

City of Norwalk, Connecticut

Federal and State Financial
and Compliance Reports
Year Ended June 30, 2015

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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 Honorable Mayor and Members
of the Common Council
City of Norwalk, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the City of Norwalk, Connecticut's (the City) 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 City's major federal programs for the year ended June 30, 2015. The City'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 City'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 Organizations*. 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 City'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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015.003. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City 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'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 City'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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwalk, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Norwalk, Connecticut's basic financial statements. We issued our report thereon dated December 29, 2015, which contained unmodified opinions on those financial statements. An emphasis of matter was included in the opinion related to the City's adoption Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB 68*, which resulted in the City restating net position for recognition of the City's pension related activity incurred prior to July 1, 2014.

Our opinion was not modified with respect to this matter. 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 federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

New Haven, Connecticut
December 29, 2015

City of Norwalk, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the State of Connecticut			
Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 507,827
National School Lunch Program	10.555	12060-SDE64370-20560	2,301,103
Summer Food Service Program for Children	10.559	12060-SDE64370-20548	97,673
Total			<u>2,906,603</u>
Passed through the State of Connecticut			
Department of Health Services:			
Special Supplemental Food Program for Women, Infants and Children	10.557	12060-SDE64370-20508	228,552
WIC Food Benefits Grants to State - Non Cash	10.557	N/A	1,330,048
Total			<u>1,558,600</u>
Total U.S. Department of Agriculture			<u>4,465,203</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grants/Entitlement Grants	14.218	N/A	<u>1,206,909</u>
U.S. Department of Justice			
Direct Program:			
Drug Seizure Fund	16.578	N/A	24,700
Police Overtime Reimbursements	16.xxx	N/A	5,486
Bullet Proof Vest Partnership Grant	16.607	N/A	7,216
Organized Crime Drug Enforcement Task Force	16.xxx	N/A	25,846
Norwalk JAG Local Pass-Through Project	16.738	N/A	66,956
Total			<u>130,204</u>
Passed through the State Department of Office Policy and Management:			
Juvenile Justice and Delinquency Prevention	16.540	12060-OPM20350-21676	8,635
Juvenile Accountability	16.523	12060-OPM20350-21672	18,146
Total			<u>26,781</u>
Total U.S. Department of Justice			<u>156,985</u>

(Continued)

City of Norwalk, Connecticut

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Passed through the State of Connecticut			
Department of Education:			
Title I Part A Cluster:			
Title I Grants to Local Education Agencies - 7/13-6/15	84.010A	12060-SDE64370-20679	\$ 531,769
Title I Grants to Local Education Agencies - 7/14-6/16	84.010A	12060-SDE64370-20679	1,497,942
Total			<u>2,029,711</u>
Career and Technical Education - Basic Grants to States	84.048A	12060-SDE64370-20742	<u>106,695</u>
Special Education Cluster:			
Special Education - Preschool Grants	84.173A	12060-SDE64370-20983	79,136
Special Education - Grants to States 7/13-6/15	84.027A	12060-SDE64370-20977	552,855
Special Education - Grants to States 7/14-6/16	84.027A	12060-SDE64370-20977	1,843,255
Total			<u>2,475,246</u>
English Language Acquisition Grants - 7/13-6/15	84.365A	12060-SDE64370-20868	54,758
English Language Acquisition Grants - 7/14-6/16	84.365A	12060-SDE64370-20868	123,897
Total			<u>178,655</u>
Improving Teacher Quality State Grants - 7/13-6/15	84.367A	12060-SDE64370-20858	289,469
Improving Teacher Quality State Grants - 7/14-6/16	84.367A	12060-SDE64370-20858	83,055
Total			<u>372,524</u>
Total U.S. Department of Education			<u>5,162,831</u>
U.S. Department of Homeland Security			
Direct Program:			
Assistance to Firefighters	97.044	N/A	156,089
Passed through the State of Connecticut			
Department of Emergency Services and Public Protection:			
Port Security Grant Program	97.056	12060-DPS32160-22327	19,595
Hazard Mitigation Grant	97.039	12060-DPS32983-22519	81,598
Total U.S. Department of Homeland Security			<u>257,282</u>

(Continued)

City of Norwalk, Connecticut

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through the State of Connecticut			
Department of Public Health:			
Childhood Immunization Grants	93.268	12060-DPH48664-20911	\$ 106,469
Preventive Health and Health Services Block Grant	93.991	12060-DPH48558-21530	16,110
Public Health Emergency Preparedness Grant	93.069	12060-DPH48558-22333	52,901
Total U.S. Department of Health and Human Services			<u>175,480</u>
Department of the Interior			
Refuge Revenue Sharing	99.000	N/A	<u>21,249</u>
National Endowment for the Arts			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	N/A	<u>6,976</u>
U.S. Department of Health and Human Services			
Passed through the State of Connecticut			
Office of Early Childhood:			
Head Start	93.600	12060-OEC64841-26155	<u>1,441,053</u>
U.S. Department of Transportation			
Passed through the State of Connecticut			
Department of Transportation:			
Highway Planning and Construction Cluster			
West Avenue Corridor Transportation Improvement Project	20.205	12062-DOT57161-22108	111,470
Reconstruction of Rowayton Avenue	20.205	12062-DOT57191-22108	1,133,805
Westmere Ave. Bridge over Farm Creek Project	20.205	12062-DOT57191-22108	343,227
Perry Ave. Bridge over Norwalk River	20.205	12062-DOT57191-22108	10,021
James St. Bridge over Silvermine River	20.205	12062-DOT57191-22108	2,453
Traffic Signal Upgrade - Phase 3	20.205	12062-DOT57161-22108	82,549
Total			<u>1,683,525</u>
National Priority Safety Programs	20.616	12062-DOT57513-22600	<u>26,694</u>
Total Passed through the State of Connecticut Department of Transportation:			<u>1,710,219</u>
Direct Program:			
Expanded DUI Enforcement Program	20.500	N/A	<u>68,706</u>
Total U.S Department of Transportation			<u>1,778,925</u>
Total Expenditures of Federal Awards			<u>\$ 14,672,893</u>

N/A = Not Applicable.

See Notes to Schedule of Expenditures of Federal Awards.

City of Norwalk, Connecticut

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Norwalk, Connecticut (the "City") under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, 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 Norwalk, Connecticut.

Note 2. Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. Contribution

U.S.D.A. contributions: The United States Department of Agriculture makes available commodities for donations to schools. The amount of \$259,174 represents the market value of such commodities used during the period. This amount is included in the Child Nutrition Cluster within the National School Lunch Program.

WIC food payments: The United States Department of Agriculture makes noncash distributions of food vouchers for WIC. The amount of \$1,330,408 represents the market value of such vouchers used during this period.

City of Norwalk, Connecticut

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes 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: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

 X Yes No

Identification of Major Programs

CFDA Numbers/FAP Numbers	Name of Program or Cluster
10.553 / 10.553 / 10.559	Child Nutrition Cluster
20.205	Highway Planning and Construction Cluster
84.048A	Career and Technical Education - Basic Grants to States
97.044	Assistance to Firefighters

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

 \$440,186

Auditee qualified as low-risk auditee?

 X Yes No

City of Norwalk, Connecticut

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

II. Financial Statement Findings

Finding No. 2015.001

Criteria or specific requirement: Receivables, net of related allowances, not received within 60 days of fiscal year-end must be deferred.

Condition: Not all related allowances were netted out of the required deferral related to the deferral of property tax receivables not received within 60 days of year-end.

Context: Through audit testing performed, it was noted that the calculation of deferred revenue related to tax revenue was miscalculated.

Effect: An overstatement of deferred revenue with a corresponding understatement of tax revenue and fund balance in fiscal year ended June 30, 2015. This significant deficiency is related to both the General Fund and the Governmental Activities Reporting Units.

Cause: Inadequate review of the deferred revenue calculation methodology.

Recommendation: We recommend that the City perform a more thorough review of the deferred tax calculation to ensure the calculation methodology includes all necessary inputs to arrive at the correct balance.

Views of responsible officials and planned corrective actions: The City has changed its model so that deferred revenue for all items is properly calculated in the future.

Finding No. 2015.002

Criteria or specific requirement: Payments subsequent to the fiscal year-end should be allocated to the related fiscal year(s).

Condition: Not all portions of payments subsequent to the end of the fiscal year-end were allocated to the proper period.

Context: Through audit testing performed, it was noted that certain expenditures made subsequent to fiscal year ended June 30, 2015 were not properly recorded to account for partial activity in the underlying support relating to the fiscal year ended June 30, 2015.

Effect: The error understated accounts payable resulting in a corresponding understatement of expenditures.

Cause: Policies related to recording of payments crossing multiple fiscal years should be modified to ensure proper allocation.

Recommendation: We recommend the City enhance expenditure controls to improve monitoring of transactions applicable to multiple fiscal years to ensure proper recording in all periods.

City of Norwalk, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014**

Views of responsible officials and planned corrective actions: The City has changed its procedure for allocating charges to the proper period so that expenditures are properly recorded. All individuals that are responsible for allocating accounts payable to the correct year for Capital Projects and other items have been made aware of them.

III. Findings and Questioned Costs for Federal Awards

Finding No. 2015.003

Grantor: U.S. Department of Agriculture
CFDA Number: 10.553 / 10.553 / 10.559
Program Name: Child Nutrition Cluster

Criteria: One of the compliance requirements for grant receipts under the Child Nutrition Cluster is that students being charged for lunches must be charged an amount per the grant agreement. The minimum charge amount is calculated using an excel workbook provided by the U.S. Department of Agriculture ("USDA").

Condition: It was noted that the workbook contained errors which resulted in the students being charged an amount less than the required charge that the USDA workbook would have calculated.

Questioned Costs: None noted.

Context: The USDA workbook is not reviewed in sufficient detail in order to identify errors in the calculation.

Effect: Students were undercharged for lunches relative to the terms of the grant. Contact with grant provider indicated that the finding would have no impact on current or future reimbursements under the grant, but should be corrected for school year 2017 and onward.

Cause: Inadequate review procedures are in place related to the USDA workbook.

Recommendation: We recommend a more detailed review of the USDA calculation be implemented in order to ensure errors are identified and corrected before posting of the school lunch rates.

Management Response and Planned Corrective Action: Board of Education Finance staff met with the officials responsible for administering the Norwalk School Lunch Program on October 20, 2015 in order to discuss the audit finding and to develop procedures to review these grant requirements on a regular basis to ensure that the District remains in compliance with all grant requirements. Food Services staff has subsequently proposed to increase the price of lunch by \$0.25 at the secondary level, and by \$0.10 at the elementary level, effective for the 2016-17 school year.

This proposed adjustment is currently being reviewed by the District Central Office, and a proposal to adjust prices will be presented to the Board of Education Finance Committee in early 2016 for the 2016-17 school year. Food Service Staff and Board of Education Finance Staff will review the USDA workbook on an annual basis each year in October in advance of setting rates for the subsequent school year to ensure that school lunch rates are in compliance with all grant requirements.

City of Norwalk, Connecticut

**Summary of Prior Year Audit Findings
For the Year Ended June 30, 2015**

There were no findings in the prior year.

**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 Honorable Mayor and Members
of the Common Council
City of Norwalk, 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 Norwalk, Connecticut (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2015. Our report includes an emphasis of a matter paragraph due to the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and its amendment, GASB Statement No. 71.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify two deficiencies in internal control that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2015-01 and 2015-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned cost. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

New Haven, Connecticut
December 29, 2015

Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

Independent Auditor's Report

To the Honorable Mayor and Members
of the Common Council
City of Norwalk, Connecticut

Report on Compliance for Each Major State Program

We have audited the City of Norwalk, Connecticut's (the City) 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's major state programs for the year ended June 30, 2015. The City's major state 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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'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's compliance.

Opinion on Each Major State Program

In our opinion, the City 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with State Single Audit Act and which is described in the accompanying schedule of findings and questioned costs as item 2015.003. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City 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'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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 Norwalk, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Norwalk, Connecticut's basic financial statements. We issued our report thereon dated December 29, 2015, which contained unmodified opinions on those financial statements. An emphasis of matter was included in the opinion related to the City's adoption Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB 68*, which resulted in the City restating net position for recognition of the City's pension related activity incurred prior to July 1, 2014. Our opinion was not modified with respect to this matter. 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.

RSM US LLP

New Haven, Connecticut
December 29, 2015

City of Norwalk, Connecticut

**Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2015**

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
Connecticut State Library		
Grants to Cooperating Library Service Units	11000-CSL66051-17003	\$ 1,158
Historic Document Preservation Grant	12060-CSL66094-35150	8,198
Connecticard Payment	11000-CSL66051-17010	2,186
		<u>11,542</u>
Department of Education		
Family Resource Center	11000-SDE64370-16110	219,000
Adult Education	11000-SDE64370-17030	66,163
Non-Public Health Services	11000-SDE64370-17034	39,363
Bilingual Education	11000-SDE64370-17042	96,655
Priority School District	11000-SDE64370-17043-82052	4,386,555
Magnet School - Transportation	11000-SDE64370-17057	356,200
Youth Services Bureau	11000-SDE64370-17052	66,887
School Accountability - Summer School	11000-SDE64370-17043-82055	246,528
State School Breakfast	11000-SDE64370-17046	62,215
Child Nutrition State Matching Grant	11000-SDE64370-16211	50,250
Healthy Food Grant	11000-SDE64370-16212	102,553
Magnet School - Operating	11000-SDE64370-17057	1,341,879
Extended School Hours	11000-SDE64370-17043-82054	213,655
Youth Services Bureau - Enhancement	11000-SDE64370-16201	7,455
Low Performing Schools	12052-SDE64370-43539	606,500
Commissioner's Network	11000-SDE64370-12547	417,460
Common Core	11000-SDE64201-12566	146,108
ECS - Alliance District Funding	11000-SDE64370-17041-82164	1,620,492
		<u>10,045,918</u>
Office of Policy and Management		
Property Tax Relief - Elderly Circuit Breakers	11000-OPM20600-17018	447,973
Local Capital Improvement Program	12050-OPM20600-40254	631,512
Property Tax Relief - Private Colleges and Hospitals	11000-OPM20600-17004	404,528
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17006	1,571,461
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	14,783
Property Tax Relief for Veterans	11000-OPM20600-17024	4,249
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	168,635
Property Tax Relief - Disabled	11000-OPM20600-17011	3,146
Municipal Grants-in-Aid	12052-OPM20600-43587	378,941
		<u>3,625,228</u>
Department of Social Services		
MMIS S PYMT	N/A	<u>1,165</u>

(Continued)

City of Norwalk, Connecticut

Schedule of Expenditures of State Financial Assistance (Continued)
For the Year Ended June 30, 2015

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Transportation		
Town Aid Road Grants	12052-DOT57131-43455	\$ 887,652
Click it or Ticket	12062-DOT57513-22600	9,279
Closed Loop Traffic Signal System Installation	12062-DOT57161-22108	134,632
Reconstruction of Rowayton Avenue	N/A	283,451
Construction of Westmere Avenue Bridge over Farm Creek	N/A	85,807
Interstate 95 and US Route 1 Improvements	12062-DOT57191-22108	1,726
West Avenue Corridor Transportation Improvement Project	12062-DOT57161-22108	7,798
City of Norwalk's TOD Pilot Program Project	N/A	190,852
		<u>1,601,197</u>
Department of Economic and Community Development		
Urban Act Grant-Waypointe Development	13019-ECD46440-41240	1,971,271
Public Act Grant (HVAC Chiller)	12052-ECD46210-43207	400,000
		<u>2,371,271</u>
Department of Energy and Environmental Protection		
O&M of Norwalk Visitors Dock	12060-DEP43760-20954	5,598
Oyster Shell Park CUAP 2007-10	2009-9069	84,648
Removal of Flock Process Dam on the Norwalk River	State ID# 2011-11172	32,594
		<u>122,840</u>
Judicial Department		
Littering Fines	34001-JUD95162-40001	299
Child, Youth & Family Support Centers	11000-JUD96114-12105-084	250
Motor Vehicle Violation Surcharge	34001-JUD95162-40001	52,769
Motor Vehicle Fines - Cell Phone	34001-JUD95162-40001	34,652
		<u>87,970</u>
Department of Emergency Services and Public Protection		
State Asset Forfeiture Revolving Fund	12060-DPS32155-35142	27,931
ICAC Grant Reimbursement	N/A	1,021
Grants-In-Aid Citys/Town Public Safety	13019-DPS32183-41238	29,551
State 911 Enhancement	12060-DPS32181-35190	193,736
		<u>252,239</u>
Department of Revenue Services		
CIT Rimbusement	N/A	10,210
Payments to Municipalities - OTB	34003-DRS16442-18010	155,428
		<u>165,638</u>
Department of Consumer Protection		
Bingo Payments	34003-DCP39930-42350	109

(Continued)

City of Norwalk, Connecticut

Schedule of Expenditures of State Financial Assistance (Continued)
For the Year Ended June 30, 2015

State Grantor Pass-Through Grantor Program Title	State Grant Program CORE-CT Number	Expenditures
State Comptroller		
Nitrogen Credit Exchange Program	21016-OTT14230-42407	<u>\$ 65,525</u>
Department of Public Health		
Lead Poisoning Prevention	11000-DPH48852-12126	22,544
Per Capita Grant	11000-DPH48558-17009	122,185
Connecticut Vaccine Program	11000-DPH48500-12563	3,134
Venereal Disease Control	11000-DPH48665-17013	<u>12,773</u>
		<u>160,636</u>
Emergency Management and Homeland Security		
Emergency Management Program Grant	12060-EHS99660-21881	<u>43,230</u>
Office of Early Childhood		
School Readiness and Child Care Grant	11000-OEC64845-17101	4,878,791
School Readiness Quality Enhancement	11000-OEC64845-17097	49,655
Total Office of Early Childhood		<u>4,928,446</u>
Department of Housing		
Payment in Lieu of Taxes	11000-DOH46920-17008	<u>11,482</u>
Total State Financial Assistance Before Exempt Programs		<u>23,494,436</u>
Exempt Programs		
Office of Policy and Management		
Mashantucket Pequot Grant	12009-OPM20600-17005	<u>853,995</u>
Department of Education		
Education Cost Sharing	11000-SDE64370-17041-82010	10,104,547
Transportation of School Children	11000-SDE64370-17027	62,836
Non-Public School Transportation	11000-SDE64370-17049	14,097
Special Education - Agency Placement	11000-SDE64730-17047	38,144
Special Education - Excess Costs	11000-SDE64730-17047	<u>2,607,941</u>
Total Department of Education		<u>12,827,565</u>
Department of Education		
School Construction Grants	13010-DCS28000-40901	<u>1,799,051</u>
Total Exempt Programs		<u>15,480,611</u>
Total State Financial Assistance		<u>\$ 38,975,047</u>

N/A = Not Applicable.

See Notes to Schedule of Expenditures of State Financial Assistance.

City of Norwalk, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2015**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the City of Norwalk, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2015. Various departments and agencies of the State of Connecticut have provided financial assistance to the City of Norwalk through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs including education, public works, social services, property tax relief and public safety. Because the schedule presents only a selected portion of the operations of the City it is not intended to, and does not, present the financial position, changes in fund balance, and changes in net position or cash flows of the City of Norwalk, Connecticut.

Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of Norwalk, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of accounting: The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. 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 of Expenditures of State Financial Assistance.

Note 2. Loan Programs

In accordance with Section 426-23(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, 2015:

Department of Energy and Environmental Protection

Clean Water Funds 21044-OTI4230-4001

Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
\$ 35,670,942	\$ -	\$ (3,987,815)	\$ 31,683,127

City of Norwalk, Connecticut

**Schedule of State Single Audit Findings and Questioned Costs
For the Year Ended June 30, 2015**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? X Yes _____ 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 auditor's 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? X Yes _____ No

The following schedule reflects major programs included in the State Single Audit:

State Grantor and Program	State CORE-CT Number	Expenditures
Department of Education		
Priority School District	11000-SDE64370-17043-82052	\$ 4,386,555
ECS - Alliance District Funding	11000-SDE64370-17041-82164	1,620,492
Low Performing Schools	12052-SDE64370-43539	606,500
Common Core	11000-SDE64201-12566	146,108
Office of Early Childhood		
School Readiness and Child Care Grant	11000-OEC64845-17101	4,878,791
Department of Economic and Community Development		
Urban Act Grant-Waypointe Development	13019-ECD46440-41240	1,971,271
Dollar threshold used to distinguish between type A and type B programs		<u>\$ 469,888</u>

City of Norwalk, Connecticut

Schedule of State Single Audit Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

II. Financial Statement Findings:

Finding No. 2015-01

Criteria or specific requirement: Receivables, net of related allowances, not received within 60 days of fiscal year-end must be deferred.

Condition: Not all related allowances were netted out of the required deferral related to the deferral of property tax receivables not received within 60 days of year-end.

Context: Through audit testing performed, it was noted that the calculation of deferred revenue related to tax revenue was miscalculated.

Effect: An overstatement of deferred revenue with a corresponding understatement of tax revenue and fund balance in fiscal year ended June 30, 2015. This significant deficiency is related to both the General Fund and the Governmental Activities Reporting Units.

Cause: Inadequate review of the deferred revenue calculation methodology.

Recommendation: We recommend that the City perform a more thorough review of the deferred tax calculation to ensure the calculation methodology includes all necessary inputs to arrive at the correct balance.

Views of responsible officials and planned corrective actions: The City has changed its model so that deferred revenue for all items is properly calculated in the future.

Finding No. 2015-02

Criteria or specific requirement: Payments subsequent to the fiscal year-end should be allocated to the related fiscal year(s).

Condition: Not all portions of payments subsequent to the end of the fiscal year-end were allocated to the proper period.

Context: Through audit testing performed, it was noted that certain expenditures made subsequent to fiscal year ended June 30, 2015 were not properly recorded to account for partial activity in the underlying support relating to the fiscal year ended June 30, 2015.

Effect: The error understated accounts payable resulting in a corresponding understatement of expenditures.

Cause: Policies related to recording of payments crossing multiple fiscal years should be modified to ensure proper allocation.

Recommendation: We recommend the City enhance expenditure controls to improve monitoring of transactions applicable to multiple fiscal years to ensure proper recording in all periods.

Views of responsible officials and planned corrective actions: We recommend the City enhance expenditure controls to improve monitoring of transactions applicable to multiple fiscal years to ensure proper recording in all periods.

City of Norwalk, Connecticut

Schedule of State Single Audit Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

III. State Financial Assistance Findings and Questioned Costs

Finding No. 2015-03

Criteria or specific requirement: The state compliance supplement requires that municipalities that pass through funds from state grants to subrecipients are required to monitor subrecipient activities to provide reasonable assurance that the subrecipient administers state awards in compliance with state and program requirements, e.g. review of financial and programmatic reports, uses of program income and on site monitoring visits.

Condition: Funds disbursed to a subrecipient from the School Readiness and Family Resource Center grants were not properly monitored to provide reasonable assurance that the subrecipient administered state awards in compliance with state requirements.

Questioned Costs: Undeterminable.

Context: The Norwalk Public Schools identified that it was unsure if grant uses by a subrecipient were proper in accordance with the terms and conditions of the grant.

Effect: Improper monitoring of subrecipients could result in grant term violations. The Norwalk Public Schools may be liable for expenditures found to be unallowable, and there could be misuse/misappropriation of grant funding.

Cause: Inadequate monitoring of subrecipients of the grant. This was due to a lack of controls in place to properly monitor subrecipients on an on-going basis.

Recommendation: We recommend that Norwalk Public Schools enhance monitoring procedures over subrecipients. The Norwalk Public Schools should also have a supervisory review in place to determine the adequacy of subrecipient monitoring. In addition, the Norwalk Public schools should include in each subrecipient award a summary of program requirements including the need for an audit in accordance with the Connecticut State Single Audit requirements.

Views of responsible officials and planned corrective actions: Board of Education staff independently discovered the condition cited here in October 2015 as part of its ongoing monitoring of the School Readiness and Family Resource Center grants. The District subsequently brought this matter to the attention of both the City's independent auditors and the State Department of Education, and is awaiting further guidance on this matter from the State Department of Education.

The District has required that sub-recipients of School Readiness grants to furnish the district with annual audits in conformance with the Connecticut State Single Audit Act, and therefore we do not believe that the failure to receive an audit from one provider is necessarily indicative of an overall inadequacy of monitoring of sub-recipients of School Readiness grants. Rather, it appears that the monitoring procedures for one particular provider was inadequate, because District staff did not properly understand the relationship of this provider to the District as a grant sub-recipient.

City of Norwalk, Connecticut

**Schedule of State Single Audit Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015**

Management concurs with the auditor's recommendation that the District enhance monitoring procedures over sub-recipients and that the Norwalk Public Schools have a supervisory review in place to determine the adequacy of sub-recipient monitoring. The District intends to enhance its monitoring procedures by requiring that annual audits from sub-recipients be reviewed by the District's Early Childhood Director (as has been the practice), and additionally that all such audits be reviewed by the District's Chief Financial Officer as a new, supervisory review. Moreover, the District will include language in future grant contracts that explicitly requires all sub-recipients to have an annual independent audit performed as a condition of receiving a grant award from the District.

City of Norwalk, Connecticut

**Summary of Prior Year Audit Findings
For the Year Ended June 30, 2015**

Finding No. 2014-01

Condition:

The City was required to submit a report listing all the programs and classes generated by the PEGPETIA program by December 10, 2013, as well as a final report detailing an overall account of the success of the grant by February 10, 2014. The City ultimately filed both of these reports together on April 22, 2014.

Current Status:

The City did not receive funding under the grant during fiscal year ended June 30, 2015. The requirement related to the finding is no longer applicable to the City.