



Presentation to the Board of Finance

2020 Audit Results

Town of Old Saybrook, Connecticut

Presented by:
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January 19, 2021

Agenda

- Scope of Work
- Auditor's Reports
- Financial Highlights
- Required Communications
- Questions

Scope of Work

Audit of Financial Statements performed in accordance with the following:

- Auditing standards issued by the American Institute of Certified Public Accountants
- *Government Auditing Standards* issued by the Government Accountability Office

Federal and State Single Audit performed in accordance with the following:

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- State of Connecticut, OPM Compliance Supplement to the State Single Audit Act
- Applicable grant and contract agreements

Agreed-Upon Procedures on End of Year School Reports (EFS)

- Procedures required by the State of Connecticut Department of Education

Scope of Work *(Continued)*

Nonaudit Services:

- Assisted in the preparation of the financial statements, schedule of federal awards and state financial assistance and the related notes
- Assisted in the conversion of the governmental funds financial statements to the government-wide financial statements
- In order for our firm to be able to perform these services and remain independent of the Town, management is required to oversee these services by designating an individual with suitable skill, knowledge, or experience, to evaluate the adequacy and results of those services; and to accept responsibility for them. Lee Ann Palladino, Finance Director has accepted responsibility for these services

Auditor's Reports

Report on Financial Statements

- Unmodified "clean" opinions on the following opinion units:
 - Governmental activities
 - Each Major Fund:
 - General Fund
 - Capital Projects Fund
 - Capital Nonrecurring Fund
 - Aggregate remaining fund information:
(Internal Service Funds, Nonmajor Special Revenue and Permanent Funds, Private-Purpose Trust Funds, Pension Trust Funds and Agency Funds)

Report on Compliance and on Internal Control over Financial Reporting

- We are not reporting any material noncompliance of laws and regulations
- We are not reporting any significant deficiencies or material weaknesses over financial reporting

Auditor's Reports *(Continued)*

Federal Single Audit

- Report on Compliance and on Internal Control at the Federal Award Level
 - Fiscal Year 2020: \$826,065 expended
 - Major Programs:
 - Special Education Cluster (DOE) - \$309,397
 - Title I – Grants to Local Educational Agencies - \$122,345
 - Unmodified “clean” opinion on compliance
 - We are not reporting any significant deficiencies or material weaknesses over grant compliance

State Single Audit

- Report on Compliance and on Internal Control at the State Financial Assistance Level
 - Fiscal Year 2020: \$1,051,646 expended, \$737,228 nonexempt
 - Major Programs:
 - Clean Water Program - \$154,368
 - Town Aid Road Grant Program - \$246,620
 - Unmodified “clean” opinion on compliance
 - We are not reporting any significant deficiencies or material weaknesses over grant compliance

Financial Highlights

General Fund – Budgetary Highlights

- Original budget did not provide for the use of fund balance to balance revenues and expenditures
- Final budgeted included additional appropriations of \$5,000
- Actual budgetary surplus was an increase of \$1,678,118, of which \$1,085,000 was subsequently authorized to be transferred to the Capital Nonrecurring Fund. This resulted in net increase in the General Fund's fund balance of \$588,118
- Revenues were \$6,959 less than budgeted. Shortfalls in property tax collections were offset by favorable collections on State aid.
- Expenditures were \$1,685,077 less than budgeted
 - Budgetary savings across all departments
 - No budgetary instances of noncompliance were identified

Financial Highlights *(Continued)*

Governmental Funds – Highlights

- Combined ending fund balances as of June 30, 2020 totaled \$14,812,002, an increase of \$6,755,173 from the prior year.
- Total fund balances consisted of the following:
 - General Fund: \$8,123,855, an increase of \$654,882 from the prior year
 - \$7,559,728 is unassigned, which represents 16.1% or 1.9 months of fiscal year 2021 budgetary expenditure appropriations
 - Capital Projects Fund: \$1,356,467, a decrease of \$1,471,208 from the prior year
 - Capital Nonrecurring Fund: \$3,929,247, an increase of \$7,535,758 from the prior year
 - Increase reflects issuance of long-term debt to permanently fund outlays for the sewer avoidance project
 - Other Funds: \$1,402,433, an increase of \$35,741 from the prior year
- A fund balance deficit is reported in the Emergency Management Fund of \$255,402. This deficit reflects a temporary deficit that will be funded through grant revenues received in fiscal year 2021

Financial Highlights *(Continued)*

Government-wide Financials – Highlights

- Focus on the government-wide financial statements are on long-term liabilities

- Net Pension Liabilities:
 - NPL for Town Plan - \$20,106,300, an increase of \$12,709,535 (53.66% funded)
 - Increase in NPL driven by a decrease in the discount rate from 5.85 % to 3.76%
 - NPL for Fire Company Plan - \$1,239,794, an increase of \$321,386 (53.12% funded, 7.125% discount rate)
 - Increase in NPL driven by a decrease in the discount rate from 7.50% to 7.125%

- Other Post-employment Benefits
 - Reflects retiree health benefits for eligible employees
 - Actuarial determined liability for these benefits total \$11,600,082 as of June 30, 2020
 - Benefits are being funded on a pay-as-you-go basis

Required Communications

Auditor's Responsibility under U.S. Generally Accepted Auditing Standards

Planned Scope and Timing of the Audit

- No changes in the scope of the work that was originally agreed-upon
- One extension was filed with the State due to delays in the start of fieldwork resulting from staffing constraints at MahoneySabol. The constraints were driven by the implementation of a remote audit process firm wide. All reports were subsequently filed with State on January 14, 2021

Significant Audit Findings

- Qualitative Aspects of Accounting Practices
 - New accounting standards:
 - GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, resulted in the postponement of the effective date of most GASB standards by at least one year in response to the pandemic
 - Significant estimates and judgments:
 - Estimated useful lives assigned to capital assets
 - Discount rates utilized to determine net pension and OPEB liabilities

Required Communications *(Continued)*

Significant Audit Findings: *(Continued)*

- There were no difficulties encountered in performing the audit
- There were no uncorrected misstatements
- There were no disagreements with management
- We obtained a management representation letter and there were no unusual representations requested by us from management
- We are not aware of any consultations by management with other independent accountants

Questions?

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