

**QUONSET DEVELOPMENT CORPORATION
MEETING OF THE AUDIT-FINANCE COMMITTEE**

SEPTEMBER 14, 2020

PUBLIC SESSION MINUTES

A virtual meeting of the Audit-Finance Committee of the Quonset Development Corporation (the "Corporation") was held at 3:00 p.m. on Monday, September 14, 2020 at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Audit-Finance Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following Directors constituting a quorum were present and participated throughout the meeting as indicated: Jeffrey B. Cianciolo, Susan Leach DeBlasio, Scot A. Jones, and Kerry McKay. Also present were: Steven J. King, P.E., Managing Director; Norine V. Lux, Finance Director; Steve Cohen, O'Connor & Drew P.C.; and Brian Crowley, O'Connor & Drew P.C.

1. CALL TO ORDER:

The meeting was called to order at 3:02 p.m.

2. APPROVAL OF MINUTES:

- A. Upon motion duly made by Mr. McKay and seconded by Mr. Cianciolo, the Committee:

VOTED: To approve the Public Session Minutes of October 15, 2019 as presented.

Voting in favor were: Mr. Cianciolo, Mr. Jones and Mr. McKay.

Voting Against were: None.

Unanimously Approved.

Ms. DeBlasio joined the meeting at 3:04 p.m.

3. APPROVALS:

- A. Discussion and Vote to Recommend Approval of the Draft of the FY2020 Audited Financial Statements to the Full Board:

Mr. King introduced Steve Cohen of O'Connor & Drew P.C., who thanked Norine Lux, QDC Finance Director, for her hard work in assisting with the preparation of the FY2020 Audited Financial Statements. Mr. Cohen stated that the Corporation must submit the FY2020 Audited Financial Statements to the State of Rhode Island for review; however, Mr. Cohen does not expect any major changes to be suggested by the State. Mr. Cohen reviewed all the required communications and stated O'Connor & Drew P.C. conducted the audit using Government Auditing Standards.

Mr. Cohen stated the Corporation was issued an unmodified opinion and no material weaknesses were found nor were there any significant deficiencies within the report on internal controls and compliance with laws and regulations. Mr. Cohen stated this is the best possible opinion an organization can receive. Additionally, Mr. Cohen noted that the audit does not state an opinion on internal controls, but if during the audit any deficiency or lack of control was discovered, the auditors would have to enhance the report. The auditors did not find any internal control issues and therefore, there was no reason to enhance the report. Mr. Cohen reviewed several items under "Accounting for significant and unusual transactions", including; the issuance of the 2020 Series Bond for \$15.7 million, draw on the 2020 Series Bond in the amount of \$2.9 million, the \$12.8 million balance of the 2020 Series Bond Cash to be held by trustee, and the \$32.2 million in capital contributions consisting of funds from RICAP, the State of Rhode Island, and Contributions in Aid of Construction (CIAC).

Mr. Cohen noted that O'Connor & Drew P.C. worked with other accountants/auditors' consultants to include the RI Comptroller's Auditor General's Office and Pension Plan auditors. There were no disagreements with management, no major issues with management prior to retention, no difficulties during the audit, no uncorrected misstatements, and no other findings or issues. The only changes to the statements were two proposed and accepted adjustments to payroll accrual and close out entries which were minor in nature.

Mr. Brian Crowley of O'Connor & Drew P.C. continued with the presentation by reviewing the FY2020 Audited Financial Statements in detail with the Committee. The Committee discussed: current and non-current assets, including the addition of the 2020 Series Bond and which entity holds the liability of the asset; the note that net pension remains fully funded and well performing; and that non-current capital assets increased due to funding specifically related to Pier 2 improvements, Electric Boat improvements, and funds related to Town of North Kingstown infrastructure. Mr. Crowley reported no significant changes to Current Liabilities except a slight increase in accounts payable related to the forementioned construction projects. Mr. Crowley also reported that revenues were consistent with prior year reporting.

The Committee discussed the logic behind categorizing the \$1.2 million transfer to the State of Rhode Island as an expense and not as a withdrawal of capital or capital transfer. Mr. Cohen stated the statements would be adjusted to give the transfer to the State its own category under expenses instead of being listed as an expense.

Finally, Mr. Crowley reviewed the Notes including a standard note related to the state of emergency related to COVID-19. Mr. Crowley also briefly reviewed new GASB statements that may impact the Corporation's audited financials in the future.

Upon motion duly made by Mr. McKay and seconded by Mr. Cianciolo, the Committee:

VOTED: To recommend for approval by the Board of the Draft of the FY2020 Audited Financial Statements, finalized upon approval by the RI Auditor General.

Voting in favor were: Jeffrey B. Cianciolo, Susan Leach DeBlasio, Kerry McKay McKay and Scot A. Jones.

Voting Against were: None.

Unanimously Approved.

Mr. King took a moment to recognize the efforts of Norine Lux in her first full year as finance director. Mr. King stated, in addition to managing the Finance Department, Ms. Lux heads Human Resources and also had to deal with the effects of the pandemic, while having a pivotal role in the closing of the \$15 million bond issue in April.

4. ADJOURNMENT:

Upon motion duly made by Mr. Jones and seconded by Mr. Cianciolo, the Committee meeting adjourned at 3:39 p.m.

Voting in favor were: Jeffrey B. Cianciolo, Susan Leach DeBlasio, Kerry McKay and Scot A. Jones.

Respectfully submitted:

By: Norine V. Lux
Norine V. Lux,
Finance Director