

# STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

## OFFICIAL MINUTES

### MUNICIPAL FINANCE ADVISORY COMMISSION

#### REGULAR MEETING

WEDNESDAY, JANUARY 16, 2019

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

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

Members Present: Ms. Kathleen Clarke Buch, Chair  
Mr. Julian Freund  
Mr. Douglas Gillette  
Mr. Michael LeBlanc  
Mr. John Schuyler

Members Absent: Mr. Robert Burbank  
Ms. Rebecca A. Sielman  
Ms. Diane Waldron

Others Present: Jean Gula, OPM Staff  
William Plummer, OPM Staff  
Morgan Rice, OPM Staff  
Ann Marie Rheault, Finance Director, Town of Plymouth  
Bruce Stratford, Finance Director, Town of Winchester

#### 1. Introduction/Call to order

The meeting was called to order at 10:01 a.m. by Commission Chair Buch.

Mr. Julian Freund indicated that he had been designated by the Secretary to serve on the Commission for today's meeting as the OPM representative in place of Ms. Alison Fisher as she was unable to attend.

#### 2. Approval of the Minutes to the December 12, 2018 Meeting

The minutes of the December 12, 2018 meeting were approved with one abstention from Commissioner Freund as he was not in attendance at the meeting

### **3. Town of Winchester – Review of the Results of the June 30, 2018 Audit / Fiscal Condition Update**

Prior to discussion on the Town's finances Commissioner Gillette stated for the record that his firm serves as bond counsel to the Town of Winchester.

Commission Chair Buch indicated that the Commission was aware that Winchester town officials have been seeking Winchester's release from the oversight of the MFAC but that Commissioners had indicated their desire to review the Town's June 30, 2018 audit results before making any decision on the Town's release from the Commission's oversight. She acknowledged the attendance of Mr. Bruce Stratford, the finance director of the Town of Winchester. Mr. Stratford noted the memorandum he recently transmitted to the Commission summarizing the results of the June 30, 2018 audit. He also indicated that based upon the FY 2018-19 budget to actual results to date, he believes that actual revenues and expenditures will approximate the amounts budgeted. He indicated that it was his hope that Commissioners would now be able to recommend to the OPM Secretary that the Town of Winchester be released from the purview of the MFAC.

Commissioners indicated that they had reviewed the June 30, 2018 audit report of Winchester and were pleased with the results of that audit. It was apparent that the Town has made significant improvements to its financial condition and related fiscal practices from when the Town was first referred to the Commission several years ago. Commissioners commended Mr. Stratford and other Town officials for their work in improving the fiscal condition of Winchester. The Commissioners were in unanimous agreement that the Town's fiscal condition had greatly improved and that the Commission's oversight was no longer required. Commission Chair Buch requested that OPM draft a letter on behalf of the Commission recommending to the Secretary that the Town of Winchester be released from the oversight of the Commission. Commission Chair Buch would sign the letter once it was drafted and reviewed by her. Mr. Stratford thanked Commissioners for their advice and guidance the past several years in assisting the Town with its fiscal challenges.

### **4. Town of Plymouth – Review of the Results of the June 30, 2018 Audit /Fiscal Condition Update**

Ms. Ann Marie Rheault, finance director of the Town of Plymouth, introduced herself to the Commissioners. She noted to the Commission that the June 30, 2018 audit report was issued by the December 31, 2018 statutory due date. She indicated that despite the significant revenue shortfalls in regard to State aid, the Town was able to achieve a \$763,000 General Fund operating surplus by curtailing expenditures in a number of departments for the fiscal year. Significant savings were made by not filling open positions and by sharing staff with other departments. However, not all of these expenditure reductions are sustainable in the long term and the Town will need to fill some of the open positions. The Town is presently investigating sharing of services such as dispatch services with other towns. Commissioner LeBlanc inquired as to whether the FY 2018-19 adopted budget

accurately reflected the adjustment in State Aid assumptions. Ms. Rheault indicated that the FY 2018-19 did make the adjustment. Commission Chair Buch inquired about the staffing levels in the finance office and the progress to date of the new accounting system that the Town plans to implement. Ms. Rheault described the roles of her staff and the items that remain before the new accounting system can go live. It is her intent that the general ledger/chart of accounts component of the new accounting system be put in place by July 1 of this year. Commissioner Gillette inquired whether the Town had a long-term plan in regard to the rebuilding of its fund balance. Ms. Rheault indicated that the Town has recently started to build into its budget for increases to its fund balance in increments of approximately \$100,000. The Town also recognizes that it has cumulative deficits in other funds outside of the General Fund and that it intends to eliminate those deficits. Commissioner Gillette pointed out that the Town's cumulative fund balance was considerably below what would be considered adequate and that the Town should consider ramping up its fund balance by more than the annual \$100,000 increments that the Town has planned. A discussion ensued among Commissioners as to the Town's grand list and mill rate and whether the Town should consider increments to its annual tax levy to assist the Town in rebuilding its fund balance.

Ms. Rheault provided a brief update on the FY 2018-19 budget to actual results to date. She indicated that so far there has been no surprises and it appears that revenues and expenditures are on target as provided for in the adopted budget.

Commission Chair Buch thanked Ms. Rheault for attending today's meeting to update the Commission on the Town's finances.

## **5. Indicators for Consideration in 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**

Commission Chair Buch acknowledged the draft indicators that were revised as a result of feedback from Commissioners at the December 12, 2018 meeting. A discussion ensued among Commissioners on the redrafted indicators. Commissioners requested that OPM staff make certain additions and clarifications to the indicators. Mr. Plummer indicated that the requested changes would be made and distributed to Commissioners. Commissioners also requested that OPM staff use the redrafted indicators to review the indicators of the municipalities that preliminarily met the Tier III criteria and provide the results to the Commission. This process will enable Commissioners to further assess the redrafted indicators.

## **6. Other Business**

Mr. Plummer indicated that he received several communications from participating municipalities and other local governments regarding the delay in receiving information from the State-administered pension and OPEB plans. Some of the participants indicated that the delay resulted in their audit reports not being issued by the statutory filing deadline (December 31, 2018 for municipalities). Mr. Plummer indicated that there are a number of housing authorities that are not on a July 1 to

June 30 fiscal year. The audit reports of several of these housing authorities that participate in the state administered pension plan (CMERS) were issued with qualified opinions as the pension information was not provided in time before those audit reports had to be issued. The Commissioners discussed the issue. Commissioner LeBlanc volunteered to bring this matter up with the Government Finance Officers Association of Connecticut (GFOACT) Board on which he is an officer on the Board, and with City of Waterbury Mayor O'Leary, who is now the President of the Connecticut Conference of Municipalities (CCM). The goal would be for GFOACT and CCM to correspond with the applicable State agency documenting the problems encountered from the delay in providing the pension and OPEB plan information, and requesting that the information be made available annually on a timely basis so as not to delay the preparation of audit reports.

**7. Adjournment.**

The meeting was adjourned at 11:10 a.m.

Respectfully submitted,

Douglas W. Gillette  
Commission Secretary

# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

### OFFICIAL MINUTES

#### MUNICIPAL FINANCE ADVISORY COMMISSION

#### SPECIAL MEETING

**WEDNESDAY, JUNE 5, 2019**

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

Date/Time: June 5, 2019, 10:00 A.M.

Members Present: Chair, Ms. Kathleen Clarke Buch  
Mr. Douglas Gillette  
Ms. Kimberly Kennison  
Mr. Michael LeBlanc  
Mr. John Schuyler  
Ms. Diane Waldron

Members Absent: Mr. Robert Burbank  
Ms. Rebecca A. Sielman

Others Present: Alison Fisher, OPM Staff  
Julian Freund, OPM Staff  
Jean Gula, OPM Staff  
William Plummer, OPM Staff  
Morgan Rice, OPM Staff  
Marie Moylan Hoadley, State Treasurer's Office  
Glenn Rybacki, Day Pitney LLP  
Christopher King, King, King and Associates  
Patricia Buell, Superintendent – Brooklyn School System  
Richard Ives, First Selectman, Town of Brooklyn  
Kelly Vachon, Finance Director, Town of Brooklyn

#### **1. Introduction/Call to order**

The meeting was called to order at 10:02 a.m. by Commission Chair Buch.

#### **2. Approval of the Minutes to the January 16, 2019 Meeting**

Commissioner Gillette notified Commissioners that there was a difference between the draft minutes presented at today's meeting for approval and the draft minutes

450 Capitol Avenue Hartford, Connecticut 06106-1379

[www.ct.gov/opm](http://www.ct.gov/opm)

posted on the Office of Policy and Management's website due to a minor error identified in the draft minutes posted on OPM's website. The draft minutes now being presented for approval included the correction for the error previously noted. The minutes of the January 16, 2019 meeting were approved with abstentions from Commissioners Kennison and Waldron.

Commission Chair Buch noted that there were new individuals in attendance for today's meeting and requested that Commissioners introduce themselves. Commissioner Kennison noted in her introduction that she had recently started work at OPM as the new executive finance officer.

### **3. Town of Brooklyn – June 30, 2018 Audit Status and Related Issues**

Commission Chair Buch noted that no one from the Town of Plymouth would be attending today's meeting that the Town of Brooklyn's presentation would be taken up prior to the Town of Plymouth agenda item. First Selectman Ives, School Superintendent Buell and Kelly Vachon, the recently hired finance director / business manager of the Town and Board of Education, introduced themselves. First Selectman Ives and Superintendent Buell proceeded to describe a historical list of items over the past several years that have prevented the filing of timely audit reports including the installation of an accounting system that Town personnel did not fully understand, financial staffing turnover at the Town and Board of Education, and shortage of qualified staff with the skills needed to properly operate the day-to-day finances of the Town and Board of Education. The Town and Board of Education have retained a number of different consultants over the past several years to assist them with their financial record issues and in establishing procedures to maintain proper internal control procedures over those records.

Christopher King from the audit firm of King and King that is conducting the June 30, 2018 audit of the Town introduced himself. He described the list of issues that he has encountered over the past several months that have held up the completion of the audit of the Town's FY 2017-18 financial statements, including a number of funds whose accounts do not reconcile with the Town's general ledger. A number of questions were posed by Commissioners to Mr. King and other Town officials including whether there was a belief that any monies might be missing. Both the Town and Mr. King indicated that from what they had observed to date, they were not of that belief. Commissioners inquired as to when the Town believed it would be able to reconcile the accounts that had yet to be reconciled in order to issue the June 30, 2018 audit report. Mr. King indicated that it was the intent of the Town and his firm for the audit to be issued with a disclaimer of opinion due to the lack of certain audit evidence (i.e., certain accounts presented in the financial statements could not be reconciled). With the hiring of the new town finance director/school business manager and addition of new finance office staff, the Town's intent is to continue to work to reconcile the accounts in such a manner that there would be adjustments to the beginning July 1, 2018 balances when the June 30, 2019 audit is conducted, allowing the independent auditor not to have a modified audit opinion on the FY 2018-19 financial statements of the Town.

Commissioner Gillette stated that in looking at a number of smaller population towns that have come before the Commission over the years, a common issue has been the lack of sufficient qualified staff in the finance office. Towns must begin to understand the importance of ensuring that there is sufficient funds budgeted to hire the necessary staff to fill these critical positions. Commissioner Kennison stated that from her review of the June 30, 2017 audit report there were several audit findings which appear to have gone unaddressed and have now had some role in the delay in completing the June 30, 2018 audit report. Towns must understand that these internal control deficiencies must be addressed and corrected in a timely manner.

Commission Chair Buch noted that the next meeting of the Commission was scheduled for July 17<sup>th</sup>. Based upon today's presentation, the Commission would definitely be seeking a comprehensive update from the Town for the next meeting. Commissioners thanked Town officials for attending today's meeting.

#### **4. Town of Plymouth –Fiscal Condition Update**

Mr. Plummer indicated that finance director Ann Marie Rheault was not able to attend today's meeting due to a prior scheduled meeting. She did however, provide updated financial information on the Town's fiscal condition for today's meeting.

Commissioners reviewed the FY 2018-19 budget to actual information she provided which included projections through June 30, 2019, the Town's recently adopted FY 2019-20 budget, and a document from Ms. Rheault regarding certain financial matters related to the Town. Commissioners expressed some concerns with the FY 2018-19 year end projections, including projected revenue shortfalls related to property taxes and their effect on the FY 2019-20 adopted budget. As there were several questions related to the financial information, the Commission requested that OPM advise Town officials of its request that the Town attend the July 17<sup>th</sup> Commission meeting.

#### **5. Status of Outstanding June 30, 2018 Municipal Audit Reports**

Commissioners reviewed the document provided for today's meeting regarding the four municipalities whose June 30, 2018 audit reports have not yet been filed with OPM. In addition to the Town of Brooklyn, OPM had no projected issuance date for the Town of Ellington's 2018 report. The Commission requested that OPM inform Ellington Town officials that the Commission was seeking a plan of action from the Town describing its plans for completing the 2018 audit including a projected date for issuing the 2018 audit report.

#### **6. Proposed Statutes Affecting the Municipal Finance Advisory Commission**

Mr. Plummer referenced the information provided in today's packet on proposals that would affect the Commission, including a list of criteria that would allow a municipality to fall under the purview of the Commission. A discussion ensued among members of the Commission regarding the proposed legislation.

**7. Indicators for Consideration in 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**

Based upon the preliminary indicators established at the Commission’s January 2019 meeting, staff at OPM prepared draft results for the City of Bridgeport, primarily based upon the June 30, 2018 audit of the City. The information was presented to Commissioners for their review. A discussion ensued, and the consensus was that the list of indicators that was analyzed for Bridgeport could be reduced. Commissioners then advised OPM of certain indicators that could be omitted from the list. Commissioners also suggested a format change to the graphical presentations provided based upon Bridgeport draft results. The Commissioners expressed their appreciation for the significant efforts of OPM staff in preparing the draft results.

**8. Other Business**

Commissioner Kennison proposed that remaining meetings for calendar year 2019 be presented to Commissioners using the calendar invite feature. This would also occur in future years once meeting dates are approved.

**9. Adjourned.**

The meeting was adjourned at 11:34 a.m.

Respectfully submitted,

Douglas W. Gillette  
Commission Secretary



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

### OFFICIAL MINUTES

#### MUNICIPAL FINANCE ADVISORY COMMISSION

#### SPECIAL MEETING

**WEDNESDAY, AUGUST 7, 2019**

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

Date/Time: August 7, 2019, 10:00 A.M.

Members Present: Ms. Kathleen Clarke Buch, Chair  
Mr. Douglas Gillette  
Ms. Kimberly Kennison  
Mr. John Schuyler  
Ms. Rebecca A. Sielman  
Ms. Diane Waldron

Members Absent: Mr. Michael LeBlanc

Others Present: Julian Freund, OPM Staff  
Jean Gula, OPM Staff  
William Plummer, OPM Staff  
Morgan Rice, OPM Staff  
Greg White, Finance Director, Town of Ellington  
Christopher King, King, King and Associates  
Ann Marie Rheault, Finance Director, Town of Plymouth  
Michael VanDeventer, Mahoney Sabol & Company  
Marie Moylan Hoadley, State Treasurer's Office  
Glenn Rybacki, Day Pitney, LLP

#### **1. Introduction/Call to order**

The meeting was called to order at 10:04 a.m. by the Commission Chair, Commissioner Buch.

#### **2. Approval of the Minutes to the June 5, 2019 Meeting**

The minutes of the June 5, 2019 meeting were approved with one abstention from Commissioner Sielman.

Commissioner Buch noted that there were new individuals in attendance for today's meeting and requested that Commissioners introduce themselves.

### **3. Town of Ellington – Corrective Action Plan for Financial Reporting**

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

Greg White, the recently hired finance director introduced himself and conveyed the apologies of First Selectman Spielman who could not be at the meeting due to a scheduling conflict. Mr. White gave a brief history of his background. Michael VanDeventer from the audit firm of Mahoney Sabol & Company that is conducting the June 30, 2018 audit of the Town introduced himself. He went through the history of the Town's audit filing status. He indicated that the primary reason that contributed to the years of late filing and that has delayed the filing of the June 30, 2018 audit report was the Town's manually intensive closing process. The process was solely done by the previous finance director who had been dealing with some medical issues for several years, which added to the delays. Commissioner Buch asked Mr. VanDeventer to elaborate on why it is manually intensive and asked if it had to do with the software the Town uses. According to Mr. VanDeventer, the software provides a single trial balance and is not set up for fund accounting so the closing process involves manual adjustments to create all the funds that flow into the financial statements. Commissioner Buch inquired whether as the audit firm for the past several years, had the firm previously recommended that the Town address the problems with its financial accounting software. Mr. VanDeventer indicated that historically, the recommendations of the auditing firm were for the Town to complete the closing process in a timely manner and did not specifically address the software issue.

Commissioners asked a number of questions in regard to the Town's closing process and the adjustments that occurred at year end to ensure correct reporting by funds. There was also a discussion of the Town's LOSAP program and how it would be reported in the audit. According to Mr. VanDeventer, the day to day accounting is accurate. On a go forward basis, Mr. White indicated that he and his staff is hoping to do closing entries on a monthly or bi-monthly basis. Mr. VanDeventer indicated that the June 30, 2018 audit has essentially been completed and the report will be drafted next week. The goal is to issue it at the end of August. He does expect, however, to encounter similar problems in regard to the June 30, 2019 audit report as it relates to the Town's accounting software issues.

Commissioner Buch asked what the Town needs for resources in order to correct their findings. Mr. White said the Town was looking into hiring the auditing firm for consulting, understanding that this would be just for the period of time needed to correct its financial reporting issues. Commissioner Buch inquired whether the Town was planning to get new software. Mr. VanDeventer indicated that a benefit that resulted with the consulting work done by him and his firm for the Town in regard to the June 30, 2018 audit, is that he has a better understanding of the closing processes

that the Town goes through annually. He believes that he will be able to provide some specific guidance and recommendations to improve the process. He believes that the long term solution ultimately is that the Town should integrate to the Board of Education software. It does not appear that this will be implemented right away, and it is up to the Town to decide when to make the switch.

Mr. White asked how the late filing will affect the Town's credit rating. Commissioner Buch noted that the reasons behind the late filing may be evaluated by the rating agencies as a lack of good management practices and incorrect reporting and therefore could have a negative effect. Commissioners thanked Mr. White and Mr. VanDeventer for attending today's meeting and requested that the Town attend the October meeting of the Commission.

#### **4. Town of Brooklyn – Corrective Action Plan for Financial Reporting / June 30, 2018 Independent Auditor's Opinion**

The First Selectman and the Finance Director of the Town of Brooklyn were unavailable make a presentation on the Town to the Commission due to a scheduling conflict. Christopher King from the audit firm of King and King that conducted the June 30, 2018 audit of the Town introduced himself. Commissioner Buch asked where the Town of Brooklyn stood with respect to its audit submission for June 30, 2018. Mr. King indicated that the Town had recently filed its report, and that an accounting system breakdown is the primary reason for the late submission. There were also some turnover and vacancies in the finance department.

Mr. King distributed a document that was prepared for today's meeting by Kelly Vachon, the Town's finance director. Mr. King indicated that he was not in complete agreement with the statement provided in the document that beginning cash balances have been established. He indicated that the restatement of beginning balances is still a work in progress. The beginning balances currently are not restated. The Town will be reconciling the various balance sheet accounts, locking in the differences, and then restating the opening balances. In July of 2019, Mr. King had a meeting with the Town's consultant that had already reconciled the Board of Education (BOE) side up to May 2018. It was common practice that when staff recording transactions was unsure of the correct entries, the other side of the entry was often made to Due To/Due From accounts, resulting in incorrect interfund balances. The accounting system was also doing this automatically. A consultant helped change the system setup and how the BOE does Due To/Due From entries. Now that the BOE side issues are resolved, those updated processes and procedures would be presented to the Board of Selectman for implementation by the Town. Commissioner Schuyler asked if the finance departments of the Town and BOE were consolidated. Mr. King stated that they were recently consolidated and that previously the superintendent of schools had taken BOE financial duties.

Mr. King referred to the document submitted by the Town's finance director that indicated that as a result of the improved accounting procedures implemented, the fiscal year June 30, 2019 audit should be completed by December 31, 2019. Although the Town is making progress with its reconciliations for the restatement of

beginning balances, Mr. King does not believe that the Town will be able to issue the June 30, 2019 report by the December 31<sup>st</sup> statutory due date but does believe that the report can be issued earlier than the six additional months it took for the Town to issue the June 30, 2018 audit report. He indicated that the results of the 2018 audit indicated a General Fund operating surplus and based upon Town Meeting minutes he reviewed, the Town is projecting a surplus also for fiscal year ended 2019. Financial condition therefore, has not been an issue. Mr. King noted that the current staff of the Town is now two generations removed from the 2018 audit and they now have a new position of finance director that is held by someone with previous experience. Commissioner Buch asked Mr. King for his thoughts on the current internal control and processes. He stated that BOE policies and procedures are in place and that those controls are now being transitioned over to the Board of Selectman. The Town has made improvements to its controls but there is still significant work to be done in this area. Commissioners discussed with Mr. King the Town's internal control processes, staffing needs, the accounting system currently in use, the Town's plan in the near-term for issuing debt and other items.

Mr. King referenced the Disclaimer of Opinion provided in the June 30, 2018 audit report resulting from a lack of adequate evidence for the numbers presented in the Town's financial statements. He indicated that this is the first disclaimer he can recall that the audit firm has ever had to issue. Commissioner Buch asked how the State treats the disclaimer, and whether there were any implications of any kind? Mr. Plummer indicated that the Secretary of OPM had several options available. Understanding the reason for the disclaimer, OPM decided that inviting the Town to come before the Commission would be best.

Commissioners expressed their belief that it is important for the Town to come to the next meeting and for the Town to submit a more comprehensive document detailing the work it has done to date to restate its beginning balances including reconciliations made to date and improvements made to its internal control, including the controls related to its accounting system, recording of transactions by staff, and timely filing of future audit reports. This information should be segregated between the Board of Selectman (Town) and the BOE as it appears that the BOE is further along in improving its processes and procedures. The information should be provided a week or two before the next meeting allowing Commissioners ample time to review the information and for follow-up with the Town if it is needed.

Commissioners expressed their appreciation for Mr. King's attendance at today's meeting.

## **5. Town of Plymouth –Fiscal Condition Update**

Commissioner Sielman stated for the record that her firm provides actuarial services to the Town of Plymouth.

Ms. Ann Marie Rheault, finance director of the Town of Plymouth introduced herself to Commissioners and provided an update on the Town's financial condition. She referenced the information that she had earlier provided for today's meeting. In

regard to FY 2018-19, there was a miscalculation with the Board of Education (BOE) budget as it relates to the minimum budget requirement (MBR) for that year. The town utilized preliminary data that did not factor certain changes in the ECS funding entitlement when setting its FY 2018-19 BOE budget. So instead of increasing the BOE budget as to conform with the MBR, the BOE budget was reduced for FY 2018-19. To resolve the FY 2018-19 MRB shortfall of approximately \$400,000, the Town has increased its FY 2019-20 BOE budget by the approximate \$400,000 previous year shortfall. The State has indicated that this approach would be acceptable.

In March of 2018, the Town incurred a Ransomware attack. Fortunately, the attack was detected early enough for the Town to engage cyber specialists for data recovery and for a subsequent comprehensive review of the Town's systems. There was no ransom payment made and the net cost was covered by insurance. The Town and BOE has since implemented some immediate upgrades to protect their systems. Software and antivirus updates have occurred and there has been a movement to a single platform for the entire town allowing the shared IT department improved monitoring of all systems and related processes. Ms. Rheault noted that they have not started regular training for their employees because they are still trying to put a policy in place for password updates and training employees. There was no personal employee data compromised.

A discussion occurred between Commissioners and Ms. Rheault regarding the new accounting system, staffing in the finance department, the improved controls made/being made in regard to cash handling procedures and activities, etc.. Ms. Rheault also described recent sales of town property, the proceeds generated from those sales and how the proceeds would be used.

The Town is targeting December 2019 for the issuance of its June 30, 2019 audit report. The Town is in a better position now when compared to prior years as it is not playing catch up and they are working with current financial information. Ms. Rheault also provided a narrative of the FY 2019-20 adopted budget and the assumptions included in that budget. Commissioners expressed their appreciation for her attendance and presentation.

## **6. Legislation Adopted Affecting the Municipal Finance Advisory Commission**

Mr. Plummer referred Commissioners to the document in today's packet regarding legislation that was adopted in the 2019 session that provides specific criteria as to when a municipality be referred to the Commission. Preliminary data collected will need to be finalized to determine the list of towns that need to be reviewed and that may need to be presented to the Commission.

## **7. 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 provided the Commission with the Financial Indicators Evaluation Results for the City of Bridgeport. It was noted that the Internal Service Fund was significantly in a negative position as of June 30, 2018. Commissioner Sielman noted that the City's pension fund is only 39% funded. The data was discussed among Commissioners. Mr. Plummer indicated similar data could be provided to Commissioners for the remaining two municipalities that had earlier met the Tier III criteria.

## **8. Other Business**

Commissioner Kennison advised members that a letter had been sent to the City of Derby regarding the fifteen findings that were noted in its June 30, 2018 State Single Audit Report. She believes that at some point, the City's fiscal status may need to be reviewed by the Commission. She also advised the Commission that the City of Bridgeport had transmitted a letter to the OPM Secretary and to the State Treasurer indicating the City's intent to issue \$120 million in pension obligation bonds.

## **9. Adjourned.**

The meeting was adjourned at 11:49 a.m.

Respectfully submitted,

Douglas W. Gillette  
Commission Secretary

# STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

## OFFICIAL 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 1<sup>st</sup>. 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 31<sup>st</sup>. 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