

CITY OF NORWICH, CONNECTICUT
STATE SINGLE AUDIT REPORT

JUNE 30, 2014

CITY OF NORWICH, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2014

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**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, 2014. 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, 2014.

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 a 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 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 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, 2014, 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 17, 2014, 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 17, 2014

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Children's Trust Fund		
Kinship Grant	12005-PCA98529-40007	\$ <u>44,779</u>
Commission on Culture and Tourism		
Historic Preservation Activities Grants	12060-CAT45200-90455	<u>5,000</u>
Department of Housing		
Payment in Lieu of Taxes (PILOT)	11000-DOH46920-17012	<u>157,438</u>
Department of Economic and Community Development		
Historic Restoration Fund	12060-ECD46840-90455	19,831
Norwich Freedom Bell Project	11000-ECD46830-10020	<u>50,000</u>
Total Department of Economic and Community Development		<u>69,831</u>
Department of Education		
Family Resource Centers	11000-SDE64370-16110	209,000
Youth Services Bureau - Enhancement	11000-SDE64370-16201	7,455
Child Nutrition State Matching Grant	11000-SDE64370-16211	24,978
Health Foods Initiative	11000-SDE64370-16212	51,123
Adult Education	11000-SDE64370-17030	334,352
Health Services	11000-SDE64370-17034	121,462
Educational Cost Sharing - Alliance District Funding	11000-SDE64370-17041-82164	2,305,800
Bilingual Education	11000-SDE64370-17042	15,202
Priority School Districts	11000-SDE64370-17043-82052	1,146,062
Extended School Hours Program Grant	11000-SDE64370-17043-82054	103,082
Summer School Accountability Grant	11000-SDE64370-17043-82055	118,584
School Breakfast	11000-SDE64370-17046	43,905

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**CITY OF NORWICH, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Youth Services Bureau	11000-SDE64370-17052	\$ 88,833
Magnet School Transportation	11000-SDE64370-17057-82061	81,900
After School Program	11000-SDE64370-17084	188,251
Low Performing Schools	12052-SDE64370-43539	493,014
Technology Wiring of Schools	12052-SDE64370-43293	462,841
Commissioner's Network	11000-SDE64370-12547	1,055,340
Health Coordinator Pilot	11000-SDE64370-12546	<u>95,000</u>
Total Department of Education		<u>6,946,184</u>
Office of Early Childhood		
School Readiness Quality Enhancement	11000-OEC64845-17097 & 11000OEC64845-17101	<u>1,933,977</u>
Department of Energy and Environmental Protection		
Clean Water Fund - Loan	21015-DEP43720-42318	2,510,422
Clean Water Fund - Grant	21014-DEP43720-40001	1,295,788
Landfill Grant	12052-DEP43930-40518	<u>148,453</u>
Total Department of Energy and Environmental Protection		<u>3,954,663</u>
Department of Labor		
<i>Passed Through EastConn:</i>		
State Summer Youth Employment Program	11000-DOL40000-12205	<u>19,820</u>
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	<u>6,500</u>

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**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program 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	\$ 783,722
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OPM20600-17006	748,855
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	4,088
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	216,737
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	4,000
Property Tax Relief for Veterans	11000-OPM20600-17024	16,584
Local Capital Improvement Program	12050-OPM20600-40254	329,508
Municipal Grants-In-Aid	12052-OPM20600-43587	<u>175,997</u>
Total Office of Policy and Management		<u>2,279,491</u>
Department of Public Health		
Water Treatment & Pump Station Improvement	21018-DPH48770-43548	28,407
Water Treatment & Pump Station Improvement	21018-DPH48770-40001	261,188
Tobacco Prevention Program - Smoke Free Students	12060-DPH48876-35386	<u>10,133</u>
Total Department of Public Health		<u>299,728</u>
Department of Emergency Services and Public Protection		
Telecommunications Fund	12060-DPS32181-35190	<u>64,308</u>
Department of Consumer Protection		
Payments to Municipalities	34003-DCP39930-42350	<u>70</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	<u>121,587</u>

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**CITY OF NORWICH, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation		
Town Aid Road - STO	13033-DOT57000-43459	\$ 501,226
Sherman Street Bridge	13DOT0255AA	<u>31,445</u>
Total Department of Transportation		<u>532,671</u>
Department of Agriculture		
Agricultural Viability	12060-DAG42710-90456	<u>44,662</u>
Total State Financial Assistance Before Exempt Programs		<u>16,480,709</u>
Exempt Programs		
Office of Policy and Management		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	1,982,596
Municipal Revenue Sharing	12060-OPM20600-35458	442,069
Municipal Video Competition	12060-OPM20600-35362	<u>6,035</u>
Total Office of Policy and Management		<u>2,430,700</u>
Department of Education		
Public School Transportation	11000-SDE64000-17027	562,991
Educational Cost Sharing - Charter Schools	11000-SDE64000-17041-84179	3,465,000
Educational Cost Sharing	11000-SDE64000-17041-82010	32,259,345
Excess Costs Student Based and Equity	11000-SDE64000-17047	2,274,280
Nonpublic School Transportation	11000-SDE64000-17049	<u>92,775</u>
Total Department of Education		<u>38,654,391</u>

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**CITY OF NORWICH, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Administrative Services		
School Construction Grants	13009-DAS27636-40896	\$ 4,976
School Construction Grants	13010-DAS27636-40901	<u>99,131</u>
Total Department of Administrative Services		<u>104,107</u>
Total Exempt Programs		<u>41,189,198</u>
Total State Financial Assistance		<u>\$ 57,669,907</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, 2014**

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, 2014. 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.

**CITY OF NORWICH, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014:

Department of Environmental Protection:

Clean Water Funds (Dollars in Thousands):

	<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 (106-C)	10/31/97	2.0%	\$ 3,410	\$ 663	\$	\$ 196	\$ 467
CWF Note (298-C)	6/30/00	2.0	1,508	452		75	377
CWF Note (9714-C)	12/31/02	2.8	1,899	925		98	827
CWF Note (349-C)	12/31/02	2.0	881	414		45	369
CWF Note (200801-C)	7/1/09	2.3	450	358		22	336
Drinking Water State Revolving Fund (2010- 8006)	3/31/10	2.1	326	277		16	261
Drinking Water State Revolving Fund (2010- 8005)	3/31/10	2.1	145	119		7	112
CWF Note (625-D)	12/31/12	2.0	1,865	1,733		78	1,655
CWF Note (495-C)	5/31/13	2.0	5,748	5,748		547	5,201
Drinking Water State Revolving Fund (2010- 7005)	4/30/14	2.0	160	55	105	1	159
Drinking Water State Revolving Fund (2010- 7006)	4/30/14	2.0	148	71	77	1	147

In addition to the permanently financed Clean Water Funds noted above, the City has \$2,510 of temporary loans accumulated under Project CWF Note (625-D1) and \$352 under Project DWSRF 2014-7027.

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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 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, 2014, 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 17, 2014.

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 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 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 result 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 17, 2014

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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>
Department of Education:		
Educational Cost Sharing - Alliance District Funding	11000-SDE64370-17041-82164	\$ 2,305,800
Priority School Districts	11000-SDE64370-17043-82052	1,146,062
Technology Wiring of Schools	12052-SDE64370-43293	462,841
Commissioner's Network	11000-SDE64370-12547	1,055,340
Office of Early Childhood:		
School Readiness Quality Enhancement	11000OEC64845-17101 & 11000-OEC64845-17097	1,933,977
Office of Policy and Management:		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	783,722
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OPM20600-17006	748,855

Dollar threshold used to distinguish between type A and type B programs: \$329,614

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.