



City of Norwich, CT 2022 Audit Results Presentation

March 6, 2023

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Agenda

- Audit Scope
- Reporting Results
- Financial Highlights
- Required Communications
- Contact Information



Audit Scope

- Audit work is performed under:
 - Generally Accepted Auditing Standards (GAAS)
 - Express opinion on whether the basic financial statements are presented in accordance with Generally Accepted Accounting Principals (GAAP).
 - Generally Accepted Governmental Auditing Standards (GAGAS)
 - Provide a report on internal control over financial reporting and on compliance with laws, regulations, contracts and grants.



Audit Scope

- Under Uniform Guidance (Federal Single Audit) and State of Connecticut Single Audit Act
 - Express an opinion on compliance related to major federal and state award programs.
 - Provide a report on internal control over compliance related to major federal award programs.



Reporting Results

- Under Generally Accepted Auditing Standards
 - **Unmodified opinions** on the financial statements as of and for the year ended June 30, 2022.
- Under Generally Accepted Governmental Auditing Standards
 - Report on internal control over financial reporting
 - We noted no matters that we considered to be a material weaknesses.
 - Report on compliance with laws, regulations, contracts and grants
 - The results of our tests disclosed no instances of noncompliance.



Reporting Results

- Under Uniform Guidance (Federal Single Audit)
 - Opinion(s) on compliance requirements related to major federal programs
 - Unmodified opinions on compliance requirements.
 - Federal Programs
 - Community Development Block Grant
 - COVID 19 – American Rescue Plan Act
 - Title I
 - COVID 19 – Elementary and Secondary School Emergency Relief (ESSER) Fund



Reporting Results

- Under State of Connecticut Single Audit Act
 - Opinion(s) on compliance requirements related to major state programs
 - Unmodified opinions on compliance requirements.
 - State Programs
 - Department of Education
 - Alliance District
 - Department of Transportation
 - Town Aid Road- STO and Municipal Grants
 - Local Transportation Capital Program
 - Let's Go CT Ramp-Up Program
 - Office of Policy & Management
 - Tiered PILOT
 - Local Capital Improvement
 - MRSA –Tiered PILOT



Reporting Results

- Under Uniform Guidance (Federal Single Audit) and State of Connecticut Single Audit Act
 - Reports on internal control over major federal program compliance requirements and state major program compliance requirements
 - The results of our tests disclosed no instances of non-compliance.



Balance Sheet 6/30/2022

- Total & Unassigned fund balance in the general fund at 6/30/2022 was \$17.4MM. That amount represents 12.9% of total budgetary expenditure and transfers out.
- Overall fund balance increased \$376K in the General Fund for the fiscal year.

	General	Bond Expenditure	Education Grants	General Governmental Grants and Programs	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 38,882		\$		\$ 1,417	\$ 38,399
Investments	40,467				1,004	42,371
Receivables, Net	5,527		2,373	25	9,257	17,182
Lease Receivable	1,723					1,723
Due from Other Funds	4,799	67,056	1,575	22,164	25,729	121,323
Other Assets					55	55
Total Assets	\$ 89,498	\$ 67,056	\$ 3,948	\$ 22,189	\$ 38,362	\$ 221,053
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts and Other Payables	\$ 8,901	\$ 100	\$ 2,194	\$ 60	\$ 2,080	\$ 11,325
Due to Other Funds	58,529		1,339		1,350	61,218
Unearned Revenue	308		462	22,125	737	23,650
Total Liabilities	66,738	100	4,005	22,185	4,167	96,193
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	3,490				299	3,789
Unavailable Revenue - Special Assessments	1,157				77	1,234
Unavailable Revenue - Leases	1,723				4,071	5,794
Total Deferred Inflows of Resources	6,370	-	-	-	4,447	10,817
FUND BALANCES						
Nonspendable					1,920	1,920
Restricted					1,405	1,405
Committed		68,956		4	26,552	93,512
Assigned						-
Unassigned	17,392		(57)		(129)	17,206
Total Fund Balances	17,392	68,956	(57)	4	29,748	114,043
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 89,498	\$ 67,056	\$ 3,948	\$ 22,189	\$ 38,362	\$ 221,053



Statement of Revenues, Expenditures and Changes in Fund Balance 6/30/2022

- Bond Expenditure Fund Balance increased \$50.4MM due to the recognition of the long-term interfund receivable from DPU related to the issuance of the Pension Obligation Bonds.

	General	Bond Expenditure	Education Grants	General Government Grants and Programs	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes, Interest, and Liens	\$ 86,156				\$ 4,656	\$ 90,812
Intergovernmental Revenues	48,907		24,477	3,632	10,396	87,412
Charges for Services	3,226		148		2,437	5,811
Licenses, Permits, and Fees	886					886
Investment Income	159				200	359
Other	287	52,670			15,431	68,388
Total Revenues	139,621	52,670	24,625	3,632	33,120	253,668
EXPENDITURES						
Current:						
General Government	6,110				641	6,751
Public Safety	21,053	144,272		3,583	9,160	178,068
Social Services	2,187				2,465	4,672
Public Works	11,279				202	11,481
Education	93,157		25,608		4,015	122,780
Other	2,738					2,738
Capital Outlay		2,880			4,185	7,065
Debt Service					5,387	5,387
Total Expenditures	136,524	147,152	25,608	3,583	26,075	338,942
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	3,097	(94,482)	(983)	49	7,045	(85,274)
OTHER FINANCING SOURCES (USES)						
Transfers In	5,501	99		17	11,798	17,415
Transfers Out	(8,222)	(217)			(328)	(8,767)
Issuance of General Obligation Bonds		145,000				145,000
Issuance of Refunding Bonds						-
Payment to Refunded Escrow Agent						-
Bond Premiums						-
Proceeds from Capital Lease Issuance						-
Total Other Financing Sources (Uses)	(2,721)	144,882	-	17	11,470	153,648
NET CHANGE IN FUND BALANCES						
	376	50,400	(983)	66	18,515	68,374
Fund Balances - Beginning of Year	17,016	16,556	926	(62)	11,233	45,669
FUND BALANCES - END OF YEAR	\$ 17,392	\$ 66,956	\$ (57)	\$ 4	\$ 29,748	\$ 114,043



Governmental Activities – Long Term Debt

- General Obligation Bonds increased significantly due to the issuance of Pension Obligation Bonds.
- The Net Pension Liability as of year is \$35.6MM, a decrease of \$30.5MM related to the Pension Obligation Bond Issuance.
- The Net OPEB Obligation increased slightly for the year.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Bonds Payable:				
General Obligation Bonds	\$ 46,395	\$ 145,000	\$ 4,125	\$ 187,270
Add Unamortized Premiums	2,105	-	154	1,951
Total Bonds Payable	<u>48,500</u>	<u>145,000</u>	<u>4,279</u>	<u>189,221</u>
Compensated Absences	3,582	-	249	3,333
Landfill Closure	134	-	17	117
Notes Payable	125	-	62	63
Net Pension Liability	66,074	-	30,466	35,608
Net OPEB Liability	24,655	1,232	-	25,887
Risk Management Claims	5,973	19,717	19,248	6,442
Total Governmental Activities Long-Term Liabilities	<u>\$ 149,043</u>	<u>\$ 165,949</u>	<u>\$ 54,321</u>	<u>\$ 260,671</u>



Business-Type Activities – Long Term Debt

- The Net Pension Liability as of year is \$15.9MM, a decrease of \$21.5MM which was positively affected by the issuance of the Pension Obligation Bond Issuance.
- The Net OPEB Obligation decreased slightly for the year.

	Beginning Balance	Additions	Reductions	Ending Balance
Business-Type Activities:				
Bonds and Notes Payable:				
Notes Payable	\$ 1,154	\$ -	\$ 395	\$ 759
State of Connecticut - Serial Note	26,139	467	1,549	25,057
Total Bonds and Notes Payable	27,293	467	1,944	25,816
Compensated Absences	5,144	2,252	1,970	5,426
Lease Liability		782	139	643
Workers' Compensation	898	502	235	1,165
Net Pension Liability	37,357	-	21,478	15,879
Net OPEB Liability	8,063	-	1,158	6,905
Total Business-Type Activities Long-Term Liabilities	<u>\$ 78,755</u>	<u>\$ 4,003</u>	<u>\$ 26,924</u>	<u>\$ 55,834</u>



Pension & OPEB Trust Funds

	City Employee Pension Trust Fund	Volunteer Fire Pension Trust Fund	Other Postemployment Benefit Trust Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 144,718	\$ 357	\$ 4,684	\$ 149,759
Plan Members	4,062	14	10	4,086
Total Contributions	<u>148,780</u>	<u>371</u>	<u>4,694</u>	<u>153,845</u>
Investment Income:				
Net Gain (Loss) in Fair Value of Investments	(31,284)	(691)	(4,725)	(36,700)
Interest and Dividends	5,537	138	759	6,434
Total Investment Income	<u>(25,747)</u>	<u>(553)</u>	<u>(3,966)</u>	<u>(30,266)</u>
Less Investment Expense	(785)	(22)	(77)	(884)
Net Investment Income	<u>(26,532)</u>	<u>(575)</u>	<u>(4,043)</u>	<u>(31,150)</u>
Total Additions	122,248	(204)	651	122,695
DEDUCTIONS				
Benefits	20,195	400	3,274	23,869
Administration	352	10	30	392
Lump-Sum Distributions and Withdrawals	527			527
Total Deductions	<u>21,074</u>	<u>410</u>	<u>3,304</u>	<u>24,788</u>
CHANGE IN NET POSITION	101,174	(614)	(2,653)	97,907
Net Position - Beginning of Year	<u>224,695</u>	<u>3,932</u>	<u>32,672</u>	<u>261,299</u>
NET POSITION - END OF YEAR	<u>\$ 325,869</u>	<u>\$ 3,318</u>	<u>\$ 30,019</u>	<u>\$ 359,206</u>



RSI – City Pension Plan (page 105)

	2022	2021	2020	2019	2018
Total Pension Liability:					
Service Cost	\$ 6,252	\$ 6,691	\$ 5,973	\$ 5,881	\$ 5,769
Interest	23,279	22,662	21,529	20,905	20,965
Differences Between Expected and Actual Experience	1,939	-	795	-	(295)
Changes of Benefit Terms	(1,206)	-	212	-	(4,568)
Changes of Assumptions	39,068	-	15,732	-	4,117
Benefit Payments, Including Refunds of Member Contributions	(20,722)	(20,092)	(18,792)	(18,326)	(17,496)
Net Change in Total Pension Liability	48,610	9,261	25,449	8,460	8,492
Total Pension Liability - Beginning	325,019	315,758	290,309	281,849	273,357
Total Pension Liability - Ending	373,629	325,019	315,758	290,309	281,849
Plan Fiduciary Net Position:					
Contributions - Employer	144,718	12,774	12,107	11,432	10,103
Contributions - Member	4,062	3,937	3,917	3,896	3,664
Net Investment Income (Loss)	(26,532)	40,742	7,176	12,528	12,097
Benefit Payments, Including Refunds of Member Contributions	(20,722)	(20,092)	(18,792)	(18,326)	(17,496)
Administrative Expense	(352)	(106)	(74)	(7)	(44)
Net Change in Plan Fiduciary Net Position	101,174	37,255	4,334	9,523	8,324
Plan Fiduciary Net Position - Beginning	224,695	187,440	183,106	173,583	165,259
Plan Fiduciary Net Position - Ending	325,869	224,695	187,440	183,106	173,583
Net Pension Liability - Ending	\$ 47,760	\$ 100,324	\$ 128,318	\$ 107,203	\$ 108,266
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.22%	69.13%	59.36%	63.07%	61.59%



RSI – Volunteer Fire Plan (page 108)

	2022	2021	2020	2019	2018
Total Pension Liability:					
Service Cost	\$ 71	\$ 58	\$ 82	\$ 65	\$ 63
Interest	467	456	445	434	421
Differences Between Expected and Actual Experience	(904)	8	(2)	-	97
Changes of Benefit Terms	408				
Changes of Assumptions	364	-	249	-	(78)
Benefit Payments, Including Refunds of Member Contributions	(400)	(355)	(347)	(339)	(333)
Net Change in Total Pension Liability	6	167	427	160	170
Total Pension Liability - Beginning	7,039	6,872	6,445	6,285	6,115
Total Pension Liability - Ending	7,045	7,039	6,872	6,445	6,285
Plan Fiduciary Net Position:					
Contributions - Employer	357	335	365	365	373
Contributions - Member	14	10	10	11	14
Net Investment Income (Loss)	(575)	839	84	175	192
Benefit Payments, Including Refunds of Member Contributions	(400)	(355)	(347)	(339)	(333)
Administrative Expense	(10)	(6)	(9)	(1)	(9)
Net Change in Plan Fiduciary Net Position	(614)	823	103	211	237
Plan Fiduciary Net Position - Beginning	3,932	3,109	3,006	2,795	2,558
Plan Fiduciary Net Position - Ending	3,318	3,932	3,109	3,006	2,795
Net Pension Liability - Ending	3,727	\$ 3,107	\$ 3,763	\$ 3,439	\$ 3,490
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.10%	55.86%	45.24%	46.64%	44.47%



RSI – OPEB Plan (page 112)

	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service Cost	\$ 1,096	\$ 1,288	\$ 1,200	\$ 1,644	\$ 1,699
Interest	4,704	4,519	4,650	4,437	4,687
Change of Benefit Terms	-	-	-	-	(645)
Differences Between Expected and Actual Experience	(10,937)	-	(4,127)	-	(951)
Changes of Assumptions	5,832	-	1,182	-	(2,129)
Benefit Payments	(3,274)	(2,872)	(2,450)	(3,175)	(4,572)
Net Change in Total OPEB Liability	(2,579)	2,935	455	2,906	(1,911)
Total OPEB Liability - Beginning	65,390	62,455	62,000	59,094	61,005
Total OPEB Liability - Ending	62,811	65,390	62,455	62,000	59,094
Plan Fiduciary Net Position:					
Contributions - Employer	4,684	4,367	5,340	5,240	5,548
Contributions - Member	10	11	10	15	200
Net Investment Income (Loss)	(4,043)	5,494	856	1,534	1,035
Benefit Payments, Including Refunds of Member Contributions	(3,274)	(2,872)	(2,450)	(3,175)	(4,572)
Administrative Expense	(30)	(9)	(28)	(10)	(22)
Net Change in Plan Fiduciary Net Position	(2,653)	6,991	3,728	3,604	2,189
Plan Fiduciary Net Position - Beginning	32,672	25,681	21,953	18,349	16,160
Plan Fiduciary Net Position - Ending	30,019	32,672	25,681	21,953	18,349
Net OPEB Liability - Ending	\$ 32,792	\$ 32,718	\$ 36,774	\$ 40,047	\$ 40,745
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.79%	49.96%	41.12%	35.41%	31.05%



Required Communications

- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Uncorrected misstatements
- Corrected misstatements
- Disagreements with management
- Management representations
- Management consultations with other independent accountants



Required Communications

- Significant issues discussed with management prior to engagement
- Significant findings or issues that were discussed, or the subject of correspondence with management
- Other audit findings or issues
- Other information in documents containing audited financial statements



Contact Information

- Key Engagement Team Members
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Questions?



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