

**METROPOLITAN DISTRICT COMMISSION
REGULAR MEETING
BOARD OF FINANCE
MONDAY, FEBRUARY 5, 2018
5:00 P.M.**

Location

Board Room
District Headquarters
555 Main Street, Hartford

Commissioners

Caban
DiBella (Ex-Officio)
Hoffman
Salemi

Citizen Members

Aberasturia
Angelo
Courneen
King-Corbin

Quorum: 5

1. CALL TO ORDER
2. ELECTION OF CHAIRMAN
3. ELECTION OF VICE CHAIRMAN
4. PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS
5. APPROVAL OF MEETING MINUTES OF JANUARY 8, 2018
6. REQUIRED AUDITOR COMMUNICATIONS
7. DISCUSSION RE: CUSTOMER ASSISTANCE PROGRAM ADMINISTERED BY OPERATION FUEL
8. CONSIDERATION OF AND POTENTIAL ACTION RE: APPROVAL FOR STATE OF CONNECTICUT FINANCING - DWSRF NO. 2018-7061
9. CONSIDERATION OF AND POTENTIAL ACTION RE: APPROVAL FOR STATE OF CONNECTICUT FINANCING - DWSRF NO. 2018-7062
10. OPPORTUNITY FOR GENERAL PUBLIC COMMENTS
11. OTHER BUSINESS
12. ADJOURNMENT

MEMO - COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To: Board of Finance, The Metropolitan District
From: Vanessa E. Rossitto, CPA, Audit Partner
Blum Shapiro & Company, P.C.
Date: February 5, 2018
Re: Auditing Standard No. 114, "The Auditor's Communication with Those Charged with Governance" regarding audit of The Metropolitan District

We are engaged to audit the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of The Metropolitan District for the year ended December 31, 2017. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our responsibilities under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, the Uniform Guidance and the Connecticut State Single Audit Act.

As stated in our engagement letter dated October 20, 2017, our responsibility, as described by professional standards, is to express opinions as to whether the financial statements, prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve those charged with governance or management of their responsibilities.

In planning and performing our audit, we will consider The Metropolitan District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Connecticut State Single Audit Act.

As part of obtaining reasonable assurance about whether The Metropolitan District's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance and the Connecticut State Single Audit Act, we will examine, on a test basis, evidence about The Metropolitan District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the State of Connecticut Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on The Metropolitan District's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on The Metropolitan District's compliance with those requirements.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform an examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Planned Scope, Timing of the Audit and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of our audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

Nonattest Services

In addition to above services, we will also assist in performing certain nonattest services. These services do not constitute an audit under *Government Auditing Standards*. The services are as follows:

- preparing a draft of the financial statements,
- preparing a draft of the schedule of expenditures of federal awards (SEFA),
- preparing and submitting the federal data collection form,

Management agrees to oversee the nonattest services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Independence

There are no relationships between any of our representatives and The Metropolitan District that in our professional judgment impairs our independence.

Responsibilities under Auditing Standards Generally Accepted in the United States of America

Management's responsibilities include:

- The selection and application of accounting principles, the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards and all accompanying information
- Establishing and maintaining effective internal controls, including internal controls over compliance
- Making all financial records and related information available to us and for the accuracy and completeness of that information
- The design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the government

- Identifying government award programs and understanding and complying with the compliance requirements

Auditor's responsibilities include:

- Express opinions on the financial statements based on our audit
- Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement
- Performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements
- Consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

Audit Areas of Focus

- Cash
- Investments
- Receivables and revenues
- Capital Assets
- Payables, accruals, expenditures
- Debt
- Insurance and Self Insurance
- Grants – Federal and State Single Audit

Engagement Timing

- Our initial planning for the year-end audit will be performed during December 2017. Our focus will be on documentation of the internal controls as required by auditing standards, fraud inquiry interviews with management and key personnel, preparation of certain confirmations some overall analytical procedures and audit fieldwork as applicable to the federal single audits.

- Audit Timing:

Commencement of Fieldwork	3/19/18
	4/9/18
Issuance of Draft Financial Statements	5/4/18
Client Approval of Draft Statements	5/14/18
CAFR Workshop	TBD
Post Audit Meeting with Management	TBD

Engagement Team

The engagement team that will be responsible for audit, and other services, is as follows including contact information to reach us:

- Vanessa Rossitto, Audit Partner
Direct Line: 860-561-6824
Email: vrossitto@blumshapiro.com
- Nikoleta McTigue, Concurring Audit Partner
Direct Line: 860-570-6377

Email: nmctique@blumshapiro.com

- Jessica Aniskoff, Audit Manager
Direct Line: 860-570-6451
Email: janiskoff@blumshapiro.com
- Michael Popham, Audit Manager
 - Direct Line: 860-570-6391
 - Email: mpopham@blumshapiro.com

Other Communications

At the completion of our audit we will communicate in writing the following information related to our audit:

- Management judgments and significant sensitive accounting estimates
- Significant accounting policies
- The adoption of new accounting principles or changes in accounting principles
- Significant audit adjustments (recorded and unrecorded)
- Disagreements with management about auditing, accounting or disclosure matters
- Difficulties encountered in performing the audit
- Irregularities and illegal acts
- Consultation by management with other auditors
- Matters affecting independence of auditors
- Material weaknesses, significant deficiencies and control deficiencies

Knowledge of Fraud

- If management or those charged with governance has any knowledge of fraud or potential fraud, this information needs to be communicated to us. As part of the audit process, we will be meeting with management to discuss fraud risks and any further issues.

Industry Developments - Current Year (December 31, 2017) Accounting Standards

- **GASB Statement 73 - Pensions Not Within the Scope of Statement 68 and Amendments to Statements 67 and 68** This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.
- **GASB Statement 74 - Financial Reporting by OPEB Plans (disclosure)** The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged. Unless

otherwise specified by this Statement, all assumptions underlying the determination of the total OPEB liability are required to be made in conformity with the guidance in Actuarial Standards of Practice issued by the Actuarial Standards Board.

- **GASB Statement 82 – Pension Issues, an Amendment of GASB Statements 67, 68 and 73.** Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Industry Developments - Future Accounting Standards – December 31, 2018

- **GASB Statement 75 - OPEB Accounting for Employers and Non-Employer Contributing Entities** The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.
- **GASB Statement 85 – Omnibus** The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.
 - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and “negative” goodwill
 - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
 - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
 - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
 - Classifying employer-paid member contributions for OPEB
 - Simplifying certain aspects of the alternative measurement method for OPEB
 - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
- **GASB Statement 86 – Certain Debt Extinguishment Issues** This Statement provides guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Industry Developments - Future Accounting Standards – December 31, 2019

- **GASB Statement 83 – Certain Asset Retirement Obligations** This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A

government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

- **GASB Statement 84 – Fiduciary Activities** The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Industry Developments - Future Accounting Standards – December 31, 2020

- **GASB Statement 87 – Leases** This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Areas of Concerns

- If you have any concerns that you would like to discuss with Blum Shapiro, we will make ourselves available either by phone or in person to discuss such concerns.

**APPROVAL FOR STATE OF CONNECTICUT FINANCING
DWSRF NO. 2018-7061**

To: Board of Finance for consideration on February 5, 2018

Staff seeks approval from your Board to execute and deliver the Interim Funding Obligation and Project Loan Obligation to the State of Connecticut having a principal amount of \$2,115,361.50 and having an interest rate of 2.00%.

The low interest loan will fund the replacement of water mains in the vicinity of Montclair Drive and Linbrook Road in West Hartford.

The State of Connecticut, through the Drinking Water State Revolving Fund Program, will provide \$2,115,361.50 in low interest loans at 2.00% to fund the expenses associated with this agreement.

Bond Counsel prepared the following resolution for your approval.

It is therefore RECOMMENDED that it be

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution from Bond Counsel

RESOLVED:

Section 1. The Chairman and the District Treasurer or Deputy Treasurer are authorized to execute and deliver any and all Interim Funding Obligations and Project Loan Obligations in the aggregate amount not to exceed \$2,115,361.50. Such Interim Funding Obligations shall be dated as of their date of issue, shall mature within six months of the Scheduled Completion Date, shall bear interest at the rate of two percent (2.00%) per annum, shall be payable as to principal and interest as provided in the Project Loan and Subsidy Agreement DWSRF No. 2018-7061 to be entered into with the State of Connecticut (the "Agreement") and, to the extent not paid prior to maturity from The Metropolitan District funds, may be renewed by the issuance of Interim Funding Obligations or Project Loan Obligations, all as provided in the Agreement. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Agreement.

Section 2. The Project Loan Obligations shall be dated as of their date of issue, shall mature no later than twenty years from the Scheduled Completion Date, shall bear interest at the rate of two percent (2.00%) per annum and shall be payable as to principal and interest as provided in the Agreement.

Respectfully Submitted,


Scott W. Jellison
Chief Executive Officer

**APPROVAL FOR STATE OF CONNECTICUT FINANCING
DWSRF NO. 2018-7062**

To: Board of Finance for consideration on February 5, 2018

Staff seeks approval from your Board to execute and deliver the Interim Funding Obligation and Project Loan Obligation to the State of Connecticut having a principal amount of \$1,461,991.65 and having an interest rate of 2.00%.

The low interest loan will fund the replacement of water mains in the vicinity of Garden Street in Wethersfield.

The State of Connecticut, through the Drinking Water State Revolving Fund Program, will provide \$1,461,991.65 in low interest loans at 2.00% to fund the expenses associated with this agreement.

Bond Counsel prepared the following resolution for your approval.

It is therefore RECOMMENDED that it be

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution from Bond Counsel

RESOLVED:

Section 1. The Chairman and the District Treasurer or Deputy Treasurer are authorized to execute and deliver any and all Interim Funding Obligations and Project Loan Obligations in the aggregate amount not to exceed \$1,461,991.65. Such Interim Funding Obligations shall be dated as of their date of issue, shall mature within six months of the Scheduled Completion Date, shall bear interest at the rate of two percent (2.00%) per annum, shall be payable as to principal and interest as provided in the Project Loan and Subsidy Agreement DWSRF No. 2018-7062 to be entered into with the State of Connecticut (the "Agreement") and, to the extent not paid prior to maturity from The Metropolitan District funds, may be renewed by the issuance of Interim Funding Obligations or Project Loan Obligations, all as provided in the Agreement. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Agreement.

Section 2. The Project Loan Obligations shall be dated as of their date of issue, shall mature no later than twenty years from the Scheduled Completion Date, shall bear interest at the rate of two percent (2.00%) per annum and shall be payable as to principal and interest as provided in the Agreement.

Respectfully Submitted,


Scott W. Jellison
Chief Executive Officer