

**NORWALK  DEVELOPMENT AGENCY**

**Government-wide Financial Statements and Single Audit Reports**

**Year ended June 30, 2015**

# NORWALK REDEVELOPMENT AGENCY

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Year ended June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Norwalk Redevelopment Agency

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of *Norwalk Redevelopment Agency* as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of *Norwalk Redevelopment Agency*, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-6 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Norwalk Redevelopment Agency's*** basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2015, on our consideration of ***Norwalk Redevelopment Agency's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

***Solakian & Company, LLC***

October 31, 2015

# **NORWALK REDEVELOPMENT AGENCY, INC.**

## **Management's Discussion and Analysis**

**June 30, 2015**

As management of the Norwalk Redevelopment Agency, Inc. (the "Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Agency's basic financial statements that follow this section.

### **Financial Highlights – Norwalk Redevelopment Agency**

The assets of the Norwalk Redevelopment Agency exceeded its liabilities at the close of the most recent fiscal year by \$4,835,286 (net assets). There was no increase or decrease in net assets due to a break even operating result for the fiscal year ended June 30, 2015.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. As outlined in GASB 34, this report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is trending up or down.

The statement of activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Both of the government-wide financial statements distinguish functions of the Agency that are principally supported by CDBG, DECD, and City of Norwalk grants (governmental activities). Norwalk Redevelopment Agency projects are essential to the City of Norwalk so that the City of Norwalk can maintain stable taxes, avoid stagnation, and preserve the City's AAA bond rating.

(Continued)

# NORWALK REDEVELOPMENT AGENCY, INC.

## Management's Discussion and Analysis

June 30, 2015

### Government-Wide Financial Statements (continued)

The governmental activities of the Agency include Non-Revolving Loan Activities funded by the Federal HUD Community Development Block Grant program (CDBG), Revolving Loan Activities funded by paid-off loans that are invested back into the Norwalk community as new loans, the Department of Economic Community Development (DECD) grants funded by the State and City of Norwalk which are used for Urban Renewal projects in Norwalk, and the Operating Activities which manage and perform the daily activities in the various programs and projects. In addition to the governmental funds containing special revenue, there is an account group containing general long term obligations of the Agency for sick and vacation time earned but not paid out until a later period. The government-wide financial statements can be found on pages 7 - 8 of this report.

### Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other redevelopment agencies of local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into two categories: governmental funds for special revenue, and account groups for general long-term obligations.

### Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The reconciliation usually centers on debt and fixed assets of which the Agency has none. The Agency maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the governmental fund and account group for general long term obligations. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

(Continued)

# NORWALK REDEVELOPMENT AGENCY, INC.

## Management's Discussion and Analysis

June 30, 2015

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 - 17 of this report.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an agency's financial position. In the case of the Agency, assets exceeded liabilities by \$4,835,286 at the close of the most recent fiscal year. The net position did not increase or decrease due to a break even operating result for the fiscal year ended June 30, 2015.

The largest portion of the Agency's assets (71%) is made up of cash and investments. Interest earned on cash and investments generate a small portion of the revenue for the Agency's operating budget. The second largest portion of the Agency's assets (26%) is made up of accounts and loans receivable. Accounts receivable are due from government entities, and the loan portfolio consists of loans to qualified sub-prime borrowers priced in accordance with HUD guidelines. At the end of the current fiscal year, the Agency is able to report positive balances in net position.

	<b>Net Position</b>	
	<b>June 30:</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<i>Assets</i>		
Cash and investments	\$ 8,505,200	\$ 8,067,172
Grants and accounts receivable	1,857,406	2,692,974
Loans receivable, less allowance of \$3,862,593	1,199,693	1,318,909
Other assets	<u>381,139</u>	<u>553,235</u>
Total assets	<u>11,943,438</u>	<u>12,632,290</u>
<i>Liabilities and Net Position</i>		
Notes payable to bank	-	395,000
Accounts payable and accrued expenses	730,527	913,173
Due to governmental agencies	2,292,130	2,058,221
Deferred revenues and other liabilities	<u>4,085,495</u>	<u>4,430,610</u>
Total liabilities	<u>7,108,152</u>	<u>7,797,004</u>
Net position:		
Restricted-urban redevelopment	<u>4,835,286</u>	<u>4,835,286</u>
Total net position	\$ <u>4,835,286</u>	\$ <u>4,835,286</u>

(Continued)

**NORWALK REDEVELOPMENT AGENCY, INC.**

**Management's Discussion and Analysis**

**June 30, 2015**

**Governmental activities**

Governmental activities had no effect on the Agency's net position of \$4,835,286 for the current fiscal year ending June 30, 2015.

	<b>Change in Net Position Years Ended June 30:</b>	
	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
Other government grants for City projects	\$ 5,405,829	\$ 6,640,910
Federal grants	1,259,782	1,109,475
Program and other income	140,205	128,434
Investment income	<u>10,178</u>	<u>10,992</u>
<b>Total revenues</b>	6,815,994	7,889,811
<b>Expenditures:</b>		
Project outlays	<u>6,815,994</u>	<u>7,889,811</u>
<b>Change in net position</b>	-	-
<b>Net position - beginning of year</b>	4,835,286	4,835,286
<b>Prior period</b>	-	-
<b>Net position - beginning of year, as restated</b>	<u>4,835,286</u>	<u>4,835,286</u>
<b>Net position - end of year</b>	\$ <u>4,835,286</u>	\$ <u>4,835,286</u>

(Continued)

# **NORWALK REDEVELOPMENT AGENCY, INC.**

## **Management's Discussion and Analysis**

**June 30, 2015**

### **Expenses and Program Revenues – Government-Wide Activities**

Revenues and expenditures were break even during the fiscal year ending June 30, 2015.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available. As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$4,835,286. There was no change in net position due to a break even operating result for the fiscal year ended June 30, 2015.

### **Governmental Fund Budgetary Highlights**

There was no difference between the original budget and the final budget.

### **Factors Affecting CDBG Federal Funding**

The Federal HUD Community Development Block Grant (CDBG) funding has substantially decreased over the years. In the year 2001, the CDBG entitlement grant shared with non-profits was \$1,209,000. In the year 2008, the grant had continued its yearly downward spiral to where the CDBG entitlement grant was only approximately \$935,100. Over the 7 year period, there was an actual decrease in CDBG dollar funding of approximately \$274,000, or 23%. In addition, a 3% Cost of Living increase in federal CDBG funding was never provided which resulted in an additional decrease in CDBG funding of approximately \$278,000, or 23%. This resulted in a significant 46% decrease in total real CDBG dollars received over seven years of approximately \$551,300. The CDBG entitlement grant of approximately \$889,500 shared with non-profits for the fiscal year ending June 30, 2015 is less than the CDBG entitlement grant received in 2008.

(Continued)

**NORWALK REDEVELOPMENT AGENCY, INC.**

**Management's Discussion and Analysis**

**June 30, 2015**

**Requests for Information**

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the finances of the Agency. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller at the Norwalk Redevelopment Agency, 125 East Avenue - Room 202, Norwalk, CT 06856.

# NORWALK REDEVELOPMENT AGENCY

## Statement of Net Position

June 30, 2015

<i>Assets</i>	<b>Governmental <u>Activities</u></b>
Cash	\$ 1,510,182
Investments	6,995,018
Grants and accounts receivable	1,857,406
Loans receivable, less allowance of \$3,862,593	1,199,693
Other assets	<u>381,139</u>
Total assets	\$ <u><u>11,943,438</u></u>
 <i>Liabilities and Net Position</i>	
Note payable to bank	\$ -
Accounts payable and accrued expenses	730,527
Due to governmental agencies	2,292,130
Deferred revenues	3,952,388
Other liabilities	<u>133,107</u>
Total liabilities	7,108,152
Restricted-urban redevelopment	<u>4,835,286</u>
Total liabilities and net position	\$ <u><u>11,943,438</u></u>

See accompanying notes to basic financial statements.



NORWALK REDEVELOPMENT AGENCY

Balance Sheet-Governmental Fund Type

June 30, 2015

	<b>Governmental Fund <u>Special Revenue</u></b>
<i>Assets</i>	
Cash	\$ 1,510,182
Investments	6,995,018
Grants and accounts receivable	1,857,406
Loans receivable, less allowance of \$3,862,593	1,199,693
Other assets	<u>381,139</u>
Total assets	\$ <u><u>11,943,438</u></u>
 <i>Liabilities and Fund Balances</i>	
Accounts payable and accrued expenses	\$ 730,527
Due to governmental agencies and third parties	2,292,130
Deferred revenues	3,952,388
Other liabilities	<u>133,107</u>
Total liabilities	7,108,152
Fund balances-restricted	<u>4,835,286</u>
Total liabilities and fund balances	\$ <u><u>11,943,438</u></u>
 <b>Reconciliation of governmental fund balances:</b>	
Total fund balances	\$ 4,835,286
Reconciling items	<u>-</u>
Net assets of governmental activities	\$ <u><u>4,835,286</u></u>

See accompanying notes to basic financial statements.

**NORWALK REDEVELOPMENT AGENCY**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance-Governmental Funds**

**Year ended June 30, 2015**

	<b>Special Revenue</b>
	<u>                    </u>
<b>Revenues:</b>	
Other government grants for City projects	\$ 5,405,829
Federal grants	1,259,782
Program and other income	140,205
Investment income	<u>10,178</u>
<b>Total revenues</b>	6,815,994
<b>Expenditures:</b>	
Project outlays	<u>6,815,994</u>
<b>Net changes in fund balances</b>	-
<b>Fund balances - beginning of year</b>	<u>4,835,286</u>
<b>Fund balances - end of year</b>	\$ <u><u>4,835,286</u></u>
<b>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance:</b>	
Total net change in fund balances-governmental funds	-
Reconciling items	<u>-</u>
Change in net position of governmental activities	\$ <u><u>-</u></u>

See accompanying notes to basic financial statements.

# NORWALK REDEVELOPMENT AGENCY

## Notes to Financial Statements

June 30, 2015

### (1) Summary of Significant Accounting Policies

The Norwalk Redevelopment Agency (Agency), an agent of the City of Norwalk, Connecticut (City) and is defined by the City as an Administrative Department of the municipality. The Agency was established by state statute and City code to oversee the development of the City's six project areas. The Agency functions autonomously from the City and is managed by a board of five commissioners who are appointed by the Mayor and approved by the Common Council of the City.

The Agency prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69*; has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of July 1, 2003; and it complies with the requirements of contracts and grants of agencies from which it receives funds.

#### ***Reporting Entity***

The Board of Commissioners (Board) is appointed by the Mayor and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Agency is a financial reporting entity as defined by GASB in its Statement No. 14, "*The Financial Reporting Entity*." There are no component units included within the reporting entity.

#### ***Government-wide and Fund Financial Statements***

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Agency's non-fiduciary activities. Governmental activities include programs supported primarily by grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support. There were no business-type activities during 2015.

The Statement of Activities demonstrates how other people or entities that participate in programs the Agency operates have shared in the payment of the direct costs. The "Capital grants and contributions" column includes amounts paid by organizations outside the Agency to help meet the operational or capital requirements of a given function. If revenue is not program revenue, it is general revenue used to support all of the Agency's functions.

All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds would remain on the government-wide Statement of Activities.

(Continued)

# NORWALK REDEVELOPMENT AGENCY

## Notes to Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and special revenue funds.

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Agency considers all revenues available if they are collectible within 60 days after year end.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the Agency to refund all or part of the unused amount.

The Agency applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets.

(Continued)

# NORWALK REDEVELOPMENT AGENCY

## Notes to Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### *Funds and Account Groups*

The accounts of the Agency are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses, as appropriate. The following fund types and account groups are used by the Agency:

#### Governmental Funds

Governmental funds are accounted for on a spending or "financial flow" measurement focus. That means only current assets and liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered a measure of "available spendable resources". Operating statements present increases and decreases in net current assets.

#### Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Agency utilizes this fund to account for all grants, federal and state.

#### *Cash Equivalents and Concentration of Risk*

The Agency considers cash equivalents to be those investments with original maturities of three months or less. The Agency also maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts, and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

#### *Investments*

Investments, which consist of money market funds, are presented at fair value.

#### *Loans Receivable*

Loans receivable, representing the outstanding balance of amounts advanced to individuals or businesses from federal community development grants, are recorded as assets when the advances are disbursed and are reflected net of any applicable uncollectible amounts.

#### *Interfund Receivables and Payables*

Outstanding balances between funds are presented as either due from or due to other funds and are not eliminated in the accompanying financial statements.

(Continued)

# NORWALK REDEVELOPMENT AGENCY

## Notes to Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### *Program Funds*

All funds received by the Agency are generally designated for use in the operation of its urban renewal and community development programs.

#### *Fund Balance Reporting and Governmental Fund Type Definitions*

Net position represents the difference between assets and liabilities. In accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, net position is reported as restricted when there are limitations imposed on their use. The restricted balance reported by the Agency is constrained for specific purposes externally imposed by the U.S. Department of Housing and Urban Development (HUD) provider for urban redevelopment.

#### *Compensated Absences and Post-Employment Benefits*

Employees are permitted to accumulate a specified amount of earned but unused sick leave, which will be paid to them upon separation from the Agency. These expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. The liability for compensated absences at June 30, 2015 was approximately \$133,000.

The Agency does not provide any post-employment benefits.

#### *Budgets*

Based upon the nature of the operation of the Agency, the Agency is not legally required to adopt a budget. Accordingly, comparative budget analysis has not been presented in these financial statements.

#### *Date through Which Subsequent Events Have Been Evaluated*

Subsequent events have been evaluated through October 31, 2015, which is the date the financial statements were available to be issued.

### (2) Reconciliation of Government-wide and Fund Financial Statements

The Combined Balance Sheet-Governmental Fund Type provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. There were no major reconciling items for 2015.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. There were no major reconciling items for 2015.

(Continued)

# NORWALK REDEVELOPMENT AGENCY

## Notes to Financial Statements

### (3) Deposits and Investments

At June 30, 2015, the carrying amount of the Agency's deposits was approximately \$1,510,000, and their bank balances totaled approximately \$2,420,000. The majority of the cash was on deposit with private financial institutions. As of June 30, 2015, the Agency's deposits with financial institutions were in excess of federal depository insurance limits by approximately \$2,170,000.

The Agency's cash consists of the following approximate amounts at June 30, 2015:

Petty cash	\$ 150
Cash in bank	<u>1,510,032</u>
Total cash	\$ <u>1,510,182</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it, or it will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency does not have a deposit policy for custodial credit risk.

The Agency's investments in money market accounts at June 30, 2015 totaled approximately \$6,995,000 (of which \$250,000 was insured).

In the event that a financial institution becomes insolvent and is placed under Federal Deposit Insurance Corporation (FDIC) receivership, this collateral is subject to the FDIC requirements for perfecting security interest under Federal law. In the opinion of the Connecticut State Attorney General, these requirements are met.

### (4) Note Payable to Bank

The Agency had a \$1,100,000 note payable to a local bank which was secured by certain real property and payable through February 2015. The interest rate of 2% was calculated at Peoples United Bank prime rate less 1.25%. This loan was repaid during the fiscal year ended June 30, 2015.

(Continued)

# NORWALK REDEVELOPMENT AGENCY

## Notes to Financial Statements

### (5) Receivables, Payables and Deferred Revenue

Grants and accounts receivables consist of the following amounts at June 30, 2015:

City of Norwalk and federal agencies	\$ 1,680,830
Other	<u>176,576</u>
Total grants and accounts receivable	\$ <u>1,857,406</u>

Due to governmental agencies consists of the following amounts at June 30, 2015:

Due to Community Development Block Grant (CDBG)	\$ 1,229,326
City of Norwalk-various projects	756,559
Other	<u>306,245</u>
Total due to governmental agencies	\$ <u>2,292,130</u>

Deferred revenues totaled approximately \$3,952,000 as of June 30, 2015. Grant revenues are considered earned when expenditures are incurred and until then are considered deferred revenues.

### (6) City of Norwalk and Program Funding

The Agency receives funding through the City of Norwalk as the City's administrator of the CDBG program. The City's operating budget also provides funding for salary and benefits of certain Agency staff that perform services directly for the City. The CDBG funding is distributed to Housing and Urban Development qualified programs and services within the City which are recognized as community needs within the City's Consolidated Plan and are awarded by the Common Council. For the year ended June 30, 2015, the Agency recognized the following revenue:

CDBG – Sub Grantee allocation	\$ 1,616,507
CDBG - Administration	171,450
Other Government Grants for City Projects	<u>4,881,788</u>
Total Non Agency/CDBG/Sub Grantee Allocations	\$ <u>6,669,745</u>

### (7) Employee Benefit Plan

The Agency sponsors a defined contribution pension plan covering substantially all of its employees. The benefits are based on years of service and the accumulation of employer's contribution during years of employment. Contributions and cost are determined at an average of 12 percent of each employee's salary and totaled approximately \$116,300 for the fiscal year ended June 30, 2015.

(Continued)

# NORWALK REDEVELOPMENT AGENCY

## Notes to Financial Statements

### (8) **Due to/from Related Parties**

Other assets include net advances due from North Walke Housing Corporation (North Walke) in the amount of \$223,500. North Walke is a separate nonprofit organization, but they are related parties since certain officers and directors of the Agency also serve in the same capacity with North Walke.

### (9) **Risk Management**

The Agency is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions for public officials; injuries to employees; and natural disasters. The Agency has obtained insurance coverage to guard against these events which will provide minimum exposure to the Agency should they occur.

The Agency continues to carry commercial insurance for all other risks of loss, including business liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### (10) **Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed costs or claims, including amounts already received by the Agency, could become a liability.

The Agency is involved in various litigation matters. Management and counsel are either unable to determine the effect on the financial statements of these matters as their outcomes are undeterminable as of this report, or the effects are not considered to be material.

### (11) **Choice Neighborhoods Initiative**

HUD announced on June 30, 2014 that the City was selected to receive approximately \$30 million under the federal Choice Neighborhoods initiative.

The Housing Authority of the City of Norwalk and the Agency will lead the effort on behalf of the City. Key partners include Trinity Financial and Housing Opportunities Unlimited. The team is targeting the South Norwalk neighborhood, since that area has suffered persistent flooding. Superstorm Sandy also caused severe flooding at the Washington Village public housing development and caused the temporary displacement of its residents. Plans call for rebuilding 136 public housing units into a new 273-unit mixed-income development.

A homeowner rehabilitation program, small business loans, and a new business improvement district will enable current owners and businesses to maintain and improve their properties.



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**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***

**INDEPENDENT AUDITOR’S REPORT**

To the Board of Commissioners  
Norwalk Redevelopment Agency

We have audited, in accordance with 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 Norwalk Redevelopment Agency (“Agency”) which comprise the statement of financial position as of June 30, 2015 and the related statements of activities, and cash flows as of and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency’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 over financial reporting 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.

(Continued)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Solakian & Company, LLC*

October 31, 2015

**NORWALK REDEVELOPMENT AGENCY**

**Schedule of Revenues, Expenditures  
and Changes in Fund Balance-Budgetary Comparison**

**Year ended June 30, 2015**

	<u>Actual-Budgetary Basis</u>			<u>Budgeted Amounts</u>	
	<u>CDBG</u>	<u>Improvement</u>	<u>Total</u>	<u>Original</u>	<u>Final</u>
<b>Revenues:</b>					
Other government grants for City projects	-	5,405,829	5,405,829	5,405,829	5,405,829
Federal grants	\$ 1,259,782	-	1,259,782	1,259,782	1,259,782
Program income	48,231	91,974	140,205	140,205	140,205
Investment income	2	10,176	10,178	10,178	10,178
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	1,308,015	5,507,979	6,815,994	6,815,994	6,815,994
<b>Expenditures:</b>					
Project outlays	1,308,015	5,507,979	6,815,994	6,815,994	6,815,994
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Revenues greater (less) than expenditures</b>	-	-	-	-	-
<b>Fund balance - beginning of year</b>	669,877	4,165,409	4,835,286	4,835,286	4,835,286
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances - end of year</b>	\$ 669,877	4,165,409	4,835,286	4,835,286	4,835,286
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to basic financial statements.



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Norwalk Redevelopment Agency

**Report on Compliance for Each Major Federal Program**

We have audited Norwalk Redevelopment Agency's ("Agency") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2015. The Agency's major federal programs are identified in the summary of auditor's 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 federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Agency's major federal 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Agencies. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 federal program. However, our audit does not provide a legal determination of the Agency's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Agency 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 federal programs for the year ended June 30, 2015.

(Continued)

## **Report on Internal Control Over Compliance**

Management of the Agency 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 Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Agency'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 federal 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 federal 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 federal 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Agency as of and for the year ended June 30, 2015, and have issued our report thereon dated October 31, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Solakian & Company, LLC*

October 31, 2015

**NORWALK REDEVELOPMENT AGENCY**

**Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2015**

<b><u>Grantor/Program Title</u></b>	<b><u>CFDA #</u></b>	<b><u>Expenditures</u></b>
<i>U.S. Department of Housing and Urban Development (HUD):</i>		
Community Development Block Grant (CDBG) Non-Revolving Funds Passed through the City of Norwalk	14.218	\$ <u>1,253,052</u>
Total expenditures of federal awards		\$ <u>1,253,052</u>

**BASIS OF PRESENTATION**

This Schedule of Expenditures of Federal Awards includes the federal grant activity of the Norwalk Redevelopment Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NORWALK REDEVELOPMENT AGENCY**

**Schedule of Findings and Questioned Costs - Federal Awards**

**Year ended June 30, 2015**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

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

*Federal Awards*

Internal control over major programs:

• Material weakness(es) identified? \_\_\_\_\_ yes  X  no

• Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number(s): 14.218

Name of Federal Program or Cluster:

HUD Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**Section II – Financial Statement Findings**

No findings or questioned costs are reported relating to financial statements audit.

**Section III– Federal Award Findings and Questioned Costs**

No findings or questioned costs are reported relating to Federal award programs.