

**THE METROPOLITAN DISTRICT**

**FEDERAL SINGLE AUDIT REPORT**

**DECEMBER 31, 2011**

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**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards**

To the Members of the Board of Finance  
The Metropolitan District  
Hartford, Connecticut

**Compliance**

We have audited the compliance of The Metropolitan District (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2011. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District'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*. 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 District'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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

## **Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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, each major fund and the aggregate remaining fund information of the District as of and for the year ended December 31, 2011 and have issued our report thereon dated June 29, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Blum, Shapiro & Company, P.C.*

June 29, 2012

**THE METROPOLITAN DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Awarding Agency/Pass-Through Grantor/State Project Number	CFDA Number	Loan Proceeds	Grant Expenditures	Total Expenditures
<b>Environmental Protection Agency</b>				
Capitalization Grants for Clean Water State Revolving Funds:				
CWF619D	66.458	\$ 4,195,728	\$ 4,195,728	\$ 8,391,456
CWF619C1	66.458	2,338,635	2,328,134	4,666,769
CSF578CD1	66.458	60,530		60,530
CSL166C	66.458	5,378,079		5,378,079
CWF626C	66.458	4,459,537		4,459,537
CWF633C	66.458	4,516,886	1,129,221	5,646,107
CWF639C	66.458	19,111,154	7,571,203	26,682,357
				55,284,835
ARRA Capitalization Grants for Clean Water State Revolving Funds:				
CWF626C	66.458	728,888	4,488,312	5,217,200
CWF633C	66.458	2,448,716	612,179	3,060,895
				8,278,095
		Total clean water state revolving funds		63,562,930
ARRA Capitalization Grants for Drinking Water State Revolving Funds:				
DWSRF#2010-8008	66.468	13,663		13,663
DWSRF#2010-8009	66.468	15,632	20,305	35,937
		Total drinking water state revolving funds		49,600
<b>United States Department of Health and Human Services</b>				
Early Retiree Reinsurance Program	93.546		219,979	219,979
<b>Department of Homeland Security</b>				
<i>Direct Grant:</i>				
Disaster Grants	97.036		157,454	157,454
<i>Passed Through the State of Connecticut Department of Emergency Management and Homeland Security:</i>				
Target Hardening	97.078		120,405	120,405
		Total Department of Homeland Security		277,859
<b>Total Federal Awards Expended</b>				\$ 64,110,368

The accompanying notes are an integral part of this schedule

**THE METROPOLITAN DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Various agencies of the Federal Government have made financial assistance available to The Metropolitan District (the District). These grants fund several programs including clean water, human services, homeland security and general government activities.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**Basis of Accounting** - Clean and Drinking Water grants are recognized as revenue as qualifying expenditures are made. Clean and Drinking Water loans in governmental funds are recognized as debt proceeds, and loans in proprietary funds are recognized as debt as qualifying expenditures are made. The recognition of grants and loans in the accompanying schedule of expenditures of federal awards is consistent with recognition for financial reporting purposes.

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*.

**NOTE 2 - FEDERAL AND STATE ASSISTANCE**

The federal awards reported in the schedule of expenditures of federal awards include both federal and state revolving funds, as the federal portion is not readily determinable because it is unclear whether non-ARRA federal clean and drinking water funds retain their federal character once they become part of the state revolving fund.

**NOTE 3 - CLEAN WATER AND DRINKING WATER LOAN BALANCES**

The balances in clean water and drinking water loans are as follows:

Clean Water - interim funding obligations	\$ 96,574,714
Clean Water - permanent loan obligations	49,290,572
Drinking Water - interim funding obligations	722,079
Drinking Water - permanent loan obligations	<u>6,327,202</u>
 Total Loans	 <u>\$ 152,964,466</u>



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

To the Members of the Board of Finance  
The Metropolitan District  
Hartford, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the The Metropolitan District (the District) as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District'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 District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 management, the Board of Finance, the Board of Commissioners, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Blum, Shapiro & Company, P.C.*

June 29, 2012

**THE METROPOLITAN DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ yes        X   no

Identification of major program:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes      \_\_\_\_\_ no

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.