

CITY OF NORWICH, CONNECTICUT

STATE SINGLE AUDIT REPORT
JUNE 30, 2018

**CITY OF NORWICH, CONNECTICUT
STATE SINGLE AUDIT REPORT
JUNE 30, 2018
TABLE OF CONTENTS**

| | |
|--|-------|
| Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act | 1-3 |
| Schedule of Expenditures of State Financial Assistance | 4-7 |
| Notes to Schedule of Expenditures of State Financial Assistance | 8-9 |
| 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 <i>Government Auditing Standards</i> | 10-11 |
| Schedule of Findings and Questioned Costs | 12 |

Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

To the Members of the City Council
City of Norwich, Connecticut

Report on Compliance for Each Major State Program

We have audited the City of Norwich, 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 Norwich, Connecticut's major state programs for the year ended June 30, 2018. The City of Norwich, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Norwich, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. 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 Norwich, 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 on compliance for each major state program. However, our audit does not provide a legal determination of the City of Norwich, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the City of Norwich, Connecticut, complied, in all material respects, with the types of 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, 2018.

Report on Internal Control over Compliance

Management of the City of Norwich, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Norwich, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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 Norwich, 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

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 City of Norwich, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Norwich, Connecticut's basic financial statements. We issued our report thereon dated December 12, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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 state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 12, 2018

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

| State Grantor/Pass-Through Grantor/ Program Title | State Grant Program Core-CT Number | Passed Through to Subrecipients | Expenditures |
|--|---|--|---------------------|
| Department of Education | | | |
| Commissioner's Network | 11000-SDE64370-12547 | \$ | 190,000 |
| School-Based Diversion Initiative | 11000-SDE64370-12587 | | 50,000 |
| Family Resource Centers | 11000-SDE64370-16110 | | 100,000 |
| Youth Service Bureau Enhancement | 11000-SDE64370-16201 | | 7,005 |
| Child Nutrition State Match | 11000-SDE64370-16211 | | 23,924 |
| Health Foods Initiative | 11000-SDE64370-16212 | | 45,224 |
| Adult Education | 11000-SDE64370-17030 | | 327,352 |
| Health Services | 11000-SDE64370-17034 | | 104,363 |
| Alliance District | 11000-SDE64370-17041-82164 | | 3,893,121 |
| Bilingual Education | 11000-SDE64370-17042 | | 23,127 |
| Summer School Accountability Grant | 11000-SDE64370-17043-82055 | | 105,988 |
| Extended School Hours Program Grant | 11000-SDE64370-17043-82054 | | 90,615 |
| Priority School Districts | 11000-SDE64370-17043-82052 | | 830,376 |
| School Breakfast Program | 11000-SDE64370-17046 | | 34,727 |
| Youth Service Bureaus | 11000-SDE64370-17052 | | 66,779 |
| Magnet Schools | 11000-SDE64370-17057 | | 85,800 |
| Low-Performing Schools Improvement | 12052-SDE64370-43594 | | <u>248,752</u> |
| Total Department of Education | | | <u>6,227,153</u> |
| Connecticut State Library | | | |
| Historic Document Preservation | 12060-CSL66094-35150 | | <u>5,000</u> |
| Department of Administrative Services | | | |
| Alliance District General Improvements | 12052-DAS27635-43651 | | <u>580,000</u> |
| Department of Children and Families | | | |
| Juvenile Justice Outreach Services | 11000-DCF91100-16043 | | <u>7,430</u> |
| Department of Consumer Protection | | | |
| Payments to Municipalities - Bingo | 34003-DCP39930-42350 | | <u>116</u> |

The accompanying notes are an integral part of this schedule

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| State Grantor/Pass-Through Grantor/ Program Title | State Grant Program Core-CT Number | Passed Through to Subrecipients | Expenditures |
|---|---|--|---------------------|
| Department of Energy and Environmental Protection | | | |
| Clean Water Fund - Grant | 21014-DEP43720-40001 | \$ | 111,623 |
| Clean Water Revenue Bonds | 21015-DEP43720-42318 | | 1,102,803 |
| America the Beautiful | 12060-DEP35402-65099 | | <u>3,236</u> |
| Total Department of Energy and Environmental Protection | | | <u>1,217,662</u> |
| Department of Housing | | | |
| Payment in Lieu of Taxes | 11000-DOH46920-17012 | | <u>170,709</u> |
| Department of Transportation | | | |
| Town Aid Road Grants-Municipal | 12052-DOT57131-43455 | | 247,970 |
| Town Aid Road-STO | 13033-DOT57131-43459 | | <u>247,970</u> |
| Total Department of Transportation | | | <u>495,940</u> |
| Department of Public Health | | | |
| Drinking Water Revenue Bonds | 21018-DPH48770-42319 | | <u>2,748,490</u> |
| Department of Emergency Services and Public Protection | | | |
| Drug Asset Forfeiture Account | 12060-DPS32155-35142 | | 41,977 |
| Nuclear Emergency Safety Fund | 12060-DPS32982-90428 | | <u>32,342</u> |
| Total Department of Emergency Services and Public Protection | | | <u>74,319</u> |
| Department of Social Services | | | |
| Medicaid | 11000-DSS60000-16020 | | 176,676 |
| Teen Pregnancy Prevention | 11000-DSS60785-17032 | | <u>65,039</u> |
| Total Department of Social Services | | | <u>241,715</u> |
| Economic and Community Development | | | |
| Brownfield Remediation & Development | 12060-ECD46260-35533 | | 265,421 |
| Urban Action Grant | 13019-ECD46000-41236 | | <u>47,276</u> |
| Total Economic and Community Development | | | <u>312,697</u> |
| Mental Health and Addiction Services | | | |
| Substance Abuse Prevention & Treatment Block Grant | 12060-MHA53282-21782 | | <u>7,142</u> |

The accompanying notes are an integral part of this schedule

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| State Grantor/Pass-Through Grantor/ Program Title | State Grant Program Core-CT Number | Passed Through to Subrecipients | Expenditures |
|--|---|--|---------------------|
| Office of Early Childhood | | | |
| Child Care Quality Enhancement | 11000-OEC64845-16158 | \$ | 10,906 |
| Early Care and Education | 11000-OEC64845-16274 | \$ 882,201 | 2,335,348 |
| School Readiness Quality Enhancement | 11000-OEC64845-17097 | | 9,214 |
| Smart Start | 12060-OEC64845-35586 | | 75,000 |
| Total Office of Early Childhood | | 882,201 | 2,430,468 |
| Office of Policy and Management | | | |
| Payment in Lieu of Taxes (PILOT) on State-Owned Property | 11000-OPM20600-17004 | | 612,634 |
| Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals | 11000-OPM20600-17006 | | 747,378 |
| Property Tax Relief on Property of Totally Disabled Persons | 11000-OPM20600-17011 | | 5,789 |
| Property Tax Relief For Veterans | 11000-OPM20600-17024 | | 19,329 |
| Local Capital Improvement | 12050-OPM20600-40254 | | 624,255 |
| Municipal Purposes & Projects | 12052-OPM20600-43587 | | 187,132 |
| Total Office of Policy and Management | | | 2,196,517 |
| Probate Court Administration | | | |
| Probate Court Administration | 12005-PCA98529-40007 | | 44,510 |
| Department of Labor | | | |
| Employment for Youth Involved with DCF | 12060-DOL40000-90615 | | 10,163 |
| Total State Financial Assistance Before Exempt Programs | | 882,201 | 16,770,031 |
| Exempt Programs | | | |
| Department of Education | | | |
| Education Cost Sharing | 11000-SDE64370-17041-82010 | | 32,101,759 |
| Excess Cost - Student Based | 11000-SDE64370-17047 | | 1,103,163 |
| Total Department of Education | | | 33,204,922 |

The accompanying notes are an integral part of this schedule

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| <u>State Grantor/Pass-Through Grantor/ Program Title</u> | <u>State Grant Program Core-CT Number</u> | <u>Passed Through to Subrecipients</u> | <u>Expenditures</u> |
|--|---|--|----------------------|
| Office of Policy and Management | | | |
| Municipal Transition | 11000-OPM20600-17103 | \$ | 577,012 |
| Municipal Stabilization Grant | 11000-OPM20600-17104 | | 618,620 |
| Grants To Towns | 12009-OPM20600-17005 | | <u>1,912,306</u> |
| Total Office of Policy and Management | | | <u>3,107,938</u> |
| Total Exempt Programs | | | <u>36,312,860</u> |
| Total State Financial Assistance | | \$ <u>882,201</u> | \$ <u>53,082,891</u> |

The accompanying notes are an integral part of this schedule

**CITY OF NORWICH, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of the City of Norwich, Connecticut, under programs of the State of Connecticut for the year ended June 30, 2018. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of the City of Norwich, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the City of Norwich, Connecticut.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Norwich, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Expenditures reported on the Schedule are presented on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, 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.

NOTE 3 - LOAN PROGRAMS

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of 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, 2018:

Department of Energy and Environmental Protection:

Clean Water Funds:

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Original Amount</u> | <u>Balance Beginning</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance Ending</u> |
|---|-------------------|----------------------|------------------------|--------------------------|---------------|----------------|-----------------------|
| CWF Note (298-C) | 06/30/00 | 2.0% | \$ 1,508 | \$ 151 | \$ | \$ 77 | \$ 74 |
| CWF Note (9714-C) | 12/31/02 | 2.8 | 1,899 | 516 | | 109 | 407 |
| CWF Note (349-C) | 12/31/02 | 2.0 | 881 | 228 | | 49 | 179 |
| CWF Note (200801-C) | 07/01/09 | 2.3 | 450 | 268 | | 22 | 246 |
| Drinking Water State Revolving Fund (2010-8006) | 03/31/10 | 2.1 | 326 | 212 | | 16 | 196 |
| Drinking Water State Revolving Fund (2010-8005) | 03/31/10 | 2.1 | 145 | 90 | | 7 | 83 |
| CWF Note (625-D) | 12/31/12 | 2.0 | 1,865 | 1,410 | | 84 | 1,326 |
| CWF Note (495-C) | 05/31/13 | 2.0 | 5,748 | 4,455 | | 259 | 4,196 |

**CITY OF NORWICH, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Original Amount</u> | <u>Balance Beginning</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance Ending</u> |
|---|-------------------|----------------------|------------------------|--------------------------|---------------|----------------|-----------------------|
| Drinking Water State Revolving Fund (2011-7005) | 04/30/14 | 2.0% | \$ 160 | \$ 133 | \$ | \$ 9 | \$ 124 |
| Drinking Water State Revolving Fund (2011-7006) | 04/30/14 | 2.0 | 148 | 122 | | 8 | 114 |
| CWF Note (625-D1) | 05/31/15 | 2.0 | 2,510 | 2,127 | | 128 | 1,999 |
| Drinking Water State Revolving Fund (2014-7027) | 06/30/15 | 2.3 | 506 | 443 | | 26 | 417 |
| Drinking Water State Revolving Fund (2014-7036) | 05/31/16 | 2.0 | 4,052 | 3,732 | | 204 | 3,528 |
| Drinking Water State Revolving Fund (2015-7037) | 10/31/16 | 2.0 | 1,528 | 1,464 | | 83 | 1,381 |
| CWF Note (707-PD) | * | * | * | - | 862 | | 862 |
| Drinking Water State Revolving Fund (2017-7056) | * | * | * | - | 2,324 | | 2,324 |

* Loan not permanently financed at this time

**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 City Council
City of Norwich, Connecticut

We have audited, in accordance with the 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwich, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Norwich, Connecticut's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Norwich, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Norwich, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Norwich, Connecticut's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Norwich, Connecticut's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Norwich, Connecticut's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Norwich, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 12, 2018

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

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

State Financial Assistance

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____ yes X no

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

| <u>State Grantor and Program</u> | <u>State Core-CT Number</u> | <u>Expenditures</u> |
|--|-----------------------------|---------------------|
| Office of Policy and Management: | | |
| Payment in Lieu of Taxes (PILOT) on State-Owned Property | 11000-OPM20600-17004 | \$ 612,634 |
| Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals | 11000-OPM20600-17006 | 747,378 |
| Department of Energy and Environmental Protection: | | |
| Clean Water Revenue Bonds | 21015-DEP43720-42318 | 1,102,803 |
| Clean Water Revenue - Grant | 21014-DEP43720-40001 | 111,623 |
| Department of Public Health: | | |
| Drinking Water Revenue Bonds | 21018-DPH48770-42319 | 2,748,490 |
| Department of Education: | | |
| Adult Education | 11000-SDE64370-17030 | 327,352 |
| Alliance District | 11000-SDE-64370-17041-82164 | 3,893,121 |
| Dollar threshold used to distinguish between type A and type B programs: | | \$ 335,401 |

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.