

**GLASTONBURY AUDIT COMMITTEE  
SPECIAL MEETING MINUTES  
WEDNESDAY, FEBRUARY 15, 2023**

The Glastonbury Audit Committee held a special meeting at noon via Zoom Video Conferencing to review the Audit Presentation.

Those in attendance included:

- RSM: Scott Bassett
- Town Council: Jennifer Wang and John Cavanna
- Board of Finance: Gus Constantine and Rob Lynn
- Board of Education: Dr. Alan Bookman, Karen Bonfiglio, Doug Foyle, Julie Thompson
- Town: Richard Johnson, Narae McManus and Keri Rowley

The meeting commenced at 12:02 PM with Richard Johnson welcoming everyone in attendance, explaining that this was the annual review of the Annual Comprehensive Financial Report and introducing Mr. Bassett from RSM. Mr. Bassett proceeded to walk through a PowerPoint Audit Presentation that included the following information:

The Audit Scope includes the ACFR (in which the auditors opine on governmental activities, each major fund and the aggregate remaining fund information under auditing standards generally accepted in the U.S. and standards applicable to financial audits contained in Government Auditing Standards issued by the comptroller general of the U.S.), Federal Single Audit (pertaining to Federal Awards) and State Single Audit. All three were issued clean opinions by RSM.

There are a few required Auditor Communications, including Significant Accounting Policies which are described in Note 1 of the ACFR and discuss polices about how the Town accounts for all revenues, expenses, deferred inflows/outflows and liabilities. All pretty standard and Mr. Bassett noted that nothing really changed except for the next bullet which is New Accounting Standards. There was a standard implemented in this fiscal year for GASB 87 (leases) which was a heavy lift for the Finance team side with digging into contracts. Lastly Accounting Estimates (including Pension and OPEB Plan Assumptions which are the largest and can have an impact on your balance sheets). Mr. Bassett stated that his team had no difficulties completing the audit, and that there were one audit adjustment made. There were no disagreements with management, no uncorrected misstatements and no internal control deficiencies noted.

Mr. Constantine asked what was the audit adjustment and should we be concerned? Mr. Bassett said it was so insignificant that he didn't go back and look at it.

Mr. Lynn asked about the report packet dated December 27<sup>th</sup>, 2022 and, in that letter, did RSM say no significant deficiencies or material weaknesses were found? Mr. Bassett agreed.

When reviewing the engagement results, Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP. The Auditor is responsible for providing reasonable assurance about whether the Financial Statements are free of material misstatement. Clean opinions on all three reports which are expected and consistent with prior years.

Mr. Bassett reviewed Financial Statement Highlights. On a government-wide basis, the Town's net position increased by \$0.2m to \$257.3m. The increase in net position of \$0.2m is attributable to the

overall management of Town operations in a fiscally responsible manner. This is a statement that you only will see once a year and is on a full accrual basis.

Mr. Bassett then discussed the governmental funds which have a combined ending fund balance of \$71.3 million, an increase of \$2.7 million from the prior fiscal year. Of that total, \$31.2 million is available for spending at the Town's discretion and represents the combined unassigned balance in the General Fund net of the fund deficits in the nonmajor governmental funds. The deficits have to do with when the Town receives grants and the funding mechanism RSM uses which is a measurable period of sixty days after the end of the fiscal year in order to recognize the revenue in that year.

Mr. Bassett reported that at the end of the current fiscal year, the total fund balance for the General Fund alone was \$37.6 million, an increase of approximately \$2.96 million from the prior fiscal year. Of that total fund balance, \$33.2 million is unassigned which represents 19.2% of total General Fund expenditures and transfers out. Mr. Bassett noted that this was a very strong fund balance which the Town has maintained and budgets appropriately.

Mr. Lynn asked in regards to the General Fund assigned versus unassigned, when RSM audits, do you ever test what the Town determines as assigned versus unassigned? Mr. Bassett said they do test. Mr. Lynn then asked if the recreation program closed their book with \$1.1 million on June 20<sup>th</sup>, do you test that it is all committed? Mr. Bassett said yes, that would all be assigned. A general rule of thumb is that if you have a special revenue fund, it should all be assigned for that purposed. The General Fund is the only fund that has unassigned fund balance.

Mr. Lynn asked if the recreation program has a balance of \$1.1 million at the close of business June 30<sup>th</sup> and deem it as assigned, do you look into that to see how much is prepaid for parks and rec activities for summer, how much is labor cost, stuff of that nature. Mr. Bassett – yes we do. RSM looks for any liabilities related to that in the balance sheet. Recorded liabilities, proper cut off and things like that for each of the funds.

Mr. Bassett then discussed financial statement highlights. General Fund revenues exceeded budget by \$4.1.m and expenditures came in \$0.1m under budget. The internal service fund had an increase in net position of \$1.2m for a total net position of \$16.8m at year-end. Pension/OPEB trust funds had a decrease in net position of \$28.0m for a total net position of \$188.8m driven by market conditions on that date of June 30<sup>th</sup>, 2022. This is consistent throughout the state. The Town's total bonded indebtedness decreased almost \$3million during the fiscal year. The Town did issue some debt and refunding bonds and \$2.375 million General Obligation Bonds during the year.

Mr. Bassett went on to explain that the Notes to the Financial Statements didn't change much compared to the previous year with exception of the lease standard where 3 or 4 pages of disclosures were added. Town did a lot internal work and outsource some of the calculations to a third party, brought that data back and reviewed it and included those results in the financial statements. Note 4 shows a nice presentation of what the Town is invested in. Capital Assets are consistent but have a new category 'Right to Use Assets' because of the accounting standard for the leases. Lease liability from the new standard was \$3.8 million. These could have been leases that the Town had but were long term and didn't meet the old standards definition of a capital lease. If there is a contract out there that is less than 12 months and right to use asset, the asset gets capitalized and corresponding payments get added to the Town's balance sheet but not material to the Town of Glastonbury. A lot of work on the BOE and Town side to capture all of it. RSM to audit the completeness of the list provided to us and looks at the

assumptions that were used. Pension plan funded at 69.08% which dropped from last year. RSM measures from a point in time, and different from actuary because they use a smoothing method. RSM measures from one point of time so two different bases for the information.

Mr. Bassett noted that they did incur more hours in audit this year as they went through the process. Ms. McManus was wearing two hats and the new standard. Met all filing requirements with the State and the GFOA. Scott thanked Ms. McManus and the Finance staff. There are many more extensions across the state due to this year's new standards.

Mr. Constantine asked if it is a concern that the OPEB funding is at 36.8%. Mr. Bassett doesn't know what the actuary report says but believes that there is a reduction in OPEB liability this year that was offset by the market value. Scott almost thinks it increased this year and is above average.

Mr. Bassett reported on the Federal Single Audit, which included \$7.5m of Federal Awards and the State Single Audit, which included \$9.5m of State Awards. Both audits received unmodified opinions.

Although RSM doesn't opine on internal controls, they do take a look at them and are required to report them to the committee if there are any significant deficiency or material weaknesses. None were found through the process. Mr. Bassett asked if there were any questions on the Federal or State audit.

Mr. Basset discussed the outstanding pending GASB statements. 2023/2024 are going to be slow years for the GASB but within the net couple of years, new reporting requirements.

Mr. Johnson thanked Ms. McManus for hanging in there while part of it she was doing by herself, can't thank Ms. McManus enough and to welcome Ms. Rowley. Thanked Ms. McManus again for doing a great job. Thanked Mr. Bassett for his work.

Dr. Bookman asked Mr. Johnson if he needed to start of with public comment per agenda and if that was acknowledge? Mr. Johnson circled back to this, asked if there anyone on zoom to offer a comment. No public comment via zoom or email.

Mr. Bassett appreciates that the Town is always timely in responses and take the audit serious. And to follow up, one audit adjustment so when financial packages are received each month the committee is making sound decisions on sound financial information.

Ms. Wang commented that it was her first and Mr. Johnson's last, good to understand, in good shape and that's because of all the people here and Richard's leadership.

The meeting adjourned at 12:32 PM.

Respectfully submitted,

**Keri Rowley**

*Keri Rowley*

Acting Recording Clerk