

City of New Haven, Connecticut

Federal and State
Compliance Report
Year Ended June 30, 2017

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RSM US LLP

**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 the Uniform Guidance**

Independent Auditor's Report

To the Honorable Mayor and Board
of Alders of the City of New Haven
New Haven, Connecticut

Report on Compliance for Each Major Federal Program

We have audited City of New Haven, Connecticut's (the 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 auditor's results section of the accompanying schedule of findings and questioned costs.

The City's financial statements include the reporting of the New Haven Parking Authority and the New Haven Solid Waste and Recycling Authority as discretely-presented component units. Our audit, and reporting on the City's federal awards, did not include the federal awards, if any, of the discretely-presented component units referred to above.

Management's Responsibility

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

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.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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 March 15, 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.

RSM US LLP

New Haven, Connecticut
March 15, 2018

City of New Haven, Connecticut

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identification Number	Pass Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through the State of Connecticut				
Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program - 2016	10.555	12060-SDE64370-20560		\$ 3,702,604
National School Lunch Program - 2017	10.555	12060-SDE64370-20560		5,118,621
USDA Commodities-Noncash	10.555	N/A		887,025
School Breakfast Program - 2016	10.553	12060-SDE-64370-20508		1,774,684
School Breakfast Program - 2017	10.553	12060-SDE-64370-20508		2,501,062
Summer Food Serv Prog - Oper-82079-20540 sde 03	10.559	12060-SDE-64370-20540		700,493
Summer Food Serv Prog - Admin-82079-20540 sde 03	10.559	12060-SDE-64370-20548		72,461
Total Child Nutrition Cluster				<u>14,756,950</u>
Fresh Fruit & Vegetables 2016 82079	10.582	12060-SDE-64370-22051		50,145
Fresh Fruit & Vegetables 2017 82079	10.582	12060-SDE-64370-22051		59,440
Total Fresh Fruit & Vegetable				<u>109,585</u>
Child Care Food Program - 2016	10.558	12060-SDE64370-20518		5,454
Child Care Food Program - 2017	10.558	12060-SDE64370-20518		7,714
Child and Adult Care - Cash in Lieu-2016	10.558	12060-SDE64370-20544		524
Child and Adult Care - Cash in Lieu-2017	10.558	12060-SDE64370-20544		397
Total Child and Adult Care				<u>14,089</u>
Total U.S. Department of Agriculture				<u>14,880,624</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.218	N/A	871,004	2,947,221
CDBG Program Income	14.218	N/A		110,834
Total Community Development Block Grant				<u>3,058,055</u>
Section 108 Grant Economic Development	14.219	N/A		2,647
Section 108 Income Economic Development	14.219	N/A		175
Section 108 Income Economic Development	14.219	N/A		110,225
Section 108 Income Economic Development	14.219	N/A		103,661
Total Section 108				<u>216,708</u>
UDAG Program Income	14.221	N/A		99,467
Emergency Shelter Program	14.231	N/A	294,268	341,167
HOME Investment Program	14.239	N/A		942,459
HOME Program Income	14.239	N/A		29,582
Total HOME Investment Grant				<u>972,041</u>
Housing Opportunities for Persons with AIDS	14.241	N/A	915,239	946,365
Lead Based Paint Hazard Control Program	14.900	N/A		733,797

(Continued)

City of New Haven, Connecticut

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identification Number	Pass Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Passed through the State of Connecticut				
Department of Housing:				
CDBG Disaster Relief - Mill River District Analysis	14.228	12060-DOH-46961-29516	\$	103,372
CDBG Disaster Relief - River St. Bulkhead Design	14.228	12060-DOH-46961-29516		94,027
CDBG Disaster Relief - Hill Neigh-Union Ave Drainage	14.228	12060-DOH-46961-29516		170,822
CDBG Disaster Relief - Long Wharf Flood Protection	14.228	12060-DOH-46961-29516		254,194
CDBG-Disaster Relief - Brewery Sq Bulkhead Repair	14.228	12060-DOH-46961-29516		674,680
CDBG-Disaster Relief - Church St S	14.228	12060-DOH-46961-29516		69,334
Total				<u>1,366,429</u>
Total U.S. Department of Housing and Urban Development				<u>7,734,029</u>
U.S. Department of Justice				
Federal Surplus Property Program	16.578	N/A		80,555
Solving Cold Cases Thru DNA	16.560	2014-DN-BX-K079		32,477
Second Chance Act	16.812	2015-CZ-BX-0010		257,506
Bryne Grant: Bryne Criminal Justice Innov Prog.	16.817	2014-AJ-BX-0017		97,028
Justice Assistance Grant Cluster:				
JAG 2015	16.738	N/A		33,234
JAG 2013	16.738	N/A		14,034
JAG 2014	16.738	N/A		46,966
JAG 2016	16.738	N/A		101,354
Total Justice Assistance Grant Cluster				<u>195,588</u>
Passed through OPM:				
JAG Equipment Grant	16.738	12060-OPM-20350-21921		10,000
Total U.S. Department of Justice				<u>673,154</u>
U.S. Department of Environmental Protection				
Passed through the State of Connecticut Department of Environmental Protection:				
Brownfield Revolving Loan bf-96132701-0	66.818	12060-ECD-46260-35533		170,297
Bowen Field	66.xxx	13019-DEP-43950-41239		1,105,038
Total U.S. Department of Environmental Protection				<u>1,275,335</u>

(Continued)

City of New Haven, Connecticut

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identification Number	Pass Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation				
Passed through the State of Connecticut				
Department of Transportation:				
Highway Planning and Construction Cluster:				
Tiger II - Downtown Crossing 92-659	20.205	12062-DOT57161-22539		\$ 69,575
Boat House Long Wharf 92-570	20.205	12062-DOT57191-22108		47,332
Computerized Traffic Signal Project 92-488	20.205	12062-DOT-57161-22108		504,509
Traffic Signal System Upgrade Downtown 92-666	20.205	12062-DOT-57161-22108		27,770
East Rock Bridge 04419 construction - 92-635	20.205	12062-DOT-57191-22108		81,770
Boathouse Canal Dock 92-570	20.205	12062-DOT-57161-22108		9,067,542
Rt. 34 Construction 92-614	20.205	12062-DOT57191-22108		113,176
Rt. 34 Construction Supplemental 92-614 HPPS -H112	20.205	12062-DOT57191-22108		136,948
Wilmington Road Bridge 92-664	20.205	12062-DOT57191-22109		4,640
Harbor Access 92-583	20.205	12062-DOT-57161-22108		465,532
Reconstruction of Wilmont Rd Bridge	20.xxx	12062-DOT-57191-22108		927,348
Wayfinding Installation	20.xxx	12060-DOT57161-22108		23,727
Railroad Highway Grade	20.xxx	12060-DOT-57161-22108		424,374
Total Highway Planning and Construction Cluster				<u>11,894,243</u>
Airport Improvement Program 92-653	20.106	13033-DOT57757-41389		<u>879,217</u>
Alcohol Open Container Requirements:				
Click it or Ticket	20.609	12062-DOT-57513-22600		<u>8,512</u>
DUI Comprehensive Enforcement 2014 & 2015	20.607	12062-DOT-57513-22091		140,670
DUI Comprehensive Enforcement 2015 & 2016	20.607	12062-DOT-57513-22091		19,997
Distracted Driving-0194-0745-ac	20.607	12062-DOT-57513-22600		56,199
Total DUI Comprehensive Enforcement				<u>216,866</u>
Total U.S. Department of Transportation				<u>12,998,838</u>
U.S. Department of Education				
Magnet School Assistance:				
NH Magnet Schools Program 2016/2019	84.165	N/A		1,823,832
NH Magnet Schools Program 2013/2016 c/o	84.165	N/A		1,947,983
Total Magnet School Assistance				<u>3,771,815</u>
Impact Aid Title I	84.040	N/A		44,407
Impact Aid Title I C/O	84.040	N/A		3,698
Total Impact Aid				<u>48,105</u>
Teachers Incentive & C/O	84.374A	N/A		<u>15,852,182</u>

(Continued)

City of New Haven, Connecticut

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity's Identifying Number	Pass Through to Subrecipients	Federal Expenditures
U .S. Department of Education, Continued				
Passed through the State of Connecticut				
Department of Education:				
Title I Part A, Cluster:				
Title I - Improving Basic Programs 82071 2017	84.010	12060-SDE64370-20679		\$ 8,875,724
Title I - Improving Basic Programs - 2016 82070 non public	84.010	12060-SDE64370-20679		23,096
Title I - Improving Basic Programs 2016 82070	84.010	12060-SDE64370-20679		1,609,088
Title I Part A 1003(A) School Improve 2015 82071	84.010	12060-SDE64370-20679		278,630
Total Title I Part A, Cluster				<u>10,786,538</u>
School Improvement Grants Cluster:				
School Improvement (SIG) W.Authors C/O 1003(g) 2014	84.377	12060-SDE64370-22223		418,117
School Improvement (SIG) 1003(g) 2015	84.377	12060-SDE64370-22223		285,711
Total School Improvement Grants Cluster				<u>703,828</u>
Education of Homeless Children and Youth 2016 82079				
Education of Homeless Children and Youth 2017 82079	84.196	12060-SDE64370-20770		4,208
Total Education of Homeless Children and Youth				<u>38,742</u>
Adult Education - Improvement 2017				
	84.002	12060-SDE64370-20784		79,330
Title II, Part A, Teachers Training 2016 C/O 84131 84131				
Title II, Part A, Teachers Training 2017 84131	84.367A	12060-SDE64370-20858		254,082
Total Title II, Part A Teachers Training				<u>1,708,737</u>
				<u>1,962,819</u>
Special Education Cluster:				
IDEA Part B, Section 619 Preschool incentive 2016	84.027	12060-SDE64370-20983		85,996
IDEA Part B, Section 619 Preschool incentive 2017	84.027	12060-SDE64370-20983		30,336
IDEA Part B, Section 611 - handicapped c/o 2016	84.027	12060-SDE64370-20977		924,088
IDEA Part B, Section 611 entitlement 2017 non-public c/o	84.027	12060-SDE64370-20977		56,582
IDEA Part B, Section 611 entitlement 2017	84.027	12060-SDE64370-20977		5,249,305
IDEA Part B, Section 611 entitlement 2017 non-public	84.027	12060-SDE64370-20977		153,366
Total Special Education Cluster				<u>6,499,673</u>
21st C Com Learn Cent Cohort VIII 2016 SDE 8				
21st Century Cohort XI 2017 SDE9	84.287C	12060-SDE64370-20863		3,481
21st Century 2016	84.287C	12060-SDE64370-20863		97,267
21st Century Cohort XI 2017 SDE8	84.287C	12060-SDE64370-20863		9,058
21st Century Cohort XI 2016 SDE06	84.287C	12060-SDE64370-20863		97,102
21st Century Cohort XI SDE 9 2016	84.287C	12060-SDE64370-20863		15,816
21st Century Learn Cohort XIII 2017 SDE6	84.287C	12060-SDE64370-20863		17,774
21st Century Learn Cohort 2017	84.287C	12060-SDE64370-20863		161,193
21st Century Learn 2017	84.287C	12060-SDE64370-20863		75,299
21st Century Learn Cohort XIII 2017 SDE7	84.287C	12060-SDE64370-20863		136,021
Total 21st Century Cohort				<u>748,856</u>

(Continued)

City of New Haven, Connecticut

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity's Identifying Number	Pass Through to Subrecipients	Federal Expenditures
U .S. Department of Education, Continued				
Passed through the State of Connecticut				
Department of Education, Continued:				
Title III Part A English Language Acquisition -2017-82075	84.365A	12060-SDE64370-20868		\$ 190,172
Title III Part A English Language Acquisition 2016-82075	84.365A	12060-SDE64370-20868		221,833
Immigrant & Youth Education 82076-2016	84.365A	12060-SDE-64370-20868		90,309
Total Title III Part A English Language Acquisition				<u>502,314</u>
Carl Perkins- Career and Technical Education Act-2017	84.048	12060-SDE64370-20742		399,962
Carl Perkins- Career and Technical Education Act-2015	84.048	12060-SDE64370-20742		29,915
				<u>429,877</u>
Supports for Pregnant and Parenting Teens 82079 - 2017	93.500	12060-SDE64370-22439		127,722
Supports for Pregnant and Parenting Teens 82079- 2016	93.500	12060-SDE64370-22439		7,275
Total Pregnancy Assistance Program				<u>134,997</u>
NSLP Equipment	84.xxx	12060-SDE-64370-22386		<u>17,258</u>
Total U.S. Department of Education				<u>41,576,334</u>
U.S. Department of Health and Human Services				
Ryan White Formula and Supplement	93.914	N/A	5,208,610	6,184,783
Head Start Program	93.600	N/A	2,014,801	7,075,750
Passed through the State of Connecticut				
Department of Social Services:				
Social Services Block Grant 10/1/15-6/30/16	93.667	12060-DSS60783-20701		50,891

(Continued)

City of New Haven, Connecticut

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity's Identifying Number	Pass Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services, Continued				
Passed through the State Department of Public Health:				
School Based Health Clinics-2014-0008	93.994	12060-DPH48832-21531		\$ 137,500
Public Health Emergency Preparedness 2016-1085	93.069	12060-DPH-48557-22333		2,254
Public Health Emergency Preparedness 2017-1085	93.069	12060-DPH-48557-22333		61,094
Vaccines non cash 7/1/2016-6/30/2017	93.268	non-contract		7,109
Vaccines non cash 7/1/2016-6/30/2017	93.712	non-contract		3,939
Project Corect-Sexually Transmitted Diseases 2013-0005-4	93.943	12060-DPH-48665-22670		81,534
Oral Health Workforce	93.236	12060-DPH-48665-22740		22,500
To Prevent Disease - Immunication Act	93.539	12060-DPH-48665-22742		80,463
Preventative Health Block Grant	93.758	12060-DPH-48665-22664		95,616
Immunization Program 2016-0064	93.268	12060-DPH-48664-20911		44,911
Total				<u>536,920</u>
Total U.S Department of Health and Human Services				<u>13,848,344</u>
U.S. Department of Homeland Security				
Assistance to Firefighters - FEMA	97.044	N/A		395,287
Passed through the State of Connecticut				
Department of Public Safety:				
Emergency Management Performance Grant	97.042	12060-DPS32160-21881		65,311
Port Security Grant Program:				
Port Security - FEMA - FED ID: EMW-2014-PU-0012	97.056	N/A		57,858
PDM(Pre disaster mitigation grant) Generator - FEMA - FED ID: PDMC-PJ-01-CT-2014-001	97.047	N/A		101,588
Port Security 2015 - FEMA - FED ID:EMW-2015-PU-00085-SO1	97.056	N/A		47,793
Total Port Security Grant program				<u>207,239</u>
Total U.S. Department of Homeland Security				<u>667,837</u>
U.S. Economic Development Administration				
Passed through the State of Connecticut				
Department of Economic Development				
Historic Preservation: CT Freedom Trail Study	15.094	12060-ECD-46840-21494		10,000
Total U.S. Economic Development Administration				<u>10,000</u>
Total Expenditures of Federal Awards			<u>\$ 9,303,922</u>	<u>\$ 93,664,495</u>

See notes to schedule of expenditures of federal awards.

City of New Haven, Connecticut

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of New Haven, Connecticut (the City), under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the 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 net position or cash flows of the City.

The City's schedule of expenditures of federal awards does not include the federal awards, if any, of the City's discretely-presented component units which are the New Haven Parking Authority and the New Haven Solid Waste and Recycling Authority.

Note 2. Summary of Significant Accounting Principles

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

Note 3. Non-Cash Awards

Donated commodities in the amount of \$887,025 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555, and for the Department of Public Health, CFDA #93.268, donated vaccines in the amount of \$44,991 are included. The amount represents the market value of commodities received.

Note 4. Indirect Cost Recovery

The City did not recover its indirect cost using the 10% de minimum indirect cost rate provided under Section 200.414 of the Uniform Guidance.

City of New Haven, Connecticut

Schedule of Findings and Questioned Costs

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 No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes 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 2CFR 200.516(a)? Yes No

Identification of Major Federal Programs

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I
84.374A	Teacher Incentive
20.205	Highway Planning and Construction

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

\$2,809,935

Auditee qualified as low-risk auditee?

Yes No

City of New Haven, Connecticut

Schedule of Findings and Questioned Costs (Continued)

II. Financial Statement Findings

Significant Deficiency in Internal Control

2017-001 Financial Reporting Requirements

Criteria Management is responsible for establishing and maintaining internal controls to provide reasonable assurance that the financial statements are fairly presented and are in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition Significant adjustments were posted to the City's financial statements to properly record transactions in accordance with GAAP. Adjustments included, but were not limited to, the following:

- Entry posted for capital outlay.
- Entries for Grant Anticipation Note
- Adjustment for compensated absences

Context Systemic

Effect Audit adjustments were posted to present the financial statements in accordance with GAAP.

Cause All reconciliations should be completed at a more detailed level and all adjustments should be reviewed, and if needed, seek additional guidance as required.

Recommendation We recommended that the City follow its policies and procedures for effective internal controls over preparation of financial statements. If complex transactions occur, we recommend seeking outside guidance as required.

Management Response Management agrees with finding.

III. Federal Award Findings and Questioned Costs

No matters to report.

City of New Haven, Connecticut

Summary of Prior Year Audit Findings

Item IC 2016 - 001 – Is partially repeated as Item IC 2017 - 001

**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 Board
of Alders of the City of New Haven
New 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, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of New Haven, Connecticut (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, and have issued our report thereon dated March 15, 2018. Our report includes a reference to other auditors who audited the financial statements of the New Haven Parking Authority, a component unit of the City, as described in our report on the City of New Haven, Connecticut's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. In addition, this report does not include the results of the testing of internal control over financial reporting or compliance and other matters for the New Haven Solid Waste and Recycling Authority.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency (2017-001).

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*.

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.

RSM US LLP

New Haven, Connecticut
March 15, 2018

**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**

Independent Auditor's Report

To the Honorable Mayor and Board
of Alders of the City of New Haven
New Haven, Connecticut

Report on Compliance for Each Major State Program

We have audited the City of New Haven, 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, 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. The City's financial statements include the reporting of the New Haven Parking Authority and the New Haven Solid Waste and Recycling Authority as discretely-presented component units. Our audit, and reporting on the City's state awards did not include the state awards, if any, of the discretely-presented component units referred to above.

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.

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.

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, the aggregate discretely presented component units, 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 March 15, 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.

RSM US LLP

New Haven, Connecticut
March 15, 2018

City of New 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	Expenditures
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 376,708
Property Tax Relief for Totally Disabled	11000-OPM20600-17011	8,699
Property Tax Relief for Veterans	11000-OPM20600-17024	55,190
Property Tax Relief for Elderly	11000-OPM20600-17018	404,509
State Distressed Municipalities	11000-OPM20600-17016	331,010
Municipal Grant Aid	12052-OPM20660-43587	1,369,123
Long Wharf District Responsible Growth	17151-OPM20600-43550	518,410
Wooster Square / Water St.	17151-OPM20870-43550	55,287
PILOT State-Owned Property	11000-OPM20600-17004	6,013,572
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	40,483,204
Project Longevity	11000-OPM20350-12573	6,467
Total Office of Policy and Management		49,622,179
Department of Emergency Services and Public Protection:		
State Forfeiture Revolving Fund	12060-DPS32155-35142	82,209
Telecommunications Fund (E-911 Cities) 14/15	12060-DPS32740-35190	523,617
Fire Training School	11000-DPS32251-16034	25,000
Total Department of Emergency Services and Public Protection		630,826
Department of Economic and Community Development:		
100 River St. Colony Hardware	12052-ECD46400-43219	48,108
Downtown Crossing Project - 92-659	12052--ECD46400-41240	150,334
Downtown Crossing Project Phase II - 92-659	12052-ECD46210-40414	693,805
Historic Revital Plan	12060-ECD46260-35533	106,162
New Haven Green -Capital imp: Wintergreen Army Reserve	12060-ECD46260-41240	152,533
New Haven Green Improvements (URBAN ACT GRANT)	13019-ECD46210-41240	510,614
Municipal Brownfield Assessment Grant -133 Hamilton CGS SEC 32-763	12062-ECD46260-35533	173,364
Municipal Brownfield Assessment Grant -133 Hamilton CGS SEC 32-764-16	12062-ECD46260-35533	119,328
Municipal Brownfield Assessment Grant - FY17	12062-ECD46260-35533	30,675
Municipal Brownfield Assessment Grant - FY16	12062-ECD46260-35533	40,000
Total Department of Economic and Community Development		2,024,923

(Continued)

City of New Haven, Connecticut

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Energy and Environmental Protection:		
Community Gardens	12060-DEP43153-35328	\$ 13,829
Community Gardens pass thru NHLT Community Gardens	12060-DEP43153-35328	<u>17,890</u>
		31,719
CT Urban Forestry Grant -SID 15-15329	12060-DEP44165-35402	<u>12,000</u>
Total Department of Energy and Environmental Protection		<u>43,719</u>
Department of Public Health:		
Per Capita Funding	11000-DPH48558-17009	136,455
School Based Health Clinics 2014-0008	11000-DPH48558-17019	1,211,004
X-Ray Screening and Tuberculosis Care 2013-0005	11000-DPH48666-16112	64,059
Lead Poisoning Prevention/Children Health Initiatives 7/1/14 - 6/30/15	11000-DPH48760-12126	142,189
Venereal Disease Control 2013-0005	11000-DPH48665-17013	22,959
Syringe Exchange Programs 2012-0163	11000-DPH48552-12100	70,467
Vaccines non cash 7/1/2016-6/30/2017	12004-DPH48500-12563	3,510
Total Department of Public Health		<u>1,650,643</u>
Department of Housing		
Neighborhood Renewal Program	12060-DOH46920-40237	<u>9,964</u>
Department of Transportation:		
Boathouse at Longwharf 92-570	12062-DOT57191-22108	11,833
Boathouse at Canal Rock Proj 92-570	12062-DOT57191-22108	2,266,885
Local Bridge: George St, Over Church St Tunnel 92-6534	13033-DOT57191-43456	288,553
Crown/Church St. Tunnel 92-535	13033-DOT57191-43456	470,189
Whalley Ave Traffic Calming 92-679	14DOT0121AA	424,227
Wayfinding Installation 92-661 TCSP	14DOT0121AA	5,932
Total		<u>3,467,619</u>
Town Aid Road Grant - STO	12052-DOT57131-43455	<u>1,245,504</u>
Total Department of Transportation		<u>4,713,123</u>
Department of Social Services:		
Food Stamp Education	12060-DSS60799-20735	80,255
Total Department of Social Services		<u>80,255</u>

(Continued)

City of New Haven, Connecticut

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Office of Early Childhood:		
Quality Enhancement	11000-OEC64845-17097	\$ 108,580
School Readiness - Priority School District	11000-OEC64845-17101	8,001,928
Child Daycare - Infant and Toddler	11000-OEC64845-12520	1,234,516
Head Start Expansion	11000-OEC64845-16101	200,744
Head Start Enhancement	11000-OEC64845-16106	130,730
Head Start Services	11000-OEC64845-16101	85,658
Healthy Start	11000-OEC64860-90666	202,349
Nurturing Families Network	12060-OEC64860-12042	238,558
Total Office of Early Childhood		<u>10,203,063</u>
Department of Education:		
Child Nutrition Program Lunch State Match	11000-SDE64370-16211	<u>99,976</u>
ASTE - Vocational Education Agriculture	11000-SDE64370-17017	<u>972,788</u>
Family Resource Centers Program - 82079	11000-SDE64370-16110	97,220
Family Resource Centers Program - 82079 SDE 6	11000-SDE64370-16110	94,576
Family Resource Centers Program - 82079 SDE 7	11000-SDE64370-16110	81,064
Family Resource Centers Program - 82079 SDE 8	11000-SDE64370-16110	96,357
Family Resource Centers Program - 82079 SDE 9	11000-SDE64370-16110	94,289
Total		<u>463,506</u>
Adult Education Provider -84002-2017	11000-SDE64370-17030	4,800,000
Adult Education Cooperating Eligibility Entity-84004-2017	11000-SDE64370-17030	70,865
Total		<u>4,870,865</u>
Youth Service Bureau	11000-SDE64370-17052	<u>103,160</u>
Youth Service Bureau Enhancement	11000-SDE64370-16201	<u>10,915</u>
School Breakfast Program	11000-SDE64370-17046	127,400
School Breakfast Program Public State Match	11000-SDE64370-17046	46,625
		<u>174,025</u>
Nonpublic Health Services	11000-SDE64370-17034	<u>32,391</u>
Open Choice Supplemental for Increased Enrollment	11000-SDE64370-17053	<u>607,292</u>

(Continued)

City of New Haven, Connecticut

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Education, Continued:		
School Accountability Summer School	11000-SDE64370-17043	\$ 376,237
Bilingual Education	11000-SDE64370-17042	222,747
Bilingual Education - English Learner Pilot	11000-SDE64370-17042	227,651
Total		450,398
Priority School Districts-82052-SDE5	11000-SDE64370-17043	5,317,039
Priority School Districts-82052 C/O	11000-SDE64370-17043	156,691
Total		5,473,730
Extended School Hours - 82054	11000-SDE64370-17043	331,568
Interdistrict Cooperative - Sound Marine	11000-SDE64370-17045	25,966
Magnet School Operating (SDE000079)	11000-SDE64370-17057	1,004,388
Magnet School Operating (SDE000080)	11000-SDE64370-17057	2,101,401
Magnet School Operating (SDE000081)	11000-SDE64370-17057	2,780,885
Magnet School Operating (SDE000082)	11000-SDE64370-17057	2,788,507
Magnet School Operating (SDE000083)	11000-SDE64370-17057	936,346
Magnet School Operating (SDE000088)	11000-SDE64370-17057	2,073,061
Magnet School Operating (SDE000093)	11000-SDE64370-17057	2,144,916
Magnet School Operating (SDE000106)	11000-SDE64370-17057	851,587
Magnet School Operating (SDE000153)	11000-SDE64370-17057	2,264,341
Magnet School Operating (SDE000111)	11000-SDE64370-17057	1,754,003
Magnet School Operating (SDE000114)	11000-SDE64370-17057	1,178,148
Magnet School Operating (SDE000127)	11000-SDE64370-17057	2,339,451
Magnet School Operating (SDE000128)	11000-SDE64370-17057	2,189,602
Magnet School Operating (SDE000143)	11000-SDE64370-17057	2,082,469
Magnet School Operating (SDE000144)	11000-SDE64370-17057	2,232,564
Magnet School Operating (SDE000146)	11000-SDE64370-17057	2,832,210
Magnet School Operating (SDE000147)	11000-SDE64370-17057	3,006,759
Magnet School Transportation	11000-SDE64370-17057	3,483,624
Total		38,044,262
Alternate High School and Adult Read Incentive	11000-SDE-64370-12567	91,422

(Continued)

City of New Haven, Connecticut

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Department of Education, Continued:		
ECS - Alliance District Funding	11000-SDE64370-17041	\$ 379,631
ECS - Alliance District	11000-SDE64370-17041	11,792,452
Total		<u>12,172,083</u>
Healthy Foods Initiative	11000-SDE64370-16212	<u>287,327</u>
Commission Network Turnaround	11000-SDE64370-12547	<u>2,197,823</u>
Low Performing Schools - 82010 Sde 7	12052-SDE64370-43539	<u>15,609</u>
Total		<u>15,609</u>
SCHOOL BASED DIVERSION INITIATIVE	11000-SDE-64370-12587	<u>47,519</u>
Passed through Department of Public Safety:		
School Security Competitive Public Safety	12052-DPS32161-43546	<u>1,202,865</u>
After School Grant	11000-SDE-64370-17084	<u>158,484</u>
Eli Whitney Pilot After School	11000-SDE-64370-10020	<u>153,189</u>
Total Department of Education		<u>68,363,400</u>
Division of Consumer Protection:		
Payment to Town OTB	34004-DCP39930-40001	559,001
Bingo Payments	34003-DCP39930-42350	<u>321</u>
Total Division of Consumer Protection		<u>559,322</u>

(Continued)

City of New Haven, Connecticut

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

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
Judicial Branch:		
Distribution to Towns	34001-JUD95162-40001	\$ 78,073
Youth Violence Prevention Grant	11000-JUD96114-12555	733,490
Total Judicial Branch		<u>811,563</u>
State Library:		
Connecticard	11000-CSL66051-17010	2,467
Grants to states (DISTRESSED PUBIC LIBRARY REPAIRS)	093P-SC-11	318,524
Historical Documents Preservation	12060-CSL66094-35150	7,500
Total State Library		<u>328,491</u>
Department of Agriculture:		
Connecticut Agriculture Bureau	34003-DAG42660-42337	54,047
Total Expenditures of State Financial Assistance Before Exempt Programs		<u>139,095,518</u>
Exempt Programs:		
Office of Policy and Management:		
Mashantucket Pequot Grant	12009-OPM26000-17005	5,794,422
Municipal Revenue Sharing	12002-OPM20600-17102	16,703,230
Total Office of Policy and Management		<u>22,497,652</u>
Department of Education:		
Education Equalization ECS 82010	11000-SDE64370-17041	142,450,308
Special ED - AG. Placements and Excess Costs 82019	11000-SDE64370-17047	3,337,582
Total Department of Education		<u>145,787,890</u>
Department of Administrative Services:		
School Construction Progress 2016	13010-DAS27635-40901	45,633,431
School Construction Reg Principal 2016	13010-DAS27636-40901	5,339,168
School Construction Reg Interest 2016	13010-DAS27635-40896	401,203
Total Department of Administrative Services		<u>51,373,802</u>
Total Exempt Programs		<u>219,659,344</u>
Total Expenditures of State Financial Assistance		<u>\$ 358,754,862</u>

See notes to schedule of expenditures of state financial assistance.

City of New Haven, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of the City, under programs of the State of Connecticut for the year ended June 30, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of the City, 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.

The City's schedule of expenditures of state financial assistance does not include the state financial assistance, if any, of the City's discretely-presented component units which are the New Haven Parking Authority and the New Haven Solid Waste and Recycling Authority.

Note 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 applicable to governmental organizations, and accordingly, expenditures and revenues are reported on the modified accrual basis of accounting. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management. 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.

City of New Haven, Connecticut

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

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? _____ Yes X No

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

State Grantor and Program	State CORE-CT Number	Expenditures
Office of Policy and Management		
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	\$ 40,483,204
Department of Education		
Magnet School Operating	11000-SDE64370-17057	38,044,262
Dollar threshold used to distinguish between Type A Programs and Type B Programs		<u> \$ 2,781,910 </u>

City of New Haven, Connecticut

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

II. Financial Statement Findings

- We issued reports dated March 15, 2018, on internal controls over financial reporting and compliance and other matters based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of non-compliance.
- Our report noted one matter that we considered to be a significant deficiency (2017-001).

III. State Financial Assistance Findings and Questioned Costs

No matters to report.

City of New Haven, Connecticut

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

There were no findings relative to state awards in the prior year's State Single Audit.