

BOARD OF ESTIMATE AND TAXATION
Audit Committee
Special Meeting Minutes
Tuesday, November 25, 2014 – 10:00 A.M.
Gisborne Conference Room

Present

Committee: Arthur Norton, Chairman; John Blankley, William Finger, Leslie Tarkington

BET Members: Randall Huffman, Nancy Weissler

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Risk Management Director; Pat Maranan, Internal Auditor; John Wayne Fox, Town Attorney; Scott Bassett, McGladrey Partner, Jennifer Mazzuocolo, McGladrey Manager, Allen Brown, Nathaniel Witherell Executive Director, Steve Soler, Nathaniel Witherell Board Member

The regular meeting was called to order at 10:00 A.M.

1. Executive Session with the Town Attorney to review the Legal Letter for the Fiscal 2013-2014 Annual Audit

On a motion by Ms. Tarkington, seconded by Mr. Finger, the Committee voted 4 to 0 to go into Executive Session at 10:02 A.M. to discuss Town of Greenwich legal matters.

On a motion by Mr. Finger, seconded by Ms. Tarkington, the Committee voted 4 to 0 to come out of Executive Session.

2. Review of the Fiscal 2013-2014 Draft Annual Audit

Mr. Bassett and Ms. Mazzuocolo, from McGladrey were in attendance to present the draft audit report for the year ending June 30, 2014. Highlights of their presentation were as follows:

- Mr. Bassett reported that this was a draft, and that he would like to cover highlights of the report. Mr. Norton asked if he was ready to report any Management Letter findings. Mr. Bassett said he would like to cover two significant deficiencies uncovered during the audit. Mr. Bassett reported that there were issues with the reconciliation of taxes received and the general ledger within the Tax Collector's office and secondly, they found a deficiency in processing Board of Education summer checks. He said he would give further detail at the December 11, 2014 Audit Committee meeting.
- Mr. Bassett stated that overall the Town's accounting records are in good condition for audit purposes. In addition, he indicated that he should have a completed draft available the week of December 1, 2014.
- Mr. Bassett went into detail to explain the new Governmental Accounting Standards Board (GASB) Number 67 to report pension liabilities. He said that under the new reporting standards for GASB 67, the Town's net pension liability decreased to \$110

million, which increases the ratio of plan net position to total pension liability to 77.8%. He offered that this is good, and that the Town is benefiting from the new GASB standard. Mr. Bassett added that GASB 67 is for disclosure purposes and that GASB 68 will need to be implemented for the next audit year, and will require the liability to be reported on the Government-Wide Financial statements. He said that the liability will show up as a liability for the Town, and that it will not affect the individual funds, such as the General Fund.

- Mr. Norton asked if the auditors reviewed the Student Activity Funds, since they carry a large amount of cash on the balance sheet. Mr. Bassett reported that they always look at Student Activity Funds in all of their engagements, due to the high inherent risk associated with managing these funds. He reported that he will update the Audit Committee on December 11th, as to the type of testing they did in reviewing these funds.
- Mr. Bassett told the Committee that the Town has a healthy unassigned fund balance in the General Fund of about \$27 million. When asked, he explained the five components of the fund balance under Generally Accepted Accounting Principles (GAAP). He reported that the Town had a very good operating surplus of over \$12 million for the year ending June 30, 2014, increasing the overall budgetary fund balance from \$35.2 million to \$47.3 million. When asked about the makeup of the assigned portion of the fund balance, he answered that the approximately \$19.5 million is made up of the use of fund balance and encumbrances.
- Mr. Norton informed the Committee that they can go into further detail at the December 11th meeting and asked if anyone had any further questions. Ms. Tarkington and Mr. Finger questioned the Table of Organization listed in the report, as it was not consistent with organizational charts presented in prior years in the CAFR or the Town Charter. Specifically, they wanted to know why the Tax Collector did not report to the Board of Estimate and Taxation (BET) on the chart. It was determined that the chart use did not properly reflect the Tax Collector reporting to the BET and it was agreed that the chart would be changed to reflect proper reporting channel to the BET.

The Committee members thanked Mr. Bassett and Ms. Mazzuocolo and this portion of the meeting concluded.

3. Audit report for the Expense Certification to sell Connecticut Historic Preservation Tax Credits, Pursuant to C.G.S. 10-416b for The Nathaniel Witherell Project Renew

The auditors handed out a short draft report on "Applying Agreed-Upon Procedures" for the expense certification of costs associated with The Nathaniel Witherell Project Renew for Historic Preservation Tax Credits. Included in the handout were Forms 3 and 5a that need to be filled out by Nathaniel Witherell officials.

Mr. Bassett reported that they had completed the steps required by the State of Connecticut for the proper certification of costs for Project Renew. He also reported that their report is being sent to peer review along with the regular financial audit and that they both would be ready together.

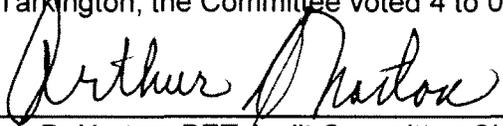
Mr. Norton asked about the next step to be done in this process. Mr. Bassett and Mr. Allen Brown both reported that Form 5a must be completed by Nathaniel Witherell before McGladrey

could complete the process. Mr. Brown also reported that they need the final Certificate of Occupancy (C.O.) to complete the process for reimbursement from the State for the sale of Historic Tax Credits. He reported that he expects the C.O. around January 2015.

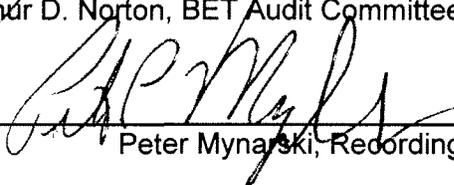
Mr. Bassett added that the audit went well with no exceptions and reported that cooperation was good and that the records were well-kept. Mr. Finger asked if the State of Connecticut will check on the audited records. Mr. Bassett reported that he doesn't expect the State to audit their work, but they are well prepared to accommodate. Mr. Finger also asked if Northeast Utilities (NU) subsidiary Connecticut Light and Power (CL&P) is still prepared to purchase the tax credits. Mr. Brown said yes.

4. Adjournment

Upon a motion by Mr. Blankley, seconded by Ms. Tarrington, the Committee voted 4 to 0 to adjourn the meeting at 11:31 A.M.



Arthur D. Norton, BET Audit Committee Chairman



Peter Mynarski, Recording Secretary