

# THE METROPOLITAN DISTRICT

FEDERAL SINGLE AUDIT REPORT  
DECEMBER 31, 2018

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TABLE OF CONTENTS**

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Independent Auditors' 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	1-3
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	5
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 <i>Government Auditing Standards</i>	6-7
Schedule of Findings and Questioned Costs	8

**Independent Auditors' 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**

To the Members of the Board of Finance  
The Metropolitan District  
Hartford, Connecticut

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

We have audited The Metropolitan District's 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 Metropolitan District's major federal programs for the year ended December 31, 2018. The Metropolitan District'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 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 Metropolitan District'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 Metropolitan District'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 Metropolitan District's compliance.

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

In our opinion, The Metropolitan District 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 December 31, 2018.

### **Report on Internal Control over Compliance**

Management of The Metropolitan District 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 Metropolitan District'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 Metropolitan District'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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, each major fund and the aggregate remaining fund information of The Metropolitan District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise The Metropolitan District's basic financial statements. We issued our report thereon dated June 19, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of 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.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
June 19, 2019

**THE METROPOLITAN DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Federal Awarding Agency/ Pass-Through Grantor/ Pass-Through Identification Number</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Loan Proceeds</u>	<u>Grant Expenditures</u>	<u>Total Expenditures</u>	<u>Expenditures to Subrecipients</u>
<b>Environmental Protection Agency</b>						
<i>Passed Through the State of Connecticut Department of Energy and Environmental Protection:</i>						
<i>Capitalization Grants for Clean Water State Revolving Funds:</i>						
CWF #215-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	\$ 576,258	\$ 43,412	\$ 619,670	\$ -
CWF #652-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	2,151,285	1,948,550	4,099,835	-
CWF #657-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	29,071,039	15,347,233	44,418,272	-
CWF #692-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	28,863,521	27,939,893	56,803,414	-
CWF #219-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	14,314,449	1,513,117	15,827,566	-
CWF #697-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	3,803,716	950,929	4,754,645	-
CWF #221-CSL	66.458	21014-DEP43720-40001/21015-DEP43720-42318	355,186	327,864	683,050	-
Total clean water fund state revolving funds			<u>79,135,454</u>	<u>48,070,998</u>	<u>127,206,452</u>	<u>-</u>
<i>Passed Through the State of Connecticut Department of Public Health:</i>						
<i>Capitalization Grants for Drinking Water State Revolving Funds:</i>						
DWSRF #2016-7046	66.468	12060-DPH48770-22467/21018-DPH48770-42319	362,155		362,155	-
DWSRF #2017-7055	66.468	12060-DPH48770-22467/21018-DPH48770-42319	1,471,373	127,945	1,599,318	-
DWSRF #2018-7061	66.468	12060-DPH48770-22467/21018-DPH48770-42319	1,149,396		1,149,396	-
DWSRF #2018-7074	66.468	12060-DPH48770-22467/21018-DPH48770-42319	117,994		117,994	-
Total drinking water fund state revolving funds			<u>3,100,918</u>	<u>127,945</u>	<u>3,228,863</u>	<u>-</u>
<b>Total Federal Awards Expended</b>					<u>\$ 130,435,315</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule

**THE METROPOLITAN DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Metropolitan District under programs of the federal government for the year ended December 31, 2018. The information in the 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 Metropolitan District, 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 Metropolitan District.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported using 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.

**3. CLEAN WATER AND DRINKING WATER LOAN BALANCES**

The balances in clean water and drinking water loans are as follows:

	<u>Clean Water Loans</u>	<u>Drinking Water Loans</u>
Loans payable at December 31, 2017	\$ 456,402,106	\$ 53,391,540
Loan proceeds	79,135,454	3,100,918
Loan repayments	<u>24,609,329</u>	<u>3,391,825</u>
Loans Payable at December 31, 2018	<u>\$ 510,928,231</u>	<u>\$ 53,100,633</u>

**4. INDIRECT COST RECOVERY**

The Metropolitan District has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

**5. DRINKING WATER RECONCILIATION OF PRIOR YEAR EXPENDITURES**

The Metropolitan District overreported expenditures in the December 31, 2017 Schedule of Federal Awards as follows:

DWSRF #2016-7046	\$ 18,573
DWSRF #2018-7061	45,523
DWSRF #2018-7062	126,227

The amounts were overreported as they were expected to be received as of December 31, 2017. After further review, it was determined that The Metropolitan District would not be reimbursed for the expenditures.

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

To the Members of the Board of Finance  
The Metropolitan District  
Hartford, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of The Metropolitan District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise The Metropolitan District's basic financial statements, and have issued our report thereon dated June 19, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Metropolitan District'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 Metropolitan District's internal control. Accordingly, we do not express an opinion on the effectiveness of The Metropolitan District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Metropolitan District'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 Metropolitan District'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 Metropolitan District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
June 19, 2019

**THE METROPOLITAN DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2018**

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**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

**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

Any audit findings disclosed that are required to be reported  
 in accordance with 2 CFR Section 200.516(a)? \_\_\_\_\_ yes   X   no

Major programs:

CFDA #	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

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

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.