

# CITY OF NORWICH, CONNECTICUT

STATE SINGLE AUDIT REPORT  
JUNE 30, 2019

**CITY OF NORWICH, CONNECTICUT  
STATE SINGLE AUDIT REPORT  
JUNE 30, 2019  
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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, 2019. 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, 2019.

### **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, 2019, 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 date December 9, 2019, 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 9, 2019

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

<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>
<b>Department of Education</b>			
Commissioner's Network	11000-SDE64370-12547		\$ 250,000
Talent Development	11000-SDE64370-12552		20,000
Family Resource Centers	11000-SDE64370-16110		100,000
Youth Service Bureau Enhancement	11000-SDE64370-16201		7,374
Child Nutrition State Match	11000-SDE64370-16211		23,622
Health Foods Initiative	11000-SDE64370-16212		44,803
Adult Education	11000-SDE64370-17030		350,646
Health & Welfare - Private School Pupil	11000-SDE64370-17034		119,382
Alliance District	11000-SDE64370-17041-82164		4,402,878
Bilingual Education	11000-SDE64370-17042		25,203
Extended School Hours Program Grant	11000-SDE64370-17043-82054		90,544
Priority School Districts	11000-SDE64370-17043-82052		823,589
Summer School Accountability Grant	11000-SDE64370-17043-82055		106,389
School Breakfast Program	11000-SDE64370-17046		31,876
Youth Service Bureaus	11000-SDE64370-17052		71,798
Magnet Schools	11000-SDE64370-17057		<u>76,700</u>
Total Department of Education			<u>6,544,804</u>
<b>Connecticut State Library</b>			
Historic Document Preservation	12060-CSL66094-35150		<u>6,500</u>
<b>Department of Agriculture</b>			
Agricultural Viability PA05228	12060-DAG42710-90456		<u>42,100</u>
<b>Department of Energy and Environmental Protection</b>			
Clean Water Fund - Grant	21014-DEP43720-40001		226,696
Clean Water Revenue Bonds	21015-DEP43720-42318		<u>497,623</u>
Total Department of Energy and Environmental Protection			<u>724,319</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, 2019**

<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>
<b>Department of Transportation</b>			
Town Aid Road Grants - Municipal	12052-DOT57131-43455		\$ 247,202
Town Aid Road Grants - STO	13033-DOT57131-43459		247,202
Highway Planning & Construction - State Match	12062-DOT57191-22108		<u>948</u>
Total Department of Transportation			<u>495,352</u>
<b>Department of Emergency Services and Public Protection</b>			
Drug Asset Forfeiture Revenue Account DPS	12060-DPS32155-35142		34,937
Nuclear Emergency Safety Fund	12060-DPS32982-90428		<u>25,338</u>
Total Department of Emergency Services and Public Protection			<u>60,275</u>
<b>Department of Social Services</b>			
Medicaid	11000-DSS60000-16020		228,102
Teen Pregnancy Prevention	11000-DSS60785-17032		<u>93,903</u>
Total Department of Social Services			<u>322,005</u>
<b>Economic and Community Development</b>			
Brownfield Remediation and Development	12060-ECD46260-35533		2,975
Urban Action Bonds	13019-ECD46210-41240		270,477
Municipal Brownfield Grant - Ponemah Mills RN 11 Assessment Grant	2019-104-075-10000		<u>157,887</u>
Total Economic and Community Development			<u>431,339</u>
<b>Mental Health and Addiction Services</b>			
Local Prevention Council	11000-MHA53000-12215		<u>7,142</u>
<b>Office of Early Childhood</b>			
Child Care Quality Enhancement	11000-OEC64845-16158		20,120
Early Care and Education	11000-OEC64845-16274	\$ 875,215	2,327,516
Smart Start	11000-OEC64845-16279		<u>75,000</u>
Total Office of Early Childhood		<u>\$ 875,215</u>	<u>2,422,636</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, 2019**

<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>
<b>Office of Policy and Management</b>			
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004		\$ 680,137
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		6,003
Property Tax Relief for Veterans	11000-OPM20600-17024		19,616
Local Capital Improvement Program	12050-OPM20600-40254		394,240
Municipal Purposes & Projects	12052-OPM20600-43587		<u>187,132</u>
Total Office of Policy and Management			<u>2,034,506</u>
<b>Probate Court Administration</b>			
Probate Court Administration	12005-PCA98529-40007		<u>48,861</u>
<b>Department of Labor</b>			
Connecticut's Youth Employment Program	11000-DOL40000-12205		<u>25,292</u>
<b>Connecticut Port Authority</b>			
Ports, Harbors & Marinas	12052-CPA47300-43509		<u>2,640</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		\$ <u>875,215</u>	<u>13,167,771</u>
<b>Exempt Programs</b>			
<b>Department of Education</b>			
Education Cost Sharing	11000-SDE64370-17041-82010		32,613,938
Excess Cost - Student Based	11000-SDE64370-17047-82016	\$ 607,623	
Excess Cost - Student Based	11000-SDE64370-17047-82018	<u>1,225,459</u>	
			<u>1,833,082</u>
Total Department of Education			<u>34,447,020</u>
<b>Department of Administrative Services</b>			
School Construction - Principal SDE	13010-DAS27635-40901		<u>249,313</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, 2019**

<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>
<b>Office of Policy and Management</b>			
Municipal Transition	11000-OPM20600-17103		\$ 623,634
Municipal Stabilization Grant	11000-OPM20600-17104		210,834
Grants To Towns	12009-OPM20600-17005		<u>1,860,229</u>
Total Office of Policy and Management			<u>2,694,697</u>
Total Exempt Programs			<u>37,391,030</u>
<b>Total State Financial Assistance</b>		\$ <u>875,215</u>	\$ <u>50,558,801</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, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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, 2019. 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.

**Basis of Accounting**

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 2 - 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, 2019:

Department of Energy and Environmental Protection:

Clean Water Funds (Amounts Expressed 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>
Clean Water Fund Notes:							
CWF Note 298-C	06/30/00	2.00%	\$ 1,508	\$ 74	\$ -	\$ 74	-
CWF Note 349-C	12/31/02	2.00	881	179	-	54	125
CWF Note 9714-C	12/31/02	2.77	1,899	407	-	122	285
CWF Note 200801-C	07/01/09	2.27	450	246	-	25	221
CWF Note 625-D	12/31/12	2.00	1,865	1,326	-	94	1,232
CWF Note 495-C	05/31/13	2.00	5,748	4,196	-	286	3,910
CWF Note 625-D1	05/31/15	2.00	2,510	1,999	-	141	1,858
CWF Note 707-PD	*	*	*	-	1,563	-	1,563
Drinking Water State Revolving Funds:							
DWSRF 2010-8005	03/31/10	2.06	145	83	-	8	75
DWSRF 2010-8006	03/31/10	2.06	326	196	-	18	178
DWSRF 2010-7005	04/30/14	2.00	160	124	-	9	115
DWSRF 2010-7006	04/30/14	2.00	148	114	-	9	105
DWSRF 2014-7027	06/30/15	2.27	506	417	-	27	390
DWSRF 2014-7036	05/31/16	2.00	4,052	3,528	-	219	3,309
DWSRF 2015-7037	10/12/16	2.00	1,528	1,381	-	94	1,287
DWSRF 2017-7056	02/28/19	2.00	2,695	-	2,695	-	2,695
DWSRF 2019-7069	*	*	*	-	1,181	-	1,181
DWSRF 2019-7072	*	*	*	-	1,501	-	1,501
DWSRF 2017-7077	*	*	*	-	294	-	294

\* Loan is 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, 2019, 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 9, 2019.

**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 9, 2019

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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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:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education: Alliance District	11000-SDE64370-17041-82164	\$ 4,402,878
Department of Economic and Community Development: Urban Action Bonds	13019-ECD46210-41240	270,477
Department of Transportation: Town Aid Road Grants - Municipal	12052-DOT57131-43455	247,202
Town Aid Road Grants - STO	13033-DOT57131-43459	247,202
Office of Policy and Management: Local Capital Improvement Program	12050-OPM20600-40254	394,240
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	680,137
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	747,378
Dollar threshold used to distinguish between type A and type B programs:		\$ 263,412

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

No matters were reported.