

THE METROPOLITAN DISTRICT

FEDERAL SINGLE AUDIT REPORT
DECEMBER 31, 2019

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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

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 The Metropolitan District's major federal program for the year ended December 31, 2019. The Metropolitan District's major federal program is 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 The Metropolitan District's major federal program 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 the 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 its major federal program for the year ended December 31, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, 2019, 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 25, 2020, 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 25, 2020

**THE METROPOLITAN DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Awarding Agency/ Pass-Through Grantor/ Pass-Through Identification Number	CFDA Number	Pass-Through Grantor's Number/ Project Number	Loan Proceeds	Grant Expenditures	Total Expenditures	Expenditures to Subrecipients
Environmental Protection Agency						
<i>Passed Through the State of Connecticut Department of Energy and Environmental Protection:</i>						
Capitalization Grants for Clean Water State Revolving Funds:						
CWF #652-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	\$ 991,348	\$ 137,487	\$ 1,128,835	\$ -
CWF #657-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	5,011,040	2,415,015	7,426,055	-
CWF #692-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	28,858,195	23,387,519	52,245,714	-
CWF #219-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	7,899,358	(1,513,117) *	6,386,241	-
CWF #697-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	1,652,460	413,115	2,065,575	-
CWF #221-CSL	66.458	21014-DEP43720-40001/21015-DEP43720-42318	1,477,729	(327,864) *	1,149,865	-
CWF #691-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	176,977	176,977	353,954	-
Total clean water fund state revolving funds			<u>46,067,107</u>	<u>24,689,132</u>	<u>70,756,239</u>	<u>-</u>
<i>Passed Through the State of Connecticut Department of Public Health:</i>						
Capitalization Grants for Drinking Water State Revolving Funds:						
DWSRF #2018-7061	66.468	12060-DPH48770-22467/21018-DPH48770-42319	219,719	-	219,719	-
DWSRF #2018-7062	66.468	12060-DPH48770-22467/21018-DPH48770-42319	363,294	-	363,294	-
DWSRF #2018-7074	66.468	12060-DPH48770-22467/21018-DPH48770-42319	1,810,827	-	1,810,827	-
Total drinking water fund state revolving funds			<u>2,393,840</u>	<u>-</u>	<u>2,393,840</u>	<u>-</u>
Total Federal Awards Expended					\$ 73,150,079	\$ -

* In the December 31, 2018 Schedule of Expenditures of Federal Awards, a total of \$1,840,981 was improperly classified as grant expenditures and corrected in the current year.

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, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2019. 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.

Basis of Accounting

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.

2. 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.

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, 2018	\$ 510,928,231	\$ 53,100,633
Loan proceeds	46,067,106	2,393,840
Loan repayments	<u>29,776,039</u>	<u>3,504,887</u>
Loans Payable at December 31, 2019	<u>\$ 527,219,298</u>	<u>\$ 51,989,586</u>

**THE METROPOLITAN DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

4. CLEAN WATER RECONCILIATION OF PRIOR YEAR EXPENDITURES

The Metropolitan District overreported grant expenditures in the December 31, 2018 Schedule of Federal Awards. The amounts were misclassified as grant expenditures for these projects and were corrected in the current year to be included as part of the project loans.

	Expenditures Reported 12/31/2018	Correction	Expenditures During 2019	Expenditures Reported 12/31/2019
CWF #219				
Loan	\$ 14,314,449	\$ 1,513,117	\$ 6,386,241	\$ 7,899,358
Grant	1,513,117	(1,513,117)	-	(1,513,117)
CWF #221-CSL				
Loan	355,186	327,864	1,149,865	1,477,729
Grant	327,864	(327,864)	-	(327,864)

**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, 2019, 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 25, 2020.

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 24, 2020

**THE METROPOLITAN DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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.