

**AUDIT COMMITTEE**  
**TOWN OF SOUTH WINDSOR**

**Minutes**

**Page 1**

**February 7, 2019**

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**Madden Room – South Windsor Town Hall**

**Roll Call**

Members Present: Karen Lydecker, Town Council  
Janice Snyder, Town Council

Members Absent: Mary Justine Hockenberry, Town Council

Also Present: Matthew Galligan, Town Manager  
Patricia Perry, Director of Finance  
Vanessa Rossitto, Blum Shapiro  
Leslie Zoll, Blum Shapiro

**1. Call Meeting to Order**

The meeting was called to order at 8:35 am.

**2. Approval of Minutes (March 22, 2018)**

Councilor Janice Snyder made a motion to approve the minutes of March 22, 2018; Mr. Matthew Galligan seconded the motion; and it was approved unanimously, with Councilor Karen Lydecker abstaining.

**3. Discussion Items**

**A. Audit Results Fiscal Year 2017-2018**

Ms. Leslie Zoll of Blum Shapiro reviewed the Audit Presentation for Fiscal Year 2017-2018 (hereafter shortened to FY 17-18). The report has been attached to these minutes as **Exhibit A**.

Ms. Zoll discussed the Engagement Scope and Standards. Blum Shapiro renders opinions on “opinion units”, which are governmental activities, each major fund, and aggregate remaining funds. They follow Government Auditing Standards (GAS) as well as Federal Uniform Guidance and the State Single Audit Act.

Ms. Zoll discussed the Required Auditor’s Communication. New GASB standards were adopted for the 6/30/18 audit. Councilor Lydecker asked for clarification on some of the terms being used. Ms. Zoll explained that GASB stands for “Government Accounting Standards Board”, which is the governing body that creates the protocols for financial reporting. OPEB

**MINUTES**  
**Audit Committee Meeting**  
**February 7, 2019**  
**Page 2**

stands for "Other Post-Employment Benefits". The way that the OPEB liability is calculated has changed, it is now going on the balance sheet whereas in the past it was under disclosure. In the past the calculation was the difference between the funding policy from the actuaries and what was actually contributed. Going forward it will be the full liability minus any trust funds. The Net OPEB Liability and Net Pension Liability are based on assumptions from the actuaries and are subject to change.

Blum Shapiro also added to the report an estimate of the useful lives of capital assets, as this will have an effect on the depreciation expense going forward.

During the audit Blum Shapiro did not encounter any difficulties with performance or disagreements with management, and there were no uncorrected misstatements.

The Town is responsible for the preparation and management of its Financial Statements. Blum Shapiro is responsible for providing opinions on the Financial Statements, for planning their audit, and for ensuring that there is reasonable assurance about whether the financial statements are free of material misstatement. This year the Town received an unmodified "clean" opinion, which means that the Financial Statements prepared by the Town are in accordance with US GAAP.

Ms. Zoll discussed the Governmental Activities opinion unit, which represents all of the Town's governmental funds together. As of 6/30/18, the Net Position opinion unit increased by \$11.9 million from the previous year. The Capital Assets increased \$10.8 million for school projects, open space purchase, and some infrastructure projects. Long-term debt decreased by approximately \$2 million, primarily due to decrease in OPEB and Pension liabilities.

The General Fund balance at 6/30/18 was \$14 million, an increase of \$2.9 million from 2017. Unassigned Fund balance totaled \$11.2 million, which is 10% of budgeted expenditures. Budgetary expenditures came in \$785k less than budget. Mr. Galligan pointed out that these figures are just from the Town, and do not include Board of Education figures. Tax collection rate was 98.9%. Capital Projects fund balance increased \$4.652 million from a deficit, it is now in the black at \$267k. Councilor Snyder asked where this number came from. Ms. Perry said it was from the new school projects. Ms. Zoll added that the Capital Projects fund balance fluctuates depending on the timing of when a project is permanently bonded and when the money is spent.

**MINUTES**  
**Audit Committee Meeting**  
**February 7, 2019**  
**Page 3**

**ITEM:**

**3. A. (Continued)**

The Sewer Operating Fund balance increased by \$109k. The Other Governmental Funds balance decreased \$350k. Internal Service Fund increased \$701k, and the net position on Pension and other Trust Funds combined increased by \$3.7 million.

Ms. Zoll explained that the 2017 net positions had to be restated to be in compliance with the new GASB No. 75. The liability was always in the notes to the financial statements, so it is nothing new. It is just reported differently now. The Town's OPEB Liability for 2018 is \$6.8 million, and the combined Pension Liability for the Town and BoE for 2018 is \$16.4 million. The Teacher's Pension and OPEB was included in the report, but is not part of the Town Financial Statements. The State is currently required to fund that liability. Councilor Snyder mentioned that there is a possibility of a portion, or even the entirety, of this liability being pushed down to municipalities. Ms. Zoll confirmed that if this occurs, the Town would then be responsible for funding the entire amount. The Committee discussed the Town's current OPEB, which is small due to only a few retired employees being entitled to it. Once those employees are no longer entitled, the OPEB fund will be weaned off. Councilor Snyder asked if the OPEB policy does change, could towns like South Windsor that do not make use of OPEB funds eventually turn those funds back into the operating budget? Mr. Galligan said it would have to go into a pension fund and not the operating budget, as it was set up in trust.

Ms. Zoll discussed the Federal Single Audit. The Town received an unmodified "clean" opinion. The FY 17-18 test was on the Special Education Cluster (IDEA) grant. Blum Shapiro found no compliance issues, material weaknesses, or significant deficiencies. The State Single Audit also generated an unmodified "clean" opinion for the Town. The programs tested were the Municipal Grants in Aid from OPM, and LOTCIP from DOT.

Blum & Shapiro is required to go above and beyond with government audits due to the public risk. There are a couple extra steps they need to take. They do not render an opinion on internal controls, but they do evaluate those controls. There were no material weaknesses or significant deficiencies to report, and no instances of noncompliance identified.

**MINUTES**  
**Audit Committee Meeting**  
**February 7, 2019**  
**Page 4**

**3. A. (Continued)**

Ms. Rossitto reviewed the upcoming GASB standard changes:

- 2019, Statement 83 – Certain asset retirement obligations
- 2019, Statement 88 – Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements
- 2020, Statement 84 – Fiduciary activities
- 2021, Statement 87 – Leases
- 2021, Statement 89 – Accounting for Interest Cost before the End of a Construction Period

Councilor Snyder asked if any of the changes will affect the way the Town operates. Ms. Perry said that Statement 89 would be the only one that would affect Town procedures.

Ms. Zoll went over the Best Practices Recommendations. The first comment was related to grant reimbursement requests. Communication has not always filtered down to the Finance Department, which has resulted in timing issues. The recommendation from Blum Shapiro is to strengthen communication between departments to ensure proper recording. Councilor Snyder asked Ms. Perry if this is a continuing issue. Ms. Perry said that issues are an even split between the Town and the Board of Education, and that both sides are working on better procedures.

The other comment was a recommendation that the Board of Education strengthen its segregation of duties so that when a journal entry is being prepared, one person can prepare it and a different person can review. Ms. Perry said that the Board has undergone a restructuring.

Ms. Perry asked if Blum Shapiro could give any advice on the new Federal Purchasing guidelines. Ms. Rossitto said that there is a webinar available that she will share with Ms. Perry. Councilor Snyder asked for an overview of Uniform Guidance. Ms. Zoll said that it is a consolidation of guidelines that were in many different documents. Within the document, some procurement levels and standards for bidding with Federal funds were changed. It is important that municipalities document in their purchasing policies that they are on board with the Uniform Guidance document.

**B. Audit Firm Fiscal Year 2018-2019**

Ms. Rossitto and Ms. Zoll left the meeting at 9:10 am. Councilor Snyder congratulated the Finance department on the successful audit. Ms. Perry asked if Committee would like to extend the contract with Blum Shapiro for one more year, or if they should go out for RFP. If the contract is extended, Blum Shapiro would be entering their fifth year with the Town.

**MINUTES**  
**Audit Committee Meeting**  
**February 7, 2019**  
**Page 5**

**3. B. (Continued)**

The Committee decided to extend the contract for one more year, and then go out for RFP the following year. The Town has no complaints about Blum Shapiro. Ms. Perry will draft a resolution to present to the Town Council.

**4. Other Business**

The Committee briefly discussed a recent bond sale for Capital Projects, and how construction projects are financed. Statement 89 will affect this, as the Town will no longer be able to capitalize on interest costs for construction. A new procedure will need to be implemented.

**5. Executive Session**

None

**6. Motion to Adjourn**

Councilor Snyder made a motion to adjourn the meeting at 9:20 a.m.; Mr. Galligan seconded the motion; and it was approved unanimously.

Respectfully submitted,

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Samara Haddock  
Recording Secretary