

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

DRAFT MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

WEDNESDAY, OCTOBER 16, 2019

Meeting Location: Office of Policy and Management
450 Capitol Avenue, Conference Room 4A
Hartford, CT 06106

Date/Time: October 16, 2019, 10:00 A.M.

Members Present: Ms. Kathleen Clarke Buch, Chair
Mr. Douglas Gillette
Ms. Kimberly Kennison
Mr. Michael LeBlanc
Ms. Rebecca A. Sielman

Members Absent: Mr. John Schuyler
Ms. Diane Waldron

Others Present: Julian Freund, OPM Staff
Jean Gula, OPM Staff
William Plummer, OPM Staff
Morgan Rice, OPM Staff
Kelly Vachon, Finance Director, Town of Brooklyn
Richard Ives, First Selectman, Town of Brooklyn
Greg White, Finance Director, Town of Ellington

1. Introduction/Call to order

The meeting was called to order at 10:03 a.m. by Commission Chair Buch.

2. Approval of the Minutes to the August 7, 2019 Meeting

The minutes of the August 7, 2019 meeting were approved, with one abstention from Commissioner LeBlanc.

3. Town of Brooklyn – Corrective Action Plan for Financial Reporting / Status of June 30, 2019 Audit

Kelly Vachon, the Finance Director for the Town, stated that the target date to have the auditor come in to start the June 30, 2019 audit is mid-November. The Board of Education information has been assembled and is ready for the auditor. She was able to tie out the appropriation for the school budget from the Town budget. The bank reconciliation for June 2019 is almost complete. The bank statement balance is higher than the general ledger balance, which was a finding in the June 30, 2018 audit report. Ms. Vachon is itemizing the general ledger, breaking out all of the revenues that have been posted and ensuring that they agree to the bank statements in an effort to determine the source of the discrepancy.

Commission Chair Buch asked when the Town would be reconciling the discrepancy by booking it to the general ledger as miscellaneous revenue, given that it is in the Town's favor. Ms. Vachon indicated it would be resolved in connection with the June 30, 2019 audit.

The Town hired three full time financial assistants in July to work at the Town and BOE. The new employees are being cross-trained and they will be utilized to ensure that there are no segregation of duties internal control issues. With the audit commencing in mid-November, Commissioners questioned whether the June 30, 2019 audit report could be issued by the December 31, 2019 due date. Ms. Vachon indicated that it potentially could be done in time. She was reminded that an extension request must be submitted to OPM by December 1st. Commissioner Kennison said that having the financial records correct was of paramount importance, and that the Town needs to be realistic as to whether it can achieve that and deliver the audited financials by December 31st. Commissioner Kennison suggested the finance director have a discussion with the auditor to determine what goals are achievable and what is not.

A number of other questions were raised by Commissioners and answers were provided by Ms. Vachon regarding pensions, OPEB, payroll services, the Town's accounting system and other items.

The Commission thanked First Selectman Ives and Ms. White for attending the meeting and asked them to provide the preliminary unaudited June 30, 2019 financial statements for the next meeting in December.

4. Town of Ellington – Corrective Action Plan for Financial Reporting / Status of June 30, 2019 Audit / Review of June 30, 2018 Audit Results

Commissioner Gillette stated for the record that his firm serves as bond counsel to the Town of Ellington.

Greg White, the Finance Director for the Town, started by explaining that the Corrective Action Plan was complete and that one of the findings was related to the timeliness of the Town's reporting. The Town plans to update its accounting services software. The BOE currently uses Infinite Visions and the Town is looking into converting over to the same software. At the beginning of the week, the auditors were given most of the information they will need to perform the June 30, 2019 audit. The

only thing missing in the information for the auditor were the manual entries on the general fund, but those should be done by the end of the week. This information was given in March 2019 for the June 2018 report so the Town feels it is in a much better situation to provide the report in a timely manner to its auditor.

Commission Chair Buch asked what the timeline was for making a decision on the new accounting software. Mr. White indicated that the auditor advised that the Town target the date of July 1, 2021 for the conversion. When asked why so far in the future, Mr. White explained that the auditor believes the July 2021 target date would provide ample time for the Town to go out to bid with software vendors and retain the vendor. An earlier target date for conversion may be problematic as software vendors will be fully engaged already and may not have the resources readily available to immediately begin work with the Town on conversion. In the meantime, the Town has been changing some of their processes including that manual closing entries are now being done monthly instead of at the end of the fiscal year.

A discussion ensued among Commissioners and Mr. White as to whether the Town could realistically seek an earlier target date for the new accounting system and a possible bid waiver since the intent of the Town was to use the same accounting software currently in use at the Board of Education.

Mr. White posed several general questions regarding various municipal finance matters to Commissioners, who provided answers and advice.

Commissioners thanked Mr. White for his attendance at today's meeting and indicated that they looked forward to his attendance at the December meeting.

5. Town of Plymouth –Fiscal Condition Update / Status of June 30, 2019 Audit

Commissioner Sielman indicated that her firm provides actuarial services to the Town of Plymouth.

Town officials were not requested to attend today's meeting. However, the Town did provide updated information on its finances for which such information was included in the packets provided to Commissioners for today's meeting. Commissioners reviewed the information provided including FY 2018-19 preliminary unaudited General Fund operating results and FY 2019-20 budget to actual operating results through October 8, 2019. The Town also provided updated information in regards to its earlier cyber-attack and steps taken to prevent such attacks in the future, including its intent to retain an outside monitoring service. It also appears that the Town is going out to market for a bond refunding at the end of October.

6. Review of Draft Indicators for Assessing the Financial Condition of Municipalities Meeting Tier III Criteria – Findings and Reports to the Secretary as Provided Under Section 7-576c of the General Statutes/ Preliminary Information

Mr. Plummer indicated that the Financial Indicators Evaluation Results information included in today's packets for the Cities of Bridgeport, New Britain, and New Haven that the Commission had previously requested now included updated data collected from the fiscal year ended 2018 audit reports. These three municipalities had earlier been identified as municipalities eligible for Tier III consideration based primarily upon data available to OPM at that time from their FY 2016-17 audit reports. Commissioners discussed the evaluation results provided for the three municipalities.

The Commissioners noted that the information for New Haven was concerning. Commissioner Sielman noted that the City's pension funding status for its defined benefit pension plans had been dropping and that the assumed rate of return on investments was at a higher rate than what she believes would be a realistic rate of return. Commissioners noted that the City's operating fund is reporting a deficit.

A discussion ensued among Commissioners as to the process for the Commission to make its recommendations and findings to the OPM Secretary in regard to the three municipalities. Commissioners believed that given that the June 30, 2019 audit results should be available within the next couple of months, the Commission would wait to get an update on the finances of the three municipalities, including their June 30, 2019 financial data before making any findings and recommendations to the OPM Secretary.

Commissioner Kennison stated that the OPM finance team would be preparing reports for all of the towns and then every town will be dropped into the tiers based upon data primarily from each municipality's fiscal year ended 2018 audit reports.

7. Other Business

No other business

8. Adjourned.

The meeting was adjourned at 11:43 a.m.

Respectfully submitted,

Douglas W. Gillette
Commission Secretary