

## **CITY OF NORWICH, CONNECTICUT**

### **STATE SINGLE AUDIT REPORT**

**JUNE 30, 2016**

**CITY OF NORWICH, CONNECTICUT  
STATE SINGLE AUDIT REPORT  
JUNE 30, 2016  
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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, 2016. 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, 2016.

### ***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 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, 2016, 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 November 18, 2016, 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  
November 18, 2016

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>State Grantor/Pass-Through Grantor/ Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Expenditures</b>
<b>Commission on Culture and Tourism</b>		
Historic Preservation Grants	12060-CAT45200-90455	\$ <u>90,000</u>
<b>Connecticut State Library</b>		
Historic Document Preservation	12060-CSL66094-35150	<u>4,000</u>
<b>Department of Administrative Services</b>		
Alliance District General Improvements	12052-DAS27635-43651	<u>414,292</u>
<b>Department of Children and Families</b>		
Juvenile Justice Outreach Services	11000-DCF91100-16043	<u>9,696</u>
<b>Department of Energy and Environmental Protection</b>		
Community Investment Account	12060-DEP43153-35328	123,516
Clean Water Funds - Grant	21014-DEP43720-40001	<u>9,739</u>
Total Department of Energy and Environmental Protection		<u>133,255</u>
<b>Department of Housing</b>		
Payment in Lieu of Taxes	11000-DOH46920-17012	<u>151,184</u>
<b>Department of Labor</b>		
Connecticut's Youth Employment Program	11000-DOL40000-12205	32,790
Employment Program for Youth Involved with DCF	12060-DOL40000-90615	<u>8,526</u>
Total Department of Labor		<u>41,316</u>
<b>Department of Transportation</b>		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	499,260
Local Transportation Capital Improvement Program	13033-DOT57197-43584	<u>623,777</u>
Total Department of Transportation		<u>1,123,037</u>
<b>Department of Public Health</b>		
Drinking Water Revenue Bonds	21018-DPH48770-42319	<u>1,437,031</u>
<b>Department of Emergency Services and Public Protection</b>		
School Security Infrastructure	12052-DPS32161-43546	103,594
Drug Asset Forfeiture Revolving Account	12060-DPS32155-35142	69,106
Enhanced 911 Telecommunications Fund	12060-DPS32741-35190	<u>23,423</u>
Total Department of Emergency Services and Public Protection		<u>196,123</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, 2016**

<b>State Grantor/Pass-Through Grantor/ Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Expenditures</b>
<b>Department of Social Services</b>		
Neighborhood Facilities 2012	12052-DSS60783-43510	\$ 325,782
Medicaid	11000-DSS60000-16020	<u>154,643</u>
Total Department of Social Services		<u>480,425</u>
<b>Economic and Community Development</b>		
Brownfield Remediation and Development	12060-ECD46260-35533	<u>170,414</u>
<b>Office of Early Childhood</b>		
School Readiness Quality Enhancement	11000-OEC64845-17097	20,120
School Readiness	11000-OEC64845-17101	2,250,787
Smart Start	12052-OEC64845-43626	\$ 25,916
Smart Start	12060-OEC64845-35586	<u>75,000</u>
		<u>100,916</u>
Total Office of Early Childhood		<u>2,371,823</u>
<b>Office of Policy and Management</b>		
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	910,659
Payment in Lieu of Taxes on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	1,087,553
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	6,497
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	201,682
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	2,000
Property Tax Relief for Veterans	11000-OPM20600-17024	21,569
Local Capital Improvement Program	12050-OPM20600-40254	322,978
Municipal Grants-in-Aid	12052-OPM20600-43587	<u>187,132</u>
Total Office of Policy and Management		<u>2,740,070</u>
<b>Probate Court Administration</b>		
Probate Court Administration	12005-PCA98529-40007	<u>42,053</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, 2016**

<b>State Grantor/Pass-Through Grantor/ Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Expenditures</b>
<b>Department of Education</b>		
Primary Mental Health	11000-SDE64370-12198	\$ 16,951
Commissioner's Network	11000-SDE64370-12547	885,867
Family Resource Centers	11000-SDE64370-16110	217,036
Youth Service Bureau Enhancement	11000-SDE64370-16201	7,026
Child Nutrition State Match	11000-SDE64370-16211	25,106
Health Foods Initiative	11000-SDE64370-16212	51,343
Adult Education	11000-SDE64370-17030	334,126
Health Services	11000-SDE64370-17034	121,778
Alliance District	11000-SDE64370-17041-82164	4,011,426
Bilingual Education	11000-SDE64370-17042	14,666
Priority School Districts	11000-SDE64370-17043-82052	954,911
Extended School Hours Program Grant	11000-SDE64370-17043-82054	100,767
Summer School Accountability Grant	11000-SDE64370-17043-82055	115,822
School Breakfast Program	11000-SDE64370-17046	38,529
Youth Service Bureaus	11000-SDE64370-17052	80,909
Magnet Schools	11000-SDE64370-17057	89,300
After School Programs	11000-SDE64370-17084	300,665
High Quality Schools Start Up	12052-SDE64370-43538	81,070
Low Performing Schools Start Up	12052-SDE64370-43539	57,652
Early Childhood Minor Capital	12052-SDE64370-43540	77,406
Community Plans Early Childhood	11000-SDE64000-12495	18,844
Parents Trust Fund Program	11000-SDE64165-12506	19,399
Low-Performing Schools Improvements	12052-SDE64370-43594	<u>380,186</u>
Total Department of Education		<u>8,000,785</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>17,405,504</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, 2016

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
<b>Exempt Programs</b>		
<b>Department of Administrative Services</b>		
School Construction Grants	13010-DAS27635-40901	\$ <u>39,235</u>
<b>Office of Policy and Management</b>		
Grants To Towns	12009-OPM20600-17005	<u>2,023,985</u>
<b>Department of Education</b>		
Public School Transportation	11000-SDE64370-17027	504,769
Charter Schools	11000-SDE64370-17041-84179	3,630,000
Education Cost Sharing	11000-SDE64370-17041-82010	32,347,243
Excess Cost - Student Based	11000-SDE64370-17047	2,038,112
Nonpublic School Transportation	11000-SDE64370-17049	<u>72,982</u>
Total Department of Education		<u>38,593,106</u>
Total Exempt Programs		<u>40,656,326</u>
<b>Total State Financial Assistance</b>		<b>\$ <u><u>58,061,830</u></u></b>

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, 2016**

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**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, 2016. 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, 2016:

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 (106-C)	10/31/97	2.0%	\$ 3,410	\$ 270	\$	\$ 202	\$ 68
CWF Note (298-C)	06/60/00	2.0	1,508	302		76	226
CWF Note (9714-C)	12/31/02	2.8	1,899	726		103	623
CWF Note (349-C)	12/31/02	2.0	881	323		47	276
CWF Note (200801-C)	07/01/09	2.3	450	313		22	291
Drinking Water State Revolving Fund (2010-8006)	03/31/10	2.1	326	245		17	228
Drinking Water State Revolving Fund (2010-8005)	03/31/10	2.1%	145	150		8	142

**CITY OF NORWICH, CONNECTICUT  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<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 (625-D)	12/31/12	2.0	\$ 1,865	\$ 1,575	\$	\$ 82	\$ 1,493
CWF Note (495-C)	05/31/13	2.0	5,748	4,956		247	4,709
Drinking Water State Revolving Fund (2011-7005)	04/30/14	2.0	160	105		7	98
Drinking Water State Revolving Fund (2011-7006)	04/30/14	2.0	148	138		8	130
CWF Note (625-D1)	05/31/15	2.0	2,510	2,375		123	2,252
Drinking Water State Revolving Fund (2014-7027)	06/30/15	2.3	506	506		38	468
Drinking Water State Revolving Fund (2014-7036)	05/31/16	2.0	4,052		4,052		4,052



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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, 2016, 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 November 18, 2016.

### **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  
November 18, 2016

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**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:

State Grantor and Program	State Core-CT Number	Expenditures
Department of Administrative Services:		
Alliance District General Improvements	12052-DAS27635-43651	\$ 414,292
Department of Transportation:		
Town Aid Road	12052-DOT57131-43455	499,260
Local Transportation Capital Improvement Program	13033-DOT57197-43584	623,777
Department of Public Health:		
Drinking Water Revenue Bonds	21018-DPH48770-42319	1,437,031
Office of Early Childhood:		
School Readiness	11000-OEC64845-17101	2,250,787
Department of Education:		
Alliance District	11000-SDE64370-17041-82164	4,011,426
Low-Performing Schools Improvements	12052-SDE64370-43594	380,186
Dollar threshold used to distinguish between type A and type B programs:		\$ 348,110

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No matters were reported.