ 162,615,880

N/A = Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

Note 1. Basis of Presentation.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hartford, Connecticut and is presented on the modified accrual basis of accounting for grants which are accounted for in the governmental fund types and on the accrual basis of accounting for grants which are accounted for in the propriety fund types. 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 basic financial statements.

Note 2. Non-Cash Awards

U.S.D.A. Contributions – Non-cash

The United States Department of Agriculture makes available commodities for donations to schools. The amount of \$483,495 represents the market value of such commodities used during the period. This amount is included with the Child Nutrition Cluster.

WIC Food Payments - Noncash

The United States Department of Agriculture makes noncash distributions of food vouchers for WIC. The amount of \$5,927,933 represents the market value of such vouchers used during this period.

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

The City has entered into three Federal HUD Section 108 loans.

	June 30, 2009	Issued	Retired	June 30, 2010
Burgdorf/Fleet Health Center	\$ 1,375,000	\$ -	\$ 130,000	\$ 1,245,000
Front Street	1,103,000	3,897,000	-	5,000,000
Total Section 108 Loans	<u>\$ 2,478,000</u>	<u>\$ 3,897,000</u>	<u>\$ 130,000</u>	<u>\$ 6,245,000</u>

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

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? _____ 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 Circular A-133? _____ Yes X No

Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
16.710	JAG Program
14.871	Section 8 Housing Choice Vouchers
84.010/84.389	Title I Programs Cluster
84.394/84.397	ARRA – Stabilization Cluster
16.804	COPS
93.914	HIV Relief Grants
14.218/14.253/14.254	CDBG Cluster
84.027/84.173/84.391/84.392	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs

\$4,878,000

Auditee qualified as low-risk auditee? _____ Yes X No

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2010

II. FINANCIAL STATEMENT FINDINGS

SDIC10-1. Criteria:

The City's tax office should have proper policies in place to prepare a monthly or quarterly tax collector's report to reconcile to the general ledger.

Condition:

There is no tax collector's report that is prepared during the fiscal year. In addition, there is no monthly process to reconcile between tax and general ledger accounts. The reports are all done at year-end.

Context:

Systemic in nature.

Cause:

During fiscal year 2009, the City converted to the new MUNIS general ledger system which was integrated with the existing MUNIS tax system during the year. Reconciliation policies and procedures have not been fully implemented.

Recommendation:

Policies and procedures should be adhered to that will provide guidance on the standard reports and reconciliations that should be prepared monthly and annually. For instance, a tax collectors report should be prepared monthly which would then assist in the reconciliation between the tax system, and the general ledger on a monthly basis. This will allow the City to find inconsistencies as they occur and address them timely.

SDIC10-2. Criteria:

The Student Activity Fund administrators should fully implement the policies and procedures as established in the uniform policies and procedures manual.

Condition:

It was noted that although there are formal policies and procedures for Student Activity funds in relation to the use of funds, documentation of collections, the approval process and the timely completion of bank reconciliations, policies and controls were not being followed at all schools. The Board of Education has begun training to assist in enforcing the controls and in addition, the Board of Education has also begun to perform desk audits at the schools.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2010

Context:

Systemic in nature.

Cause:

Controls are not in place to properly enforce the policies.

Effect:

Proper approvals were not obtained, and improper items could be purchased. In addition, cash collections were not document, and improper use of funds could occur.

Recommendation:

We recommend the Board of Education fully implement the procedures they have written to improve the internal controls over the student activity funds.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF HARTFORD, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2010**

Finding SDIC09-1

Audit Finding:

There is no tax collector's report that is prepared during the fiscal year. In addition, there is no monthly process to reconcile between tax and general ledger accounts. The reports are all done at year-end.

Corrective Action Taken:

Finding repeated in current year.

Finding SDIC09-2

Audit Finding:

Bank reconciliations were performed throughout the year, but reconciling items were not addressed until the end of the year. This left a number of significant items to be investigated at year-end which caused the City to spend an excessive amount time after year end.

Corrective Action Taken:

The City fully implemented reconciliation procedures; finding is not repeated.

Finding SDIC09-3

Audit Finding:

The City's capital asset ledger was not properly maintained during the year. The City had to undergo a significant reconciliation process at year-end to properly identify assets in the adequate categories and depreciate. In addition, even though assets were in use, they were still being maintained in construction in progress not be depreciated.

Corrective Action Taken:

Finding was partially remediated and included as a control deficiency.

Finding SDIC09-4

Audit Finding:

It was noted that there are no formal policies and procedures for Student Activity funds, in relation to the use of funds, documentation of collections, the approval process and the timely completion of bank reconciliations.

Corrective Action Taken:

Finding repeated in current year.

Finding SDIC09-5

Audit Finding:

The Board of Education does not maintain its school lunch fund on their accounting software system.

Corrective Action Taken:

The Board of Education prepared a study and determined it would not be beneficial to use the MUNIS System, as the current system is operating effectively.



**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 Court of Common Council
City of Hartford, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the City of Hartford, Connecticut's basic financial statements, and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting: In planning and performing our audit, we considered the City of Hartford, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford, 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 a 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 certain 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 (Items SDIC10-1 through SDIC10-2). 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 Hartford, 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 also noted certain matters that we reported to the management of the City of Hartford, Connecticut in a separate letter dated January 28, 2011.

This report is intended solely for the information and use of the management, the Mayor and Members of the Court of Common Council, the Board of Education 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 those specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 28, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE
AUDIT ACT AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE**

To the Honorable Mayor and Members
of the Court of Common Council
City of Hartford, Connecticut

Compliance: We have audited the City of Hartford, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City of Hartford, Connecticut's major state programs for the year ended June 30, 2010. The City of Hartford, Connecticut's major state programs are identified in the summary of 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 state programs is the responsibility of the City of Hartford, Connecticut's management. Our responsibility is to express an opinion on the City of Hartford, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Hartford, 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 Hartford, Connecticut's compliance with those requirements.

In our opinion, the City of Hartford, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010.

Internal Control Over Compliance: Management of the City of Hartford, 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 Hartford, 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 Hartford, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance: We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut as of and for the year ended June 30, 2010, and have issued our report thereon dated January 28, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford, Connecticut's basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Mayor and Members of the Court of Common Council, the Board of Education of the City of Hartford, 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 those specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 28, 2011

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2010

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
OFFICE OF POLICY AND MANAGEMENT:		
Property Tax Disability Exemption	11000-OPM20600-17011	\$ 10,986
Property Tax Relief on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	48,501
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	356,796
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	3,984
Property Tax Relief for Veterans	11000-OPM20600-17024	62,891
Property Tax Relief for Manufacturing, Machinery, Equipment and Commercial Vehicles	11000-OPM20600-17031	1,609,649
Total Child Nutrition Cluster	11000-OPM20600	17,891
Local Capital Improvement Program	12050-OPM20600-40254	1,794,613
Municipal Video Competition	12060-OPM20600-35362	9,393
Total Office of Policy and Management		3,914,704
DEPARTMENT OF EDUCATION:		
Child Nutrition Program-State Match	11000-SDE64000-16072-82051	148,023
Family Resource Center	11000-SDE64000-16110	461,625
Adult Education	11000-SDE64000-17030	1,998,000
Health Services	11000-SDE64000-17034	75,103
Bilingual Education	11000-SDE64000-17042	280,869
Priority School Districts	11000-SDE64000-17043-82052	6,298,095
Extended School Hours	11000-SDE64000-17043-82054	417,815
Summer School Accountability Grant	11000-SDE64000-17043-82055	455,081
Interdistrict Cooperative Grant	11000-SDE64000-17045	307,650
School Breakfast Program	11000-SDE64000-17046	149,577
Youth Services Bureau	11000-SDE64000-17052	10,000
Youth Services Bureau-Enhancement	11000-SDE64370-16201	160,722
Open Choice	11000-SDE64000-17053	105,020
Magnet Schools	11000-SDE64000-17057	26,510,120
School Readiness Quality Enhancement	12060-SDE64000-90242	194,517
Sheff Settlement	11000-SDE64370-12457	843,075
Healthy Food Grant	11000-SDE64370-16072-82010	322,087
Magnet School Transportation	11000-SDE64370-17057-82061	1,233,387
Adult Education	11000-SDE64000-17030	727,594
Early Learning Center	N/A	1,696,961
After School Program	11000-SDE64000-17084	90,619
School Readiness	11000-SDE64000-17043-82056	10,840,758
Minor Capital Improvements and Wiring- School Readiness Centers	12052-SDE64000-42861	46,285
Total Department of Education		53,372,983

(Continued)

N/A= Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2010

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
DEPARTMENT OF TRANSPORTATION:		
Town Aid Road Grants	12001-DOT57000-17036	613,175
Bus Operations	12001-DOT57000-12175	73,406
Comprehensive DUI Enforcement	N/A	134,220
Operations - Safe the Streets	12062-DOT57343-20559	55,832
Distracted Driving Enforcement	N/A	20,600
Total Department of Transportation		897,233
EDUCATION AND SERVICES FOR THE BLIND:		
Services for the Blind	11000-ESB65020-12060	14,580
CHILDRENS TRUST FUND:		
Community-Based Child Abuse and Neglect Program	11000-CTF94000-12042	191,807
OFFICE OF THE STATE COMPTROLLER:		
PILOT on State Owned Property	11000-OSC15910-17004	11,508,085
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OSC15910-17006	23,191,376
Boat Grant	12027-OSC15910-40211	6,542
Total Office of the State Comptroller		34,706,003
JUDICIAL DEPARTMENT:		
Building Bridges	11000-JUD96114-12043-057	122,879
Juvenile Review Board	11000-JUD91178-26043	50,000
Hartford Juvenile Review Board	11000-JUD96114-12105	150,000
Total Judicial Department		322,879
CONNECTICUT STATE LIBRARY:		
Historic Documents Preservation Grant	12060-CSL66094-35150	39,514
DEPARTMENT OF SOCIAL SERVICES:		
Senior End Senior Center	11000-DSS60000-16123	55,409
Healthy Start	11000-DSS60521-41002	329,208
Housing/Homeless Services	11000-DSS60783-17038	305,262
Total Department of Social Services		689,879
DEPARTMENT OF CHILDREN AND FAMILIES:		
DCF - Family Enrichment Services	110000-DCF91110-12304	26,906

(Continued)

N/A= Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2010

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
DEPARTMENT OF REVENUE SERVICES:		
Payments to Municipalities-Bingo	34003-DSR18309-42350	33,915
DEPARTMENT OF ENVIRONMENTAL PROTECTION:		
Local Flood and Erosion Project	Various	586,143
Hyland Park Improvements	N/A	59,345
Community and Conservation	13019-DEP43153-41239	3,822
Lozada Park	12052-DEP43153-40519	350,000
Total Department of Environmental Protection		999,310
DEPARTMENT OF PUBLIC HEALTH:		
Immunization Program	11000-DPH48664-10020	5,211
AIDS Services	11000-DPH48500-12236	1,937
Health Block Grant	N/A	34,144
H1N1 Vaccination	N/A	77,426
Public Health Preparedness	N/A	74,730
Tuberculosis Control and Prevention	11000-DPH48666-16112	44,215
Women's Healthy Heart	N/A	733
Per capita	11000-DPH48500-17009	146,984
Sexually Transmitted Disease Control	11000-DPH48500-17013	41,150
School-Based Health Clinics	11000-DPH48500-17019	721,213
Childhood Lead Poisoning	11000-DPH48766-12227	44,212
Total Department of Public Health		1,191,955
DEPARTMENT OF PUBLIC SAFETY:		
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	175,378
Emergency Management Performance Grant	N/A	33,121
Public Safety Training Grant	N/A	5,654
911 Enhancement Grant	N/A	564,392
Total Department of Public Safety		778,545
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT:		
Tax Abatement Program	11000-ECD46400-17008	510,886
Payment in Lieu of Taxes (PILOT)	11000-ECD46400-17012-039	432,486
Park Streetscape	N/A	215
Parkville	N/A	47,584
Neighborhood Stabilization	12060-ECD46400-22324	1,253,501
Demolition & Redevelopment	12059-ECD46050-40577	2,660,786
TOTAL DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		4,905,458
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS		102,085,671

(Continued)

N/A= Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2010

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION:		
Department of Education Public School Transportation	11000-SDE64000-17027	2,707,561
Education Cost Sharing	11000-SDE64000-17041	160,387,499
Excess Cost - Student Based	11000-SDE64000-17047	9,915,054
Non-Public School Transportation	11000-SDE64000-17049	101,995
School Construction - Interest	13009-SDE64000-40896	708,624
School Construction - Progress Payment	13009-SDE64000-40901	1,609,485
School Construction - Principal	13010-SDE64000-40901	70,787,325
		<u>246,217,543</u>
OFFICE OF THE STATE COMPTROLLER:		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	<u>8,783,940</u>
Total Exempt Programs		<u>255,001,483</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>\$ 357,087,154</u></u>

CITY OF HARTFORD, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE For the Year Ended June 30, 2010

Various departments and agencies of the State of Connecticut have provided financial assistance to the City of Hartford, 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 Hartford, 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 Hartford'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 full 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 also prepared 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 as awards in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Note 2. LOAN PROGRAMS

In accordance with Section 426-23(a)4(f) of the regulations to the State Single Audit Act, the notes to the Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2010:

Department of Environmental Protection

Clean Water Funds 21014-OTT4230-4001

Balance July 1, 2009		Issued		Retired		Balance June 30, 2010
\$	1,745,000	\$	-	\$	80,000	\$ 1,665,000

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF STATE SINGLE AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

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? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> X </u> Yes | <u> </u> None reported |

Noncompliance material to financial statements noted?

 Yes X No

State Financial Assistance

Internal control over major programs:

- | | | |
|---|---------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> 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? | <u> </u> Yes | <u> X </u> No |
|---|---------------------|-----------------|

CITY OF HARTFORD, CONNECTICUT**SCHEDULE OF STATE SINGLE AUDIT FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2010**

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

State Grantor and Program	State CORE-CT Number	Expenditures
Department of Education Magnet School-Operating	11000-SDE64370-17057	\$ 26,510,120
Office of the State Comptroller PILOT on State Owned Property	11000-OSC15910-17004	11,508,085
Payment in Lieu of Taxes (PILOT) on Private and General/Chronic Disease Hospitals	11000-OSC15910-17006	23,191,376
<ul style="list-style-type: none">Dollar threshold used to distinguish between type A and type B programs		<u>\$2,041,000</u>

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated January 28, 2011, on internal control over financial reporting and compliance and other matters based on an audit of basic financial statements performed in accordance with the standards applicable to financial audits contained in "Government Auditing Standards."
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no matters that we consider to be material weaknesses and two matters that we consider to be significant deficiencies.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.