

**SELECT BOARD / FINANCE COMMITTEE JOINT MEETING
OPEN SESSION MINUTES OF WEDNESDAY, AUGUST 10, 2022**

In attendance: Chairman Daniel Lee, Vice Chair Pamela Campanella (on Zoom), Clerk Lindsay Vayda, Associate William Watkins, Town Administrator Gregory Hanley, Town Accountant Elizabeth Zaleski. Absent: Associate David Reilly

1. Call to Order – Chairman Daniel Lee called the meeting to order in the Noel C. King Conference Room and via Zoom. He stated that Vice Chair Campanella was on Zoom with a few members of the Finance Committee.
2. Discussion – Closeout of FY21 Independent Audit – Town Administrator Gregory Hanley and Town Accountant Elizabeth Zaleski introduced the audit process and Renee Davis from Powers & Sullivan who was the independent auditor of the Town's financial statements for FY21.

Renee Davis explained that the role of an independent audit is to give opinions on financial statements as well as on compliance with the provisions on uniform guidance in relation to federal grant programs. She said the audit process is conducted in accordance to auditing standards generally accepted in the United States of America and government auditing standards.

The objectives of the audit are to obtain reasonable assurance that financial statements are free of material misstatements and are fairly presented. This includes obtaining an understanding of the Town's internal controls relevant to the audit, and identifying and assessing the risk of material misstatement of the financial statements.

Results of Audit: Material weakness related to internal controls in the Treasurer/Collector's Office is reported in the Management Letter and in the reports on Federal Awards program.

Management Letter – Material Weakness

- Internal controls in the Treasurer/ Collectors office- most have been reported since prior to 2017 without significant improvement: timeliness of Recording Financial Activity and Reconciliations of Cash and Receivable accounts of the General Ledger
- Tax Title and Old Accounts Receivable Balances
- Old Outstanding Checks/Tailings
- Cross-Training Staff in the Treasurer/Collectors office
- Internal Control Over Cash Drawers in the T/C Office (resolved)
- Implementation of New Software to assist with the Implementations of Recommendations (no longer applicable).

Management Letter – Not Resolved

- Documentation of Policies, Procedures, Risk Assessment and Disaster Recovery Plans- have drafts, some new team members in place, have not implemented or finalized any of them, they are not put into action
- Document the New Single Audit Guidelines Over Procurement- not in compliance with federal requirements
- Improve Compensated Absence Accounting
- Reconciliation of Health Insurance Withholding and Billing
- Reporting Personal use of town vehicles and the Senior Citizen Property Tax Write-Off
- Verification of Unemployment Claims. Part of HR Department rolls
- Human Resource Roles and Procedures
- Planning and Conservation Project Deposit Reconciliations

Resolved –

- Framework for Assessing and Improving Cyber Security
- Paying Bills Prior to Formal Warrant Approval

Financial Position Highlights – General Fund Balance

- \$45.3 million final General Fund budget; including amounts carried over from prior year
- Budgeted to use \$2.3 million in Free Cash
- Revenues exceeded budget by \$1.6 million
- Expenditures/encumbrances were under budget by \$1.4 million
- Budgetary net increase \$880,000
- Budgetary controls were in place
- General fund Balance- \$9.4 million (includes Stabilization Funds)
 - o \$3.3 million general stabilization fund (unassigned)
 - o \$372,000 Special Education stabilization fund (unassigned)
 - o \$388,000 Capital stabilization fund (unassigned)
- Unassigned General Fund Balance- \$8.8 million
- School Building Major Fund
 - o Intergovernmental revenues- little activity
 - o Cash and Short-Term notes payable at year end
- Enterprise funds- Full Accrual- no significant changes, overall increase \$695,744
 - o Water
 - o Sewer
 - o Solid Waste
 - o PEG Access
- Fiduciary Funds- OPEB
 - o \$1.9 million- invested long term- reduces Net OPEB liability
 - o Prefunded \$350,000 in FY2021
 - o Trust Balance totaled \$1.9 million at year end
- Fiduciary Funds- Private Purpose Trust
 - o Education Scholarship Funds-Benefit Individuals
- Net OPEB Liability

- Net OPEB Liability \$67.2 million governmental and \$852,000 business-type (water and sewer enterprise)
- Net Liability increased from \$55.1 million to \$68 million. New valuation year
- Differed inflows of resources for investment gains and differences in experience from expectations
- Net pension Liability
 - Norfolk County Retirement System- proportional share
 - Town Liability- \$14.4 million Governmental and \$259,000 Enterprise Funds
 - Actuarily determined contribution of \$2.3 million
 - Proportional of Retirement System 2.86%
 - Discount Rate 7.75%
 - Liability decreased from \$16.9 million to \$14.6 million
- Governmental Debt \$34.8 million
 - General Fund Debt Service 8% of Budget
 - No new debt issued
 - Retired debt \$2 million for Governmental
- Enterprise Fund Debt \$9.6 million
 - No new debt issued
 - Retired \$1.9 million for enterprise funds

Single Audit –

- Major Programs Tested
 - Education Stabilization Fund
 - COVID-19- Coronavirus Relief Fund
- \$2.1 million spent on federal Grants
 - \$348,000 in the Education Stabilization Fund
 - \$747,000 in COVID-19 - Coronavirus Relief Fund

Chairman Lee thanked Renee Davis for her presentation.

3. Adjourn – Lindsay Vayda moved, William Watkins seconded, and the Board voted unanimously, with Lindsay Vayda voting yes, William Watkins voting yes, and Daniel Lee voting yes to adjourn.