

CITY OF NORWICH, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2017

**CITY OF NORWICH, CONNECTICUT
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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, 2017. 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, 2017.

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, 2017, 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 15, 2017, 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 15, 2017

**CITY OF NORWICH, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Department of Education			
Primary Mental Health	11000-SDE64370-12198	\$	\$ 19,650
Commissioner's Network	11000-SDE64370-12547		550,000
Family Resource Centers	11000-SDE64370-16110		206,000
Youth Service Bureau Enhancement	11000-SDE64370-16201		6,570
Child Nutrition State Match	11000-SDE64370-16211		24,310
Health Foods Initiative	11000-SDE64370-16212		49,102
Adult Education	11000-SDE64370-17030		328,150
Health Services	11000-SDE64370-17034		62,475
Alliance District	11000-SDE64370-17041-82164		4,143,121
Bilingual Education	11000-SDE64370-17042		21,078
Summer School Accountability Grant	11000-SDE64370-17043-82055		115,551
Extended School Hours Program Grant	11000-SDE64370-17043-82054		100,187
Priority School Districts	11000-SDE64370-17043-82052		1,070,555
School Breakfast Program	11000-SDE64370-17046		31,579
Youth Service Bureaus	11000-SDE64370-17052		69,870
Magnet Schools	11000-SDE64370-17057		92,300
After School Programs	11000-SDE64370-17084		286,699
Low-Performing Schools Improvements	12052-SDE64370-43594		211,248
Parents Trust Fund Program	11000-SDE64165-12506		16,795
Teen Pregnancy Prevention	11000-DSS60785-17032		52,929
Total Department of Education		-	7,458,169
Connecticut State Library			
Historic Document Preservation	12060-CSL66094-35150		5,000
Department of Administrative Services			
Alliance District General Improvements	12052-DAS27635-43651		810,708
Department of Children and Families			
Juvenile Justice Outreach Services	11000-DCF91100-16043		8,820

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, 2017**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Department of Transportation			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	\$	\$ 497,815
Local Transportation Capital Improvement Program	13033-DOT57197-43584		612,293
Total Department of Transportation		-	1,110,108
Department of Public Health			
Drinking Water Revenue Bonds	21018-DPH48770-42319		1,528,016
Department of Emergency Services and Public Protection			
Drug Asset Forfeiture Revolving Account	12060-DPS32155-35142		48,786
Enhanced 911 Telecommunications Fund	12060-DPS32741-35190		6,087
Total Department of Emergency Services and Public Protection		-	54,873
Department of Social Services			
Neighborhood Facilities 2012	12052-DSS60783-43510		13,489
Medicaid	11000-DSS60000-16020		153,620
Total Department of Social Services		-	167,109
Economic and Community Development			
Brownfield Remediation and Development	12060-ECD46260-35533		192,867
Occum Fire Station Energy Efficiency	13019-ECD46000-41240		44,445
Taftville VFD Building Addition	13019-ECD46000-41240		5,313
Urban Act - Norwich Fire Department Storage Building	13019-ECD46000-41240		38,955
Total Economic and Community Development		-	281,580
Office of Early Childhood			
School Readiness in Priority School Districts	11000-OEC64845-16274-83014	199,960	2,281,219
School Readiness Quality Enhancement	11000-OEC64845-17097		20,120
Smart Start	12052-OEC64845-43626	\$ 49,084	
Smart Start	12060-OEC64845-35586	75,000	
Total Office of Early Childhood		199,960	2,425,423

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, 2017**

<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			
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		758,666
Property Tax relief on Property of Totally Disabled Persons	11000-OPM20600-17011		5,714
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018		188,920
Property Tax Relief for Veterans	11000-OPM20600-17024		21,047
Municipal Grants-in-Aid	12052-OPM20600-43587		187,132
Total Office of Policy and Management		-	1,774,113
Probate Court Administration			
Probate Court Administration	12005-PCA98529-40007		46,429
Department of Energy and Environmental Protection			
America the Beautiful	12060-DEP35402-65099		8,764
Department of Labor			
Connecticut's Youth Employment Program	11000-DOL40000-12205		27,883
Employment for Youth Involved with DCF	12060-DOL40000-90615		7,222
Total Department of Labor		-	35,105
Department of Housing			
Payment in Lieu of Taxes	11000-DOH46920-17012		159,683
Total State Financial Assistance Before Exempt Programs		199,960	15,873,900
Exempt Programs			
Department of Education			
Education Cost Sharing	11000-SDE64370-17041-82010		32,060,320
Excess Cost - Student Based	11000-SDE64370-17047		1,674,086
Total Department of Education		-	33,734,406
Department of Administrative Services			
School Construction Grants	13010-DAS27635-40901		571,529

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, 2017**

<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 Revenue Sharing	12002-OPM20600-17102	\$	\$ 2,173,945
Grants To Towns	12009-OPM20600-17005		<u>1,912,306</u>
Total Office of Policy and Management		<u>-</u>	<u>4,086,251</u>
Total Exempt Programs		<u>-</u>	<u>38,392,186</u>
Total State Financial Assistance		<u>\$ 199,960</u>	<u>\$ 54,266,086</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, 2017**

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, 2017. 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, 2017:

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	\$ 68	\$	\$ 68	\$
CWF Note (298-C)	06/30/00	2.0	1,508	226		75	151
CWF Note (9714-C)	12/31/02	2.8	1,899	623		107	516
CWF Note (349-C)	12/31/02	2.0	881	276		48	228
CWF Note (200801-C)	07/01/09	2.3	450	291		23	268
Drinking Water State Revolving Fund (2010-8006)	03/31/10	2.1	326	228		16	212
Drinking Water State Revolving Fund (2010-8005)	03/31/10	2.1	145	98		8	90

**CITY OF NORWICH, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 1,493	\$	\$ 83	\$ 1,410
CWF Note (495-C)	05/31/13	2.0	5,748	4,709		254	4,455
Drinking Water State Revolving Fund (2010-7005)	04/30/14	2.0	160	141		8	133
Drinking Water State Revolving Fund (2010-7006)	04/30/14	2.0	148	130		8	122
CWF Note (625-D1)	05/31/15	2.0	2,510	2,252		125	2,127
Drinking Water State Revolving Fund (2014-7027)	06/30/15	2.3	506	468		25	443
Drinking Water State Revolving Fund (2014-7036)	05/31/16	2.0	4,052	4,052		320	3,732
Drinking Water State Revolving Fund (2015-7037)	10/31/16	2.0	1,528		1,528	64	1,464



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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, 2017, 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 15, 2017.

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 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 15, 2017

**CITY OF NORWICH, CONNECTICUT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017**

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	758,666
Office of Early Childhood:		
School Readiness in Priority School Districts	11000-OEC64845-16274-83014	2,281,219
Department of Education:		
Alliance District	11000-SDE64370-17041-82164	4,143,121
Priority School Districts	11000-SDE64370-17043-82052	1,070,555
Dollar threshold used to distinguish between type A and type B programs:		\$ 316,419

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.