

**MINUTES OF THE CHESHIRE TOWN COUNCIL AUDIT COMMITTEE MEETING
HELD ON TUESDAY, JANUARY 28, 2020 AT 6:30 P.M. IN ROOM 207, TOWN HALL,
84 SOUTH MAIN STREET, CHESHIRE CT 06410**

Present

Sylvia Nichols, Chair; Paul Bowman and Peter Talbot
Staff: Town Manager Sean Kimball; Finance Director James Jaskot; Deputy Finance Director Gina DeFilio. Vincent Masciana, COO, Dept. of Education
Guest: Scott Bassett and Paul Sabetta, RSM U.S. LLP

1. ROLL CALL

The Clerk called the roll and a quorum was determined to be present.

2. PLEDGE OF ALLEGIANCE

The group Pledged Allegiance to the Flag.

3. ACCEPTANCE OF FY 18-19 COMPREHENSIVE ANNUAL FINANCIAL REPORT/AUDIT

Mr. Bassett stated that RSM was hired to audit the Town of Cheshire's financial statements and do a federal and state single audit, and the Town must meet all the compliance requirements. Mr. Bassett presented a summary of the audit report and reviewed it with the committee and staff.

- CAFR (Note 1) – no changes in 2019
- New accounting standards had no impact
- Accounting Estimates – Pension Plan, OPEB
- No difficulties in performing the audit
- No disagreements with management
- No uncorrected misstatements
- Trial Balance, nothing of alarm; trial balance clean, accurate and up to date, no problems
- Internal Controls – nothing came to attention of the auditors
- End of the audit, Management signs a statement taking ownership of the financial statements, estimates, and compliance with state and federal requirements for Town and Dept. of Education.

Management Responsibilities – prepare and present financial statements in accordance with US GAAP.

Auditor Responsibilities – express opinions on the financial statements based on the audit; plan and perform the audit; the Town of Cheshire received clean, unmodified opinions.

Financial Statement Highlights – On a government wide basis assets and deferred outflows exceeded liabilities and deferred inflows resulting in total net position at close of fiscal year of \$87.9M.

Governmental Activities had a decrease in net position of \$775,000.

General Fund – year end balance increased by \$481,000 to \$11.1M; total fund balance increased by \$1.4M to \$14.4M. This represents 9.65% of total General Fund expenditures and transfers out of \$115.7M; this is an increase from 8.77% last year.

Mr. Jaskot stated the Town Council will have a full presentation on the audit and finances in a few weeks. He commented on the increases due to the \$14.5M bond sale.

Internal Service Funds - \$576,000 overall increase, resulting in net position of \$1.6M.

Notes to Financial Statement – 1 to 5 remain the same; #6 long term liabilities, pension plan and OPEB +\$4M in the current year.

Mr. Bassett informed the committee about the new mortality tables specific to municipal employees which will increase liabilities, and have to be used for the GAP presentation in 2020.

The July 1, 2019 actuarial valuation is in process now, and these new tables will impact this valuation. Actuaries expect Cheshire to go to 7%, and Mr. Jaskot said this would be discussed again this year. The actuarial report should be available soon.

Notes #7 through #15 – Heart & Hypertension \$3.2M, and is pay as you go program. Revenue exceeded budget by \$1.2M; expenditures under budget by \$538,000.

Tax revenue is under-estimated and results in +\$500,000 surplus.

Expenditure side – there were vacancies in Town staff positions with gaps in filling these positions.

Total federal awards - \$1.8M; total state awards - \$15.7M; no big changes upcoming in 2020.

2021 – the standard for leases changes; everything will be capital in nature; pension tables will be different.

Mr. Bassett stated that overall, the audit went very well.

Teacher Pension Plan – Mr. Masciana commented on this pension plan not being the responsibility of the Town.

Mr. Bassett said teachers have an OPED plan and retirement plan. There were decreased expenditures this year based on OPEB.

The teachers' pension plan is not on the Town books, and Mr. Jaskot said it is paid by the State. Rating agencies look to see this information (revenue and expenditure) on

the financial statements. The new mortality rates will have some impact on the teacher pension plan.

In the recent Charter Revision, Mr. Bowman pointed out that the BOE was to use the same budget format as the Town for financial reporting. He asked if the BOE is in alignment with this.

Mr. Bassett noted the BOE is a one line item in the audit, and he cannot respond to that specific question. He asked Mr. Kimball and Mr. Jaskot to look into the parity of financial reporting by the Town and BOE.

Cash Accounts – Mr. Bowman talked about his concerns with employees handling cash and the large amount of money that goes through the BOE. By statute, BOE does not account for this cash.

Mr. Masciana explained this cash is usually from ticket sales at sporting events and the student activity fund.

It was recommended by Mr. Bassett that there be rotation of the schools...pull samples of receipts and cash...and he noted there is an inherent risk with these functions. He could see some changes in these student accounts.

According to Mr. Bowman the cash is from clubs, with checks written to the Town for disbursements, without accountability.

Mr. Masciana explained that everything received and disbursed has two-part signatures, with quarterly reporting to the BOE Finance Committee. These are the same reports provided to the auditors, and they can be pulled for student activity accounts.

Mr. Bowman stated there needs to be full explanations of these accounts.

The “sampling” could be split into two large departments, and Mr. Bassett said from a GAP standpoint the samples (i.e. payroll) insure BOE compliance. The State DOE has procedures in place (ESF) which auditors use and pull for broader testing. There are State procedures to be followed, and the Cheshire BOE audit took about 35 hours.

It was noted by Mr. Jaskot that the BOE submits reports to the State DOE each year.

In-kind Services – Mr. Bowman stated that these services must be captured to get a true per pupil expenditure cost. We need to know how these are calculated for per pupil expenditures. There seems to be a gap in what comes in and what is spent. Mr. Bowman believes sports programs are not funded individually in the total budget.

There are other items that flow through student activity funds and Mr. Masciana cited the "Chromebooks" program. There is a \$50 fee to students in case there is damage or loss and replacement of a Chromebook. This money is taken into the student activity fund, and checks are written for the repairs or replacement. Field Trips are in the student activity fund.

Ms. Nichols thanked Mr. Bassett and Mr. Sabetta and RSM for conducting the audit for the Town of Cheshire.

4. ADJOURNMENT

MOTION by Mr. Bowman; seconded by Mr. Talbot.

MOVED to adjourn the meeting at 6:58 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk