

**Federal Single Audit
and
State Single Audit**

of the

City of West Haven, Connecticut

For the Year Ended June 30, 2017

City of West Haven, Connecticut

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**Federal
Single
Audit**

City of West Haven, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed through to subrecipients	Total Expenditures
<u>U.S. Department of Agriculture</u>				
Direct Program				
Emergency Watershed Protection Program - Floodplain Easements Disaster Relief Appropriations Act	10.928	N/A	\$ -	\$ 150,723
Passed through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	12060-SDE64370-20508-82079	-	504,464
National School Lunch Program - Cash	10.555	12060-SDE64370-20560-82079	-	1,698,843
National School Lunch Program - Commodities	10.555	12060-SDE64370-20560-82079	-	133,411
Total Child Nutrition Cluster				2,336,718
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051-82079	-	81,335
Total U.S. Department of Agriculture				2,568,776
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	-	832,668
Passed through the State Department of Housing:				
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:				
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	12060-DOH46961-29516	-	278,000
Total U.S. Department of Housing and Urban Development				1,110,668
<u>U.S. Department of Transportation</u>				
Passed through State Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	12062-DOT57343-22108	-	12,535
Highway Safety Cluster:				
National Priority Safety Programs	20.616	12062-DOT57513-22600	-	2,621
Total U.S. Department of Transportation				15,156
<u>U.S. Environmental Protection Agency</u>				
Passed through State Department of Public Health:				
Beach Monitoring and Notification Program Implementation Grants	66.472	12060-DPH48798-21888	-	275
Passed through State Department of Energy and Environmental Protection:				
Performance Partnership Grant	66.605	12060-DEP43540-21010	-	10
Total U.S. Environmental Protection Agency				285
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Adult Education - Basic Grants to States	84.002	12060-SDE64370-20784-84002-2017	-	30,000
Title I				
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-82070-2017	-	2,366,130
Common Core	84.010	12060-SDE64370-20679-82166-2017	-	25,000
Total Title I				2,391,130
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742-84010-2017	-	117,399
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	84.027	12060-SDE64370-20977-82032-2017	-	1,552,600
Special Education - Preschool Grants (IDEA Preschool)	84.173	12060-SDE64370-20983-82032-2017	-	58,280
Total Special Education Cluster (IDEA)				1,610,880
Title III				
English Language Acquisition State Grants (Title III, Part A)	84.365	12060-SDE64370-20868-82075-2017	-	115,492
Immigrant & Youth Education Program	84.365	12060-SDE64370-20868-82076-2017	-	18,444
Total Title III				133,936
Supporting Effective Instruction State Grants (Title II, Part A)	84.367	12060-SDE64370-20858-84131-2017	-	228,121
Total U.S. Department of Education				4,511,466

(Continued)

See Notes to Schedule of Expenditures of Federal Awards.

City of West Haven, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed through to subrecipients	Total Expenditures
<u>U.S. Department of Health and Human Services</u>				
Passed through the State Department of Public Health:				
Public Health Emergency Preparedness	93.069	12060-DPH48557-22333	\$ -	\$ 57,972
Immunization Cooperative Agreements	93.268	12060-DPH48664-20911	-	13,608
PPHF Capacity Building Assistance to Strengthen Public Health				
Immunization Infrastructure and Performance	93.539	12060-DPH48664-22742	-	24,155
Preventative Health and Health Services Block Grant	93.758	12060-DPH48558-22664	-	28,820
Total U.S. Department of Health and Human Services				124,555
<u>U.S. Department of Homeland Security</u>				
Passed through the State Department of Emergency Services and Public Protection:				
Emergency Management Performance Grants	97.042	12060-DPS32160-21881	-	21,928
Total Federal Awards			\$ -	\$ 8,352,834
N/A- Not applicable or not available.				(Concluded)

See Notes to Schedule of Expenditures of Federal Awards.

City of West Haven, Connecticut

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the Federal award activity of the City of West Haven, Connecticut under programs of the federal government. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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.

2. Summary of significant accounting policies

A. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

B. The City has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Noncash federal awards

The City received and expended \$133,411 of USDA donated commodities under the National School Lunch Program.

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2017**

Finding 2016-001 General Fund Deficit

Condition:

The City has not budgeted the accumulated fund deficit in the General Fund as required by State statutes.

Current status:

The finding has been repeated as Finding 2017-001.

Reason for recurrence:

The City had planned to fund the deficit by issuing deficit financing bonds. This did not occur until November 2017.

Finding 2016-002 Segregation of Duties

Condition:

Currently, the City and Board of Education payroll clerks have the ability to change employee pay rates. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Current status:

The finding has been repeated as Finding 2017-002 for the City. The Board of Education has corrected their portion of the finding.

Reason for recurrence:

Due to staffing issues, the City has been unable to implement the planned corrective action.

Finding 2016-003 Year End Closing Procedures

Condition:

There were significant revenue accrual and interfund adjustments made to the final trial balances for certain education grant funds.

Current status:

The finding has been corrected.

City of West Haven, Connecticut

**Summary Schedule of Prior Year Audit Findings (Continued)
For the Year Ended June 30, 2017**

Finding 2016-004 Data Collection Form

Condition:

The City did not file the 2014, 2015, and 2016 Data Collection Form with the Federal Audit Clearinghouse within federal guidelines.

Current status:

The finding has been repeated as Finding 2017-003.

Reason for recurrence:

Due to staffing issues, the City has been unable to implement the planned corrective action.

City of West Haven, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion
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 auditors' report issued on compliance for major programs: Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ___x yes ___ no

Identification of major programs:

Table with 2 columns: CFDA Number, Name of Federal Program. Rows include 14.218 CDBG - Entitlement Grants Cluster, 84.010 Title I Grants to Local Educational Agencies, and 84.027, 84.173 Special Education Cluster (IDEA).

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ___yes ___x no

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017**

II - Findings - Financial Statement Audit

Finding 2017-001 General Fund Deficit

Criteria

State Statutes Section 7-390 require that municipalities include any General Fund deficit which exists at the beginning of the fiscal year in the budget that is being prepared. The City's General Fund deficit was \$18,138,674 as of June 30, 2017.

Condition

The City has not included the accumulated fund balance deficit in the General Fund of \$18,138,674 in the current budget being prepared.

Context

Not applicable.

Effect

The City is not in compliance with State Statutes.

The potential exists for the overall financial condition to continue to deteriorate and the City may not have the ability to meet their short-term cash needs. In addition, outside oversight has been mandated as conditions have worsened.

Cause

The City has not adopted a budget to address the City's General Fund deficit.

Recommendation

The City should implement a plan to fund the General Fund deficit.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City issued deficit financing general obligation bonds in November 2017 to address the deficit.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017**

II - Findings - Financial Statement Audit (Continued)

Finding 2017-002 Segregation of Duties

Criteria

In order to maintain the proper internal controls, the City should have proper segregation of duties for all material financial transactions and balances.

Condition

Currently, the City payroll clerks have the ability to change employee pay rates. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Context

Systemic in nature.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The City should revised their policies so that incompatible responsibilities within the payroll process be segregated between employees.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will review current processing procedures to strengthen internal control over segregation of duties.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017**

III - Findings and Questioned Costs - Major Federal Award Programs Audit

Finding 2017-003 Data Collection Form

Condition

The City did not file the 2014, 2015, and 2016 Data Collection Forms with the Federal Audit Clearinghouse within federal guidelines.

Criteria

In order to comply with federal guidelines, the City needs to file its Data Collection Forms within nine months of year-end or thirty days after issuance.

Questioned costs

There were no questioned costs.

Context

The 2014, 2015, 2016, and 2017 financial reporting packages were not filed on time.

Effect

The City was not in compliance with federal guidelines, which could cause a reduction or loss in funding from Federal grantors.

Cause

The City did not commit adequate resources to enable completion of the financial statements in a timely manner.

Recommendation

The City should implement procedures to ensure financial statements are completed in a timely manner and the federal reporting package is filed within federal guidelines.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will complete financial and compliance reports in a timely manner.

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**City Council
City of West Haven, 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, each major fund and the aggregate remaining fund information of the City of West Haven, Connecticut ("City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 5, 2018.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2017-001 to 2017-002.

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 Costs. We did not audit the City's response 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
June 5, 2018

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

City Council
City of West Haven, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the City of West Haven, Connecticut's ("City") compliance with the types of compliance requirements described in the *OMB 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, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

**City Council
City of West Haven, Connecticut**

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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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-003. 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 the Uniform Guidance, 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 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.

**City Council
City of West Haven, Connecticut**

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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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 5, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
June 5, 2018

State Single Audit

City of West Haven, Connecticut

Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2017

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core CT Number	Passed through to subrecipients	Total Expenditures
Department of Administrative Services Alliance District General Improvements	12052-DAS27635-43651	\$ -	\$ 1,699,234
Department of Agriculture Shell Fish Taxes and Rents	34003-DAG42660-42337	-	53,622
State Comptroller Nitrogen Credit Exchange Program	21016-OTT14230-42407	-	222,040
Office of Early Childhood Child Day Care	11000-OEC64841-16274	641,227	641,227
School Readiness in Priority School Districts	11000-OEC64845-16274-83014	-	1,996,924
School Readiness Quality Enhancement	11000-OEC64845-17097-82079	-	33,318
Department of Economic and Community Development Brownfield Remediation	12060-ECD46260-35533	-	1,135,457
Brownfield Remediation - Front Ave, Collis & West Clark Street	12060-ECD46260-35533	-	162,668
Urban Act Grant - OPM	13019-ECD46210-41240	-	20,000
Department of Education School-Based Diversion Initiative	11000-SDE64370-12587-82079	-	50,000
Family Resource Centers	11000-SDE64370-16110-82079	-	103,000
Youth Services Bureau Enhancement	11000-SDE64370-16201-82079	-	7,550
Child Nutrition State Matching Grant	11000-SDE64370-16211-82051	-	25,513
Healthy Foods Initiative	11000-SDE64370-16212-82010	-	71,325
Adult Education	11000-SDE64370-17030-84002	-	213,739
Health Services	11000-SDE64370-17034-82010	-	62,337
Alliance District Funding Program	11000-SDE64370-17041-82164	-	3,741,184
Bilingual Education	11000-SDE64370-17042-82079	-	36,147
School Breakfast	11000-SDE64370-17046-82058	-	26,221
Youth Services Bureau	11000-SDE64370-17052-82079	-	36,155
Magnet Schools - Transportation	11000-SDE64370-17057-82061	-	210,600
Department of Emergency Services and Public Protection School Security Grant	12052-DPS32161-43546	-	161,411
Drug Assets Forfeiture Funds	12060-DPS32155-35142	-	3,020
Telecommunications Fund	12060-DPS32741-35190	-	122,011
Department of Energy and Environmental Protection Clean Water Fund	21014-DEP43270-40001	-	16,929
Department of Justice Non-Budgeted Operating Appropriations	34001-JUD95162-40001	-	12,368
Non-Budgeted Operating Appropriations	34006-JUD95431-40001	-	9,500
Office of Policy and Management Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	-	5,348,141
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	5,850
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	-	367,067
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	-	8,000
Property Tax Relief for Veterans	11000-OPM20600-17024	-	118,373
Local Capital Improvement Program	12050-OPM20600-40254	-	741,205
Municipal Grants-in-Aid	12052-OPM20600-43587	-	190,544
Department of Public Health Local and District Departments of Health	11000-DPH48558-17009	-	57,506
X-Ray Screening and Tuberculosis Care	11000-DPH48666-16112	-	4,910
Department of Social Services: Medicaid	11000-DSS60000-16020	-	464,376
Connecticut State Library Historic Documents Preservation Grant	12060-CSL66094-35150	-	5,000
CT Education Network	12062-CSL66011-43649	-	16,360
Department of Transportation Town Aid Roads Grants Transportation Fund	12052-DOT57131-43455	-	616,673
Total State Financial Assistance Before Exempt Programs		641,227	17,118,271

(Continued)

See Notes to Schedule of Expenditures of State Financial Assistance.

City of West Haven, Connecticut
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2017

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Grant Program Core CT Number</u>	<u>Passed through to subrecipients</u>	<u>Total Expenditures</u>
<u>Exempt Programs:</u>			
Department of Education:			
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	\$ -	\$ 2,007,722
Education Cost Sharing	11000-SDE64370-17041-82010	-	41,354,858
Department of Administrative Services:			
School Construction Projects - Principal	13010-DAS27635-40901	-	475,000
Office of Policy and Management:			
Municipal Revenue Sharing	12002-OPM20600-17102	-	1,980,938
Mashantucket Pequot/Mohegan Fund Grant	12009-OPM20600-17005	-	969,932
Total Exempt Programs		<u>-</u>	<u>46,788,450</u>
Total State Financial Assistance		<u>\$ 641,227</u>	<u>\$ 63,906,721</u>
			(Concluded)

See Notes to Schedule of Expenditures of State Financial Assistance.

City of West Haven, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance For the Year Ended June 30, 2017

1. Basis of presentation

The accompanying schedule of expenditures of state financial assistance ("Schedule") includes State grant activity of the City of West Haven, Connecticut ("City"), under programs of the State of Connecticut. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including general government, finance, public safety, public works, health and welfare, culture and recreation and education.

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.

2. Summary of significant accounting policies

The accounting policies of the City, conform to accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

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. 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.

City of West Haven, Connecticut

**Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2017**

3. Loan program

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of the various loan program activity:

Department of Energy and Environmental Protection:

Clean Water Funds: (21014-OTT14230-40001)

Grant ID	Issue Date	Interest Rate	Original Amount	Balance July 1, 2016	Retired	Balance June 30, 2017
CWF167-C	10/30/1998	2.0%	\$ 4,858,956	\$ 384,168	\$ 287,164	\$ 97,004
CWF347-C	5/31/2000	2.0%	1,618,947	321,296	91,778	229,518
CWF444-C	3/31/2001	2.0%	1,603,000	392,495	89,373	303,122
CWF348-C	11/30/2001	2.0%	4,407,222	1,138,616	244,902	893,714
CWF346-C	12/31/2003	2.0%	801,945	293,749	42,746	251,003
CWF348-C1	12/31/2003	2.0%	1,728,831	639,063	92,151	546,912
CWF348-CD1	9/29/2006	2.0%	617,707	214,792	46,297	168,495
CWF346-CD2	5/31/2007	2.0%	801,055	334,129	51,405	282,724
CWF549-C	7/1/2013	2.0%	28,250,103	23,347,885	1,245,489	22,102,396
CWF549-CD2	6/30/2015	2.0%	1,425,544	1,354,419	72,682	1,281,737
			\$ 46,113,310	\$ 28,420,612	\$ 2,263,987	\$ 26,156,625

City of West Haven, Connecticut
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2017

Finding 2016-001 General Fund Deficit

Condition:

The City has not budgeted the accumulated fund deficit in the General Fund as required by State Statutes.

Current status:

The finding has been repeated as Finding 2017-001.

Reason for recurrence:

The City had planned to fund the deficit by issuing deficit financing bonds. This did not occur until November 2017.

Finding 2016-002 Segregation of Duties

Condition:

Currently, the City and Board of Education's payroll clerks have the ability to change employee pay rates. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Current status:

The finding has been repeated as Finding 2017-002 for the City. The Board of Education has corrected their portion of the finding.

Reason for recurrence:

Due to staffing issues, the City has been unable to implement the planned corrective action.

Finding 2016-003 Year End Closing Procedures

Condition:

There were significant revenue accrual and interfund adjustments made to the final trial balances for certain education grant funds.

Current status:

The finding has been corrected.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: Unmodified opinion

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 auditors' opinion issued on compliance
 for major programs: Unmodified opinion

Any audit findings disclosed that are required
 to be reported in accordance with Section 4-236-24
 of the Regulations of the State Single Audit Act? yes x no

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
<u>Department of Administrative Services:</u> Alliance District General Improvements	12052-DAS27635-43651	\$ 1,699,234
<u>Department of Economic and Community Development:</u> Brownfield Remediation	12060-ECD46260-35533	1,298,125
<u>Department of Education:</u> Alliance District Funding Program	11000-SDE64370-17041-82164	3,741,184
<u>Office of Policy and Management:</u> Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	5,348,141
<u>Department of Social Services:</u> Medicaid	11000-DSS60000-16020	464,376
Dollar Threshold used to distinguish between type A and type B programs:		<u>\$ 376,350</u>

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017**

II - Findings - Financial Statement Audit

Finding 2017-001 General Fund Deficit

Criteria

State Statutes Section 7-390 require that municipalities include any General Fund deficit which exists at the beginning of the fiscal year in the budget that is being prepared. The City's General Fund deficit was \$18,138,674 as of June 30, 2017.

Condition

The City has not included the accumulated fund balance deficit in the General Fund of \$18,138,674 in the current budget being prepared.

Context

Not applicable.

Effect

The City is not in compliance with State Statutes.

The potential exists for the overall financial condition to continue to deteriorate and the City may not have the ability to meet their short-term cash needs. In addition, outside oversight has been mandated as conditions have worsened.

Cause

The City has not adopted a budget to address the City's General Fund deficit.

Recommendation

The City should implement a plan to fund the General Fund deficit.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City issued deficit financing general obligation bonds in November 2017 to address the deficit.

City of West Haven, Connecticut

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017**

II - Findings - Financial Statement Audit (Continued)

Finding 2017-002 Segregation of Duties

Criteria

In order to maintain the proper internal controls, the City should have proper segregation of duties for all material financial transactions and balances.

Condition

Currently, the City payroll clerks have the ability to change employee pay rates. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Context

Systemic in nature.

Effect

The lack of proper controls and segregation of duties increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Cause

Controls have not been established to enable proper segregation of duties for all functional areas for this department.

Recommendation

The City should revised their policies so that incompatible responsibilities within the payroll process be segregated between employees.

Views of responsible officials and planned corrective actions

Management agrees with the finding. The City will review current processing procedures to strengthen internal control over segregation of duties.

III. State Financial Assistance Findings and Questioned Costs

None.

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**City Council
City of West Haven, 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, each major fund and the aggregate remaining fund information of the City of West Haven, Connecticut ("City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 5, 2018.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2017-001 to 2017-002.

**City Council
City of West Haven, Connecticut**

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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 Costs. We did not audit the City's response 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
June 5, 2018

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

**City Council
City of West Haven, Connecticut**

Report on Compliance for Each Major State Program

We have audited the City of West Haven, Connecticut's ("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, 2017. The City's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

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

**City Council
City of West Haven, Connecticut**

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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, 2017.

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 our 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 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.

**City Council
City of West Haven, Connecticut**

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Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 5, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
June 5, 2018