Minutes:

Joint Meeting of Coventry Town Council Finance/Board of Education Fiscal Committees and Regular Meeting of the Coventry Town Council Finance Committee
January 14, 2019
Town Hall Conference Room B

1. Call to Order, Roll Call:
   Present for the Finance Committee: Carolyn Arabolos, Mike Sobol, Joan Lewis, Lisa Conant (arrived 7:10 PM)
   Present for the Fiscal Committee: Mary Kortmann, Eugene Marchand, Peter Larson, Jennifer Beausoleil
   Also present: John Elsesser, Town Manager; David Petrone, Superintendent of Schools, Amanda Backhaus, Town Finance Director, Robert Carroll, School Finance Director

2. Joint Finance/Fiscal Committee Meeting:

   • Presentation of Audit, FY 2017/18:
     Leslie Zoll of the audit firm of Blum Shapiro presented an overview of the audit for fiscal year 2017-18. She distributed a summary which contained information about the scope of the audit, standards, required communication items, financial highlights and upcoming changes to future standards (attached to minutes).

     Leslie indicated that the Town received an unmodified clean opinion which is what you would want. The audit firm encountered no difficulties in performing the audit or disagreements with management. There were no uncorrected misstatements.

     Financial Highlights:
     o Net position increased $1.036 million to $107.196 million in 2018.
     o Capital assets decreased $300,000 primarily due to depreciation. There were $2.7 million in adds for FY 18.
     o Total long-term debt decreased approximately $1 million due to bond and loan payments made during the year, offset slightly by increases in total OPEB liability and net pension liabilities
     o Fund balance at 6/30/18 was $5.783 million, an increase of $264,000 from 2017.
     o Unassigned fund balance totaled $5,303 million, 13.3% of budgeted expenditures.
     o Budgetary expenditures came in $180,000 less than budget.
     o Tax collections were 98.9% for the current year grand list.
     o Sewer assessment fund balance increased $147,000 from $351,000 to $498,000.
     o CDBG grant fund balance increased $23,000 from $70,000 to $94,000.
     o Capital projects fund balance increased $331,000 from $1.143 million to $1.473 million
     o Other governmental funds fund balance increased $96,000 from $2,617 million to $2,713 million.
     o Governmental Activities Net Position was restated from $111 million to $106 million under GASB Statement No. 75 – a decrease of $4,576 million.
     o OPEB liability for 2018 was $8.728 million
     o Pension liability for 2018 was $3.043 million. Teachers’ pension was $41,169 million and OPEB was $10.596 million.

     Testing for the Federal single audit was done on the CDBG program. Testing for the State single audit was done on the Municipal Open Space program from CT DEEP and the
LOTCP program from CT DOT. Both the Federal and State single audits had a clean opinion with no material weaknesses or significant deficiencies.

Under Internal Controls at the Financial Statement Level no material weaknesses were identified. One significant deficiency was identified regarding daily deposits in the Recreation Department. A software change resulted in the lack of back-up. This was discussed and corrective actions have already been made for record-keeping in that department. Amanda Backhaus distributed background information on this issue today (attached to minutes). Mike Sobol wanted to note that no fraudulent activity was discovered. Amanda said that the Recreation Department was very agreeable and appreciative of the changes that were made. John Elsesser noted that the issue was compounded by a key person being out on leave when the software change occurred. The Department handles a lot of cash for program registrations and issue a lot of refunds when a program is canceled. It is more retail in nature. Amanda said we have also tightened things up on the credit side as well. John said that management was nervous about the operation because things didn’t look quite right, which is why we asked the auditors to take a deeper dive.

Under Compliance at the Financial Statement Level no instances of noncompliance were identified.

Upcoming GASB standards and pending changes were reviewed, including:
- 2019: Statement 83 and 88 will apply. Specific guidance related to retirement and direct debt.
- 2020: Statement 84 related to fiduciary activities. This is not a major change but a clarification.
- 2021: Statement 87 related to leases. Will affect us if we have a lot of operating leases (photocopiars, etc.) Statement 89 related to accounting for interest cost before the end of a construction period.

Jennifer Beausoleil asked if there were any issues with Federal or State grants within the Board of Education budget. Leslie replied no. Jennifer also asked if there were any issues with Board of Education balances on account. Leslie replied no.

John Elsesser asked Leslie to provide an overview of the new Board of Education report that replaced the previous ED001 report. Leslie said that with the new uniform chart of accounts that the Board of Education is required to comply with, they created a new report so they can code their GL to certain line items and download into the EFS system. Agreed-upon systems changed slightly to conform with the new system. We tested the 2017 and October 2018 PSIS (Public School Information System) data so they will be current. Jennifer Beausoleil asked to verify whether all of the big money in and out was good. Leslie replied that there were no big adjustments to PSIS – it is just a different way of downloading the information. Jennifer asked whether the way we are accounting for special education students is in compliance. Leslie replied yes. John said that going forward it will have more comparable information year to year but it would be difficult to look at this year and compare it to last year. Leslie said the biggest change is how they allocated the different line items. John said he wanted to raise this issue because we get used to making comparisons but this is a new start. The State decided that instead of making the towns and Boards of Education change their accounting system that they would do crosswalks. Bob Carroll has to enter the data and move it to the right location. There has been a learning curve but at the end of the day it will allow the State to compare towns. They couldn’t do that accurately in the past. They are also trying to do it on the Town side. We are one of 80 towns that are doing it. There were some issues though -
like where it indicated we were only spending $1 on education and a lot on police. These issues are being worked through. Mike Sobol asked that as we go into budget season, if the accounts that we’re used to will they stay the same. John replied yes, this doesn’t affect the budget. David Petrone said the big thing is it will eventually drive ECS funding. The attempt is to provide an accurate reflection of spending. John emphasized that citizens who try to go online to do comparisons on their own will find it difficult. It will be hard to explain. When you start a new system there are always things that need to be de-bugged. Mary Kortmann said that after much effort Bob thinks this year is accurate, but when you compare to the previous year it looks like we didn’t spend in some categories.

Carolyn Arabolos asked how our fund balance at 13.3% and our goal of 15% aligns to other towns like us and whether there are any watch outs. Leslie replied that the people to ask that question are the bond rating agencies. They change the benchmark often but it is not the only factor they look at. John said that Moody’s told us when we were downgraded that they want fund balance to be at 18% now.

Jennifer Beausoleil asked if the Board of Education goes through the same level of audit scrutiny as the Town. She said we have heard people say that the Board of Education is not audited. Leslie replied yes; we do risk assessments and controls on both sides.

Mike Sobol gave kudos to John Elsesser, David Petrone, Bob Carroll and Amanda Backhaus for the audit. He said it is a credit to our town that we are always in these positive situations with these audits. He has sat in on several years’ worth of audits now. He wondered if our positive results are typical of other towns. Leslie there are some towns that always have good results, and some that don’t.

The Committees thanked Leslie Zoll for her presentation and she departed the meeting.

John Elsesser said that the Finance Committee will need to recommend acceptance of the audit at a future Town Council meeting. Also Blum Shapiro has given us an offer for their services going forward. Amanda Backhaus said we can either renew with Blum Shapiro or go out to RFP. John said that some of field staff were new this and asked different questions, which we thought was helpful. Blum Shapiro’s offer would be a freeze for next year and $1,000 afterwards. General consensus from the Board of Education is that they are comfortable with the current auditor. The matter will be discussed further by the Finance Committee later in tonight’s meeting.

- **Pension Plan Actuarial Valuation:**
  Amanda Backhaus gave an overview of the Pension Plan Actuarial Valuation, the purpose of which is to develop the Actuarially Determined Employer Contribution. She noted that this has already been included in the Board of Education’s budget for next year. John Elsesser said we opened our statement for last month and the pension fund lost a million dollars. Amanda said that the Pension Committee is looking at diversifying assets a little further to lower the risk of being in the market. They may also look at changing our investment policy. John noted that the members of the Pension Committee are smart people. They use a firm, 3D Asset Management, and have had a quiet investment approach. This spreads out risk if one sector gets hit. The current policy is 60/40%, with 40% in cash-type funds, and 60% in stock. It requires a continued balance. The meetings provide a good analysis of the market. Even though we lost a million dollars, 5-6 years ago we were at $5 million and now we are at $10 million. One of the reasons for the liability is that we had a lot of retirements. There are a number of people who can take large payouts at their retirements. Police officers have a large multiplier. We had one retirement last
year.

- **MOA non-resident tuition:**
  Jennifer Beausoleil thanked John Elsesser, Amanda Backhaus, David Petrone and Bob Carroll for collaborating on the draft MOA, and the Policy Committee and officers on the Board for looking at the policy. She said that the purpose of the MOA is to agree on a process for non-Coventry student tuition and to clarify use of the fund that we have a verbal agreement on. As with the preschool, we like to have a written document in place. She included a copy of the policy so the Council can see the binding policy that the Board is about to approve, and the new sections that refer to space-available basis. This does not take a seat away from a Coventry taxpayer’s child and does not include a large-volume arrangement which would be dealt with separately. The Administration section shows how the policy is implemented to demonstrate how things will be processed, how billing will work, and how charges will be applied. We appreciate it being included on tonight's agenda so we can address any questions before the policy is adopted at the Board level. She applauded David and Bob for the administration fee on top of tuition which is essentially profit. She was at another meeting where a superintendent talked about doing a half-price arrangement to fill seats. That is not our approach. There is also good termination language in the policy so payments are up front. There is a 30-day termination on their side and David can terminate at will.

Mike Sobol said when we went through the first draft there was something in the 5118A that he thinks was modified - did something change from the old draft to the current one? Jennifer replied yes - to refer to the name of the fund on the Town side that will hold the revenue, and additional language to clarify what a non-Coventry student is. David Petrone said we took all the recommendations that were made and it got overwhelming to add those to the MOA so we felt it was better to clarify the policy. Joan Lewis asked if all these items have been approved by the Board of Education. Jennifer replied it has been warned to the Board. It has to be seen twice, first as a warn where they can say yay or nay, or recommend further edits. At the first meeting there was not a vote to approve it in case something came up tonight. One item of note is that the MOA for tuition does not include transportation. If there is room on a bus, then we will charge extra for transportation. David said it is really an ala-carte approach depending on the child's needs. That is in line with CREC's fee schedule. Carolyn Arabolos asked what the process would be if a student approaches Coventry to come here. Jennifer replied that this usually comes from the school district. It would also apply to individuals who choose Coventry as their private school subject to David's discretion. Carolyn asked if there are any concerns about backlash for placement based on some districts that are under-cutting? David replied he doesn’t think that will be an issue for us. In most cases districts are eager to find a placement for students that doesn’t affect their budget. Jennifer said that the Board does not want to create a situation that causes a liability for Coventry taxpayers. These circumstances are to fill the empty seats.

Mike Sobol asked what a larger agreement with another district would look like. David Petrone replied that it wouldn’t be part of this MOA at all. If a town approaches us to enter into an agreement for a large volume of students, there would be a greater discussion about impact on budget that would include the Town Council. Mike asked what you see the fund growing to. Are there any limitations for how big it can get? David replied no. Mike said he likes the out-of-the-box thinking to bring additional revenue into the district and offset future unknown costs. Carolyn Arabolos said it actually benefits our residents by covering costs that might have to be included in the budget. Jennifer Beausoleil said it can also help us in the years where Coventry special education costs go upside down. David said the biggest challenge for us is anticipating students moving in. Eugene Marchand said it is also coming at a time when we are recognized as a lighthouse district.
Mike Sobol asked about the sentence in the MOA that says “not requiring Council permission to use” and what level of transparency there will be. Jennifer Beausoleil replied that Bob Carroll will make a request to transfer a fund into a certain line item. Or it may sit there waiting for a problem to be dealt with. John Elsesser said those accounts are on our ledger so there will be transparency. The preschool account is really a Town fund. Jennifer said if the money transfers out of that line item, State law requires us to notify the fiduciary of any transfer. We can’t go to the fine detail of “we spent $531 on hearing protection or $275 on grade 8 math supplies” because it is such a small number of students that we would violate FERPA because the student is then identified. Amanda Backhaus said the nice things about having it in a fund is that unspent funds will carry over. Mike asked Amanda and Bob if they are comfortable with the MOA. They indicated yes. David Petrone said all four of us sat down to fine-tune it. There were a lot of eyes on it and many revisions. Carolyn Arabolos said she appreciates that the Board heard our concerns and incorporated them. Mike said that all his concerns were addressed.

Mike Sobol moved to forward MOA for non-resident student tuition to the Town Council for approval. The motion was seconded by Lisa Conant and carried on unanimous vote. Jennifer Beausoleil said upon hearing that the MOA is going to Council the Board will be inclined to vote on the policy at our next meeting. John noted that the Town does have jurisdiction over the policy.

Mike Sobol moved to recommend the creation a fund for non-resident student tuition. The motion was seconded by Lisa Conant and carried on unanimous vote.

- **Town Questions/answers:**
  A document with questions from Town Council member Matthew O’Brien regarding Board of Education financial information and answers from the Board of Education were attached to the agenda packet. Carolyn Arabolos asked if the group wanted to go through them or if anyone has specific questions. These items were assembled over the past several months through Council Chair Joan Lewis and put through to the Board. Some of them are no longer relevant. Our intention is to pass the information along to Matt for our next meeting. Jennifer Beausoleil noted that these items were on the Board agenda as a communication for our last regular meeting so they were available to the public the next day. Carolyn thanked the Board for responding to these items and said they will be on the next Town Council agenda under Finance reports.

- **Monthly fiscal reports:**
  Amanda Backhaus noted that Bob Carroll sent the December reports today. They are not in the agenda packet but hard copies were provided to the Finance Committee members tonight. Mike Sobol said it is nice to see the number getting blacker at the bottom of the report. There were a lot of retirements this year. David Petrone said it is becoming more of a common practice to get late notices and mid-year retirements. Carolyn Arabolos asked if they know what is causing that trend. David replied that often people are on the fence, so they hesitate and go into summer, and when it comes time to go back to school they do some soul-searching and decide to retire. Also in some situations they may hit an age milestone mid-year related to Medicare, or they may have started mid-year and want to get a full-year credit. Jennifer Beausoleil said in some cases there are family situations that come up. David said there tends to be a lot more movement related to education now. It is less common for someone to work in a district for their entire career. Carolyn asked if the State still offers an alternate route to certification for people who have worked in industry. David replied yes in some areas such as math, science, and special education. People are highly marketable in those fields. Jennifer said there is no way to predict the timing of these departures. We ask staff to share their plans as early as possible so we can prepare for the budget
process. We are not top-heavy, less than 10 of our employees are senior staff. David noted that 85% of staff are within their first 5-10 years. John noted we also have to be careful about inquiring. We asked an employee about retirement plans one year and were taken to CHRO. We won the right to ask annually because in our small departments we need to know.

John Elsesser wanted to bring up a couple of other items for the good of the order:

- **Micro grid update**: We had a meeting with the State in November. CT DEEP said they had some questions that they would give us in writing so we could respond. We got them two weeks later and our answers were submitted back to them in December. CT DEEP said it would be a piece of cake and we wouldn’t need to meet again but they haven’t responded since. We are going to have a conference call in a week or so. Now they appear to be waiting for the new commissioner who is knowledgeable about micro grids. Maybe it will go faster with a knowledgeable person rather than someone who doesn’t understand the program.

- **Pension** has been affected by the downturn in the stock market. We have smoothing on the stock market which averages over five years so a dramatic swing doesn’t affect us too much. We get 20% of the gain or loss.

- **State budget**: We may decide that we want to hold a joint meeting depending on how the budget comes up. There are several things we will have to be very cognizant of. Cities believe that the ECS formula is woefully inadequate and want it to change immediately. We are already losing $300,000. David Petrone came in with lowest budget John has seen, cognizant of those revenue losses. There is going to be a big push from urban areas to take money from Eastern CT. It will take a lot of work and is something we need to keep an eye on. Jennifer Beausoleil asked if there is any expectation that the new governor and legislature will try to fix some of that. John said yes. David Petrone said having lived through this three years ago when we were constantly chasing our tails, we made a lot of decisions based on speculation and rumors and it makes things difficult to act on. We need to act on good information. John said that the Governor’s budget will come out on 2/24. We think it will be closely held. He truly believes we are going to see a big movement to push teachers’ pension back on towns. We are expecting a lot of pressure on senators and representatives not to do that. A task force that is looking at that has missed their deadline. Jennifer said a big frustration is that this is one area that Boards of Education have no control over. It is a deal we were not at table for that we are going to have to pay for. David said we are not sure what the teacher unions will agree to. The last change from 7-8% was their giveback. We have heard it was a five-year look out.

John said there is also a push that needs to be watched that requires consolidation of school districts of student counts under 2000. That is a ridiculous number. He could understand a number of 500. David Petrone said busing is a big challenge for that. John said he doesn’t think it is something we will need to worry about, but that is the number we are hearing. David said the latest he heard was populations under 10,000, not student count. Mike Sobol asked what our capacity is. David replied that we could take another 500-600 kids, spread out from a space perspective, but it would require busing and other measures. Mary Kortmann noted that we have put programs in some of those rooms.

Mike Sobol said as a result of putting those programs in, we are a more attractive district. Mary said yes, but we can’t just look at prior enrollment and assume we could be at that level again. Mike said but if we have to regionalize a little bit there would be options. David said that regionalism/consolidation has been a big topic for 10 years but there is so much push-back from communities that it hasn’t gone anywhere. People want their kids to go to school in the community where they live. Mike said we will be in a better
position to be the receiving school. Carolyn asked if they think people's perspectives will start to shift as budget realities sink in. Jennifer said when the State tells us how to regionalize it is not effective. Look at the ECHIP which we did on our own -- that is working very well. Forced regionalization won't be successful. What you need to do is remove some of the road blocks so that natural regionalization can happen where it is appropriate. Carolyn noted that autonomy is a big factor. David noted that we can't even agree on a regional calendar. However, we do have three positions we share with Bolton and are always looking for ways to pool resources.

Joan Lewis noted that our town's median income increased and that is going to hurt us when they do the new ECS formula. John said we are 24% over the State average. Mary Kortmann said we do have a lot of reduced or free lunch students. John said that they are looking at eliminating that category from the formula. Healthcare may also be looked at differently. Joan asked what the factors are. John replied student count. Enrollment is declining in Eastern CT but Coventry is still issuing certificates of occupancy. Also the crumbling concrete foundation issue is coming to roost. We had six households come forward last week for reduced assessments.

Mike Sobol asked if the school has heard anything on the solar bid. David Petrone replied that we didn't get the last round. We are putting together another application. Bob Carroll said he got word today that the projects for removal of the underground oil tanks are moving forward.

John Elsesser said that the Town bought a new pickup truck to replace the old one. School Facilities Director Bill Trudelle has asked us to consider giving it to Board of Education instead of auctioning it off. We also have one coming up in the capital budget. The Town is also looking to retrofit our red van to have a flip-up sign for student transport. We can have that as part of the pool if an extra vehicle is needed.

Carolyn thanked the Fiscal Committee and School Administration for attending the meeting.

3. Regular Finance Committee Meeting:

4. Acceptance of Minutes:
   Mike Sobol moved and Lisa Conant seconded to approve the minutes of the Finance Committee meeting on December 10, 2018. The following correction was requested: Page 3, item 4, first line: change "she" to "the." The motion to accept the minutes as corrected carried on unanimous vote.

5. Reports:
   A. Committee Chair – Carolyn Arabolos:
   Carolyn was reading an article about the potential for the State minimum wage to go to $15 and it mentioned that municipalities might have to comply. Do we have any sense for the impact? John Elsesser replied it would be dramatic for summer camp and lifeguards. Camp prices would have to go up. We only a few positions like summer help and the Registrar of Voters where we might have to look at salaries. This would also affect the election moderators. We imagine it would be phased in, but it could be a $25,000 impact.

   Carolyn said that another thing she read about was RHAM’s issue with their sports field. They are going to the Town Council to ask for State money to repair their fields. John said there are a
lot of things that the State should stop doing. Right now there are no recreational grants, it is all bonding and he thinks they are out of bonding for the year. Joan Lewis said she spoke at the Parks & Recreation Commission meeting the other night when they were discussing disc golf. Someone talked about taking over the transfer station for recreational use and she talked about the difficulty of finding space for fields.

Carolyn said she was reading the auditor’s report and saw Joe Callahan’s name which brought about thoughts for succession planning. John Elsesser replied in this year’s budget we have $5,000 budgeted for building official hours. Joe rarely takes vacation and pays for his own training. John is working with Bolton who has two building officials to contract out some hours. We have some preliminary concerns about the Town side of the budget because we took position savings, and pension and health costs are up. He doesn’t see us coming in at 2%. There are also some positions we need, like engineering - especially if we do the bonding. We can’t keep up that pace. Has asked Todd Penney to look at some contracted services to free up some of his time. The tension level of a lot of our employees is high right now.

B. Committee Members:
Mike Sobol said there needs to be some attention to negative social media. Negative group mentality carries a lot of weight.

C. Finance Director Report – Amanda Backhaus:
Amanda provided highlights from her monthly report. Last year we had a bigger push in December to pre-pay but that deduction was changed this year. The general fund is in line with expectations. Last year we had a budget freeze. The Board of Education is in line with last year. COVRRA collections are at 84% - we adjusted that budget for more reasonable expectations. Joan Lewis asked if we are going to have any problems with reductions in recycling. John replied when we renewed our contract we had a major reduction. Amanda can provide a summary. They started adding a fee for dirty recycling because of the level of contamination in our recycling barrels. The only market is for clean recycling. We are not affected by the MIRA plant issue in Hartford. There are no concerns about COVRRA or sewer - we should be in good shape at the end of the year. The Recreation fund is in good shape. Wendy Rubin is getting some quotes on repairs. The Tax Office sent supplemental motor vehicles bills. They have identified several properties for a tax sale. The Assessor is doing personal property declarations and the grand list. Revaluation is on hiatus during the cold months. Capital budgets are in and all operating budgets have been submitted except for one department where the department head was out ill.

6. Purchasing Policy Update:
Amanda Backhaus noted that the revised document has a lot of changes. Carolyn Arabolos said she would like an editable version of it to make it easier to revise. Amanda will send a word file. Lisa Conant moved to table consideration of the purchasing policy to the next meeting. The motion was seconded by Mike Sobol and carried on unanimous vote.

7. Other Business:
Mike Sobol moved to recommend acceptance of the audit for FY 2017-18 by the Town Council. The motion was seconded by Lisa Conant and carried on unanimous vote.

Mike Sobol moved to recommend retention of the current audit firm for the next three years to the Town Council. The motion was seconded by Lisa Conant and carried on unanimous vote.
8. Adjournment:
Mike Sobol moved to adjourn the meeting at 9:22 PM. The motion was seconded by Lisa Conant and carried on unanimous vote.

Respectfully submitted,

Laura Stone
Town Council Clerk
Town of Coventry
June 30, 2018
Audit Presentation
bsbshippromo

State Upcoming GASB Pronouncements

- State Single Audit
- Federal Single Audit
- Financial Statement

Results and Financial Highlights

Required Auditors' Communication

Engagement Scope and Standards

Agenda
State Single Audit Act - CGS Sections 4-230 to 4-236

State Single Audit

Uniform Guidance - Title 2, U.S. Code of Federal Regulations Part 200

Federal Single Audit

Issued by the comptroller general of the United States.

Applicable to financial audits contained in Government Auditing Standards generally accepted in the United States of America and standards for the aggregate remaining fund information under auditing opinion on governmental activities, business type activities, each major financial statement.
- IBNR Liabilities
- Useful Lives of Capital Assets
- Net OPEB Liability/Net Pension Liability
- Allowance for Doubtful Accounts

Accounting Estimates:
- GASB 85 Omnibus 2017
- GASB 75 Accounting and Financial Reporting OPEB

New Standards Adopted:

Financial Statement

Significant Accounting Policies described in Note 1 in the

Required Auditors' Communication
No uncorrected misstatements
No disagreements with management
No difficulties encountered in performing the audit

Required Auditors' Communication, cont.
Financial Statement - Unmodified "clean" opinions

Financial statements are free of material misstatement.
- Plan and perform our audit to provide reasonable assurance about whether the
- Express opinions on the Financial Statements based on our audit.

Responsibilities - Auditor

- Audited statements that are free from material misstatement whether due to error or
- Design, implement and maintain of internal control so that financial
- US GAAP,
- Preparation and fair presentation of the Financial Statements in accordance with

Responsibilities - Management

Results and Financial Highlights
increases in total OPEB liability and net pension liabilities.

- Total long term debt decreased approximately $1 million – due to

- There was $2.7 million in ads for FY 18.

- Capital assets decreased $300K primarily due to depreciation.


- Net Position increased $1.036 million – $106.160 million in 2017

Government Activities

Results and Financial Highlights, cont.
Sewer Assessment

- Fund Balance increased $147K from $351K to $498K

2017
- Fund Balance at 6/30/17 was $5.783 Million, an increase of $264K from

General Fund

- Tax collections were 98.9% for the current year Grand List.
- Budgeted expenditures came in $180K less than budgeted.
- Expenditures.
- Unassigned fund balance totaled $5.303 Million, 13.3% of budgeted.

Results and Financial Highlights, cont.
Million — Fund balance increased $96K from $2.617 Million to $2.713

Million — Other Governmental Funds

Million — Fund balance increased $331K from $1.143 Million to $1.473

Million — Capital Projects

Million — Fund balance increased $23K from $70K to $94

CDG Grant

Results and Financial Highlights, cont.
- OPEB - $10.596 M
- Pension - $41,169 M
- Teachers Pension and OPEB
- Pension Liability for 2018 was $3.043 M
- OPEB Liability for 2018 was $8.728 M
- Governmental Activities Net Position was restated from $111 M

GASB Statement No. 75
Community Development Block Grant

Programs Tested:

Identified No material weaknesses or significant deficiencies

Unmodified "clean" opinion on compliance

Federal Single Audit

Results - Federal Single Audit
LOT Clip from DOT
Municipal Open Space Program from DEEP
Programs Tested:
Identified
No material weaknesses or significant deficiencies
Unmodifed "clean opinion on compliance

State Single Audit

Results – State Single Audit
Results – Internal Controls

- No instances of noncompliance were identified
- Under Compliance
  - The Recreation Department
  - One significant deficiency identified regarding Daily Deposits in
  - No material weaknesses identified
- Under Internal Controls
  - Financial Statement Level
  - Reporting on Internal Control and Compliance at the
Construction Period
- Statement 89 - Accounting for Interest Cost before the End of a
- Statement 87 - Leases

2021
- Statement 84 - Fiduciary Activities

2020
- Borrowings and Direct Placements
- Statement 88 - Certain Disclosures Related to Debt, including Direct
- Statement 83 - Certain Asset Retirement Obligations

2019

Upcoming GASB Standards
Memorandum

To: Town Council & Recreation Department
From: Amanda Backhaus, Finance Director
Re: Significant Deficiency in Internal Controls – Reporting of Daily Deposits
Date: January 1, 2018

Background

In October 2017, the Recreation department went through a software transition from MyRec to CivicRec. Receivable balances ("AR") from MyRec were unable to be converted electronically into the new software, and as such, had to be manually entered into CivicRec upon transitioning. In April of 2018, it was identified to the Finance department that not all of the balances had been properly transferred into the new system. A detailed review of the receivable balances and thorough investigation of the Recreation department occurred to ensure this had been done erroneously and not with fraudulent intentions. This internal review did not identify any fraudulent activity.

As a result of this issue, the Recreation director with the assistance of the Finance director, drafted a revised policy relating to recreation AR balances. This included changes such as requiring camp payments (before camp could be attended) to minimize camp AR balances; the inclusion of a formal write-off procedure for old/small balances; and a formal process for setting up payment plans with families who owed Recreation large amounts of money. This policy was adopted by the Parks and Recreation Commission on June 14, 2018.

Based on the above and due to concerns relating to the software transition, The Town Manager and Finance director felt the issues should be identified to the Town’s auditors. At the start of the FY2018 audit, the audit team was informed of the AR balance issue and management’s concerns relating to the Recreation processes. At this time, it was agreed that additional audit procedures over the Recreation department were necessary.

As a result of the additional audit procedures over the Recreation department, the Town received a significant deficiency in internal controls over financial reporting in connection with the audit for the year ended June 30, 2018.

Audit Finding

The significant deficiency in internal controls was related to two issues. The first issue identified was that there was no subsidiary recreation ledger available from the MyRec for the period July 1, 2017 through October 1, 2017. The Recreation Department had access to MyRec for one year after switching to CivicRec, and audit requests for the ledger occurred subsequent to October 1, 2018. As such, no subsidiary ledger could be obtained for the first three months of the fiscal year outlining the transactions that occurred during this time.
The second issue identified was that several recreation deposits from FY2018 that were selected for testing contained variances between the entries posted to the recreation software and the deposits recorded to the Town’s financial management system. This was discussed with the Recreation department. Although reconciliations between the subsidiary ledger and the deposits were being performed, adequate documentation of reconciling items was not being maintained by the department.

**Corrective Action**

Upon notification of the audit finding, the Town implemented additional internal control procedures to address the identified issues. It was discussed with the Recreation department that data retention subsequent to a software transition is extremely important. No future software transitions are planned or expected at this time. The Recreation department will coordinate with the Finance and IT departments before any future transition to ensure all needed records are maintained and accessible.

Additional procedures were also implemented regarding the processing of daily receipts. Going forward, a print out of the subsidiary ledger is required to be maintained along with the Recreation Department’s copy of the deposit slip. In the event there are reconciling items, a reconciliation must be prepared and attached to the deposit support. Copies of all checks must be maintained along with each deposit. In the event a check is identified as non-cashable, the Finance Department must be immediately notified so that an adjustment can be properly entered into the accounting ledger. In addition, all deposits and reconciliations must have a documented review by a second party (Recreation Director reviews when Recreation Supervisor prepares; Finance Director reviews in either absence). A review of processes for handling bad/undeliverable checks was also discussed with the department.

We feel that the corrective action taken and additional procedures will resolve the internal control issues identified. We appreciate our auditors’ recommendations and Recreation’s cooperation with implementing these changes. Please contact Amanda Backhaus with any questions.